

Report on Bachelor / Master Thesis

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

Student:	Libor Ulrich
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	US and Euro Area Monetary Policies - What Are the Interrelationships

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

Contribution and Summary

The B.A. thesis of Libor Ulrich represents very fine empirical analysis of monetary policy, extremely well-written and with a clear value added. Libor constructs two country vector autoregression models of US and euro area economies and examines how various shocks such as monetary policy shocks propagate internationally. It also addresses the fact that unconventional monetary policy measures have been in place during the sample period and therefore, the so-called shadow policy rates are employed, too. The results presented in this thesis suggest that monetary policy in these two entities is strongly interrelated, which has important policy implications. Several scholars – and may be John Taylor more prominently – argue that this strong interrelationship may have negative effects. Once central bank A implements the loose monetary policy (for example, in the form of some unconventional measures), central bank B is, to a certain extent, forced to implement loose monetary policy, too, and vice versa. As a consequence, the central banks may get stuck in loose monetary policy equilibrium, which may have adverse economic or financial effects in the long term.

Methods

The thesis employs two country vector autoregression model with a sensible identification scheme in a Choleski way. The choice of variables is appropriate and sufficient robustness checks are carried out (for example, shadow rates). The impulse responses and variance decompositions are presented.

Literature

The literature is covered very well and all important references are cited and properly discussed.

Manuscript form

The manuscript form as well as organization of the thesis is standard. The thesis is written well and easy to follow for the reader.

Overall, I find this thesis as a solid piece of applied econometric work oriented on highly relevant policy topic and therefore, recommend the grade „výborně“ (A).

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	96
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Doc. Roman Horváth, Ph.D.*

DATE OF EVALUATION: *May 25, 2017*



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě