

Report on Bachelor Thesis

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

Student:	Jiří Čermák
Advisor:	doc. Mgr. Tomáš Holub, Ph.D.
Title of the thesis:	Baltic States: Lesson from the Crisis

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

This thesis focuses on the external imbalances, mainly current account deficit and capital flows in Estonia, Latvia and Lithuania in the period before the breakdown of the economic crisis. Author describes and carries out three econometric models which try to assess the role of fixed exchange rate as a possible source of these external imbalances.

First part of the thesis is devoted to the discussion about the current accounts in Baltic states. Current accounts, their decomposition, sources and sustainability are widely described from many perspectives. Author demonstrates perfect usage current literature findings in combination with his own graphs and tables with real data. The only imperfection would be referencing to the non-existing table in the appendix (wrong numbering) when it is main topic of one subchapter – it would be more illustrative to have this table directly in the text.

The econometrical part models the influence of the fixed exchange rate on the current account. The whole empirical part is nicely described including literature review, methods, variables and data. Appropriate econometric methods are carried out (heteroscedasticity of sample data is considered) and results from all three models are clearly stated and questioned. Only the conclusion from the third model was stated too strongly – despite of insignificance of one factor there could be an economic justification for results of this model. In general, empirical part finds support for connection between higher current account deficit and fixed exchange rate and proves author's adequate knowledge of econometric models.

Last part is dedicated to capital inflows discussion. Author again connects his own findings based on economic data with findings from the literature and illustratively compares various Baltic economic indicators with other states. Conclusion of the thesis logically summarizes the whole contribution of this research.

Thesis is well-written; manuscript form is on the high level and arguments are states in logical order. Maybe only the conclusion from the first part should be stated earlier then in the next chapter and the order of subchapters should be more clarified. Altogether, author proves knowledge of econometric methods, the ability to understand and review various literatures and capability to interpret and draw conclusions based on macroeconomic data.

For a defence discussion I would suggest following topic: You would probably agree that Latvia was hardest hit by the economic crisis started in 2008 compared to other two Baltic states. Could you find evidence in macroeconomic data you analyzed that would signalize oncoming troubles in Latvia and its worst position compared to other two countries?

After successful defence I suggest grade A - "výborně".

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

CATEGORY	POINTS
Literature <i>(max. 20 points)</i>	19
Methods <i>(max. 30 points)</i>	26
Contribution <i>(max. 30 points)</i>	25
Manuscript Form <i>(max. 20 points)</i>	15
TOTAL POINTS <i>(max. 100 points)</i>	85
GRADE <i>(1 - 2 - 3 - 4)</i>	1

NAME OF THE REFEREE: Lenka Herrmannová

DATE OF EVALUATION: 31.8.2013


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