

# Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

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Advisor:	doc. Mgr. Holub Tomáš, Ph.D.
Title of the thesis:	Negative Interest Rates - How Far Can They Go?

## OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

This bachelor thesis deals with a very relevant, up-to-date topic in modern monetary economics, i.e. with the feasibility of using negative nominal interest rates as a monetary policy instrument, and with the discussion of the effective lower bound.

The structure of the thesis is rather logical. After an introduction to the topic in chapter 1, it reviews in chapters 2 and 3 the seminal papers on the negative nominal interest rates and possible ways to overcome the zero lower bound (ZLB). Chapter 4 describes the recent cases of using negative nominal monetary policy interest rates mainly in Europe (and also in Japan). Chapter 5 provides some stylized facts on the transmission of negative policy rates to the economy mainly via the interest rate channel and real estate price channel. Chapter 6 is probably the most interesting one, as it presents a calculation of the costs associated with holding cash, which should determine the effective lower bound (ELB, as opposed to the ZLB). It demonstrates that these costs can be fairly high for small and medium-size amounts of money, but acceptable for large amounts. Chapter 7 concludes with the author's own views not only on the feasibility, but also on the desirability of negative interest rates (which appears to be rather sceptical).

The thesis is written in decent English, which is understandable, but would benefit from some further editing and proofreading.

During his work, the author consulted with me the content of his thesis in several rounds, and has incorporated most of my major comments. Therefore, I have no further specific remarks. The thesis contains no sophisticated empirical analysis, but overall deals with the topic in a way that is adequate for the bachelor level. **I thus recommend the thesis to be accepted and graded "good" (2, velmi dobře).**

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

CATEGORY	POINTS
Literature (max. 20 points)	16
Methods (max. 30 points)	20
Contribution (max. 30 points)	20
Manuscript Form (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>71</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE: Tomáš Holub**

**DATE OF EVALUATION: 29 August 2016**



**Referee Signature**