

Report on Bachelor / ~~Master~~ Thesis

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

Student:	Vojtěch Molnár
Advisor:	Tomáš Havránek
Title of the thesis:	Evaluating the Effects of Quantitative Easing in the UK Using the Synthetic Control Method

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

The aim of the thesis is to assess the effectiveness of quantitative easing in the UK using the synthetic control method. The second chapter focuses on QE in more detail – the policy is described in general, but special attention is given to the Bank of England policy. The third chapter describes the synthetic control method and the estimation procedure. The fourth chapter presents main empirical results – the author finds a positive but highly uncertain impact of QE on inflation.

The synthetic control method assess the effects of QE as a difference between the actual outcome of the treated units (i.e., of the UK) and its counterfactual „synthetic“ counterpart. The counterfactual counterpart is called synthetic, since it is synthesized from control (i.e. non-treated) units. Practically, it means that the counterfactual outcome of UK variables is given as a linear combination of the outcomes of control countries.

This method is appropriate for this type of exercise – it allows to perform counterfactual experiments and to compare actual situation (QE) with hypothetical situation (no QE). The thesis has a standard structure and appropriate length; it is well-written and easy to understand. The literature is well-cited and covers some important recent studies. The motivation is clearly stated. The model and the method of estimation are appropriate and well described. Overall, the thesis deals with an important topic and contributes to discussion on the effectiveness of unconventional monetary policy using an interesting methodological approach.

Questions for the defense:

1. What are the limitations of the synthetic control approach, especially when some untreated units in the control group countries got some treatment in the form of unconventional monetary policy?
2. What is the motivation for the choice of the synthetic control method over a most standard econometric analysis (diff-in-diff)? Explain better the difference between these two approaches (advantages vs disadvantages) and explain why the synthetic control method is an appropriate technique in this case.

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

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	28
Literature (max. 20 points)	19
Manuscript Form (max. 20 points)	19

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TOTAL POINTS	(max. 100 points)	94
GRADE	(1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Simona Malovaná*

DATE OF EVALUATION: 5. 6. 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