

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Jan Sviták</b>
<b>Advisor:</b>	<b>PhDr. Tomáš Havránek</b>
<b>Title of the thesis:</b>	<b>Empirical Estimates of the Taylor Rule: A Meta-analysis</b>

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

In this thesis Jan Svitak analyses 1128 estimates of the Taylor rule from 88 primary sources. Using a meta-analysis technique author assesses the heterogeneity of the results published by different researchers and aims at uncovering so-called publication bias, i.e. bias that represents a tendency of researchers to publish results that are positive and (or) are in line with theory and expectations.

Jan Svitak starts the thesis by providing thorough description of the Taylor rule and its modifications, and describing interest rate smoothing by central banks. Author also describes the limitations and pitfalls associated with estimation of the Taylor rule.

In the second chapter of the thesis author introduces meta-analysis methodology, namely publication bias (including the description and formalization of relevant tests), heterogeneity and the estimation itself.

In the third chapter author describes the data used in the analysis and presents the results of the estimation.

In the final chapter Jan Svitak concludes. As per my understanding there are three main conclusions coming from the undertaken analysis:

- There is a significant heterogeneity in the estimations of the Taylor rule performed by different researchers based on different datasets and using different specifications of the rule.
- There is a publication bias present in the existing research on estimation of the Taylor rule.
- Author's own estimates of the inflation and output gap coefficients in the Taylor rule equation differ significantly from commonly anticipated values.

I believe this thesis is an example of a extremely good bachelor thesis, mainly due to the following reasons:

- 1) As per my understanding it took author a lot of effort and time to collect data he used in the research. I think this deserves respect and should be taken into account when evaluating this thesis.
- 2) Even though the proposed research topic is not 100% original (as I understand it is based on the paper by Chortareas & Magonis, 2008), author has improved the dataset used for the analysis and went beyond the scope of the original paper, which, I believe, is a remarkable achievement for the bachelor thesis.
- 3) Author uses quantitative methods that were not covered in the bachelor studies at IES. Thus I assume Jan Svitak had to learn certain concepts extra, which is another strong side of the work done.
- 4) Author shows solid understanding of the concepts he works with and ability to operate with quite advanced (as for bachelor level) quantitative methods and models.
- 5) Structure of the thesis – it is well structured, all parts are linked together logically.
- 6) Manuscript form – thesis is written in an excellent English which is easy to follow and understand. Prepared in LaTeX it is really pleasant to read.

There is, however, one minor comment regarding the reviewed thesis I have:

- 1) Presence of publication bias – I think that uncovering the publication bias and stating that there is a heterogeneity of results is rather straightforward. Even from high-level point of view it is clear that using different data sets or different specifications / modifications of the same model based on same data set can yield different results. Furthermore, in practice, given that each potential researcher has its own goals, experience and preferences even before he starts the estimation exercise (or potential users of estimates may use them for slightly different purposes), it is natural to expect differences in the estimates. This comment is related to the

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meta-analysis as such and do not impair the quality and contribution of the thesis. Furthermore, strong sides of this work significantly outweigh this concern.

Overall, I believe that author deserves a total of 92 points and „A“ grade for the thesis if successfully defended.

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

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	18
Methods (max. 30 points)	29
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>92</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Mgr. Vyacheslav Lypko

**DATE OF EVALUATION:** June 10, 2013

### **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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

### **Overall grading:**

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