

## REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

<b>Title of the thesis:</b>	<b>The Effect of Geopolitics on Commodity Prices</b>
<b>Author of the thesis:</b>	<b>Robert McGrouther</b>
<b>Referee (incl. titles):</b>	<b>Mgr. Martin Riegl, Ph.D.</b>

**Remark:** It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

### **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Theoretical background (max. 20)</i>	20
<i>Contribution (max. 20)</i>	18
<i>Methods (max. 20)</i>	14
<i>Literature (max. 20)</i>	18
<i>Manuscript form (max. 20)</i>	20
<b>TOTAL POINTS (max. 100)</b>	<b>90</b>
<b>The proposed grade (1-2-3-4)</b>	<b>1</b>

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

### **Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).**

#### **1) Theoretical background:**

Mr. Robert McGrouther has chosen increasingly important and topical issue which is the impact of geopolitics on commodity prices. The author tests four hypotheses which are clearly stated in the project and in the beginning of the submitted paper. 1) geopolitical events do not have substantial impacts on commodity prices in the modern global economy. 2) immediate changes in commodity prices as a result of geopolitical events are often overreactions, and prices will revert to appropriate levels in the short run. 3) long-term price rises that would appear to be the result of geopolitical events are in fact the result of demand and supply variables unrelated to geopolitical events. 4) producers within the vicinity of geopolitical events will continue to provide output; other producers in the market will adjust to compensate if this is not the case. (pp. 3-4)

Theoretical part itself is explained in Part 2. The author has decided to frame his research within the economic theory of commodity prices which is also related to Luttwak's era of geoeconomics.

#### **2) Contribution:**

There is no doubt about topicality of Robert's thesis. Also his analysis of actors influencing commodity prices (crude oil, wheat and aluminium) is interesting and provides a deep insight.

#### **3) Methods:**

Robert used the path analysis models, vector error correction models and the basic analysis of production decisions in order to verify/falsify above mentioned hypotheses. Using such quantitative methods is definitely a right way to conduct such research, however the main problem is **missing definition of „the geopolitical event“ itself**. If we want to quantify the impact of variable A on B we need to have both variables properly defined. Is an inter-state conflict in among super-powers a geopolitical event, is that civil war in sub-Saharan Africa or political turmoil in transit country?

#### **4) Literature:**

Robert managed to gather huge amount of relevant sources and show his ability to conduct and sophisticated independent research.

#### **5) Manuscript form:**

The thesis is logically structure and its format meets all FSS's requirements, but more importantly allows the reader a fluent reading. Robert's has proven an ability to conduct independent research and provides a solid and insightful analysis.

**DATE OF EVALUATION: August, 25th 2016**