

Report on Bachelor / Master Thesis

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

Student:	Petr Pařízek
Advisor:	doc. Bc. Roman Horváth, M.A., Ph.D.
Title of the thesis:	Financial Stability Transparency and Interest Rates

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

The thesis elaborates on the relationship between financial stability transparency. Financial stability transparency index developed by Horváth and Vaško (2012) is used in panel regression together with macro controlling variables to assess the impact. Theory behind the mechanism is based partially on the model by Geraats, et al. (2006) who, however, investigates the effect of monetary policy transparency.

The thesis is nicely written and it raises an interesting and actual issue that has been analyzed only marginally in literature. I see a value added in discussing this issue. The literature is well described. Although I like the thesis, I have the following concerns:

- According to Horváth and Vaško (2012) „The central banks that have a transparent monetary policy are more likely to show increased transparency in their framework for financial stability“. I am concerned with validity of the results of the two models (one with the financial stability transparency index FSTI and the other with the monetary policy trans.index MPTI) with transparency indices not included *together*. Is it possible that the models suffer from omitted variable bias where the omitted variable is the other of the two indices?
- How are the financial stability and MP interest rates linked? I would appreciate a deeper discussion about their relationship, some research should be done too. A central bank that is transparent in terms of the MP communicates information that should affect agents' expectations about the inflation as described by the model Geraats, et al. (2006). But why does the author expect that CB's communication about the financial stability should have the same kind of effect, i.e. affect the inflation expectations and the short term interest rates? The two goals (stable and low inflation and the financial stability) can have contradictory demands on policy interest rates.
- The author mentions possible endogeneity in his model but this problem is not elaborated any further.
- „Systemic risk“ should not be interchanged for „systematic risk“.

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

CATEGORY	POINTS
Literature (max. 20 points)	17
Methods (max. 30 points)	24
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	85
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE:

Josef Brechler

DATE OF EVALUATION: 9/6/2014



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