

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	Bc. Martin Šimunek
<b>Advisor:</b>	prof. Ing. Oldřich Dědek, Csc.
<b>Title of the thesis:</b>	The Role of German Economic Policy in Shaping of European Union and Eurozone

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

The thesis tries to assess the influence German economic policies of the last two decades have had on economic development of the EU and Euro area. Chapters 2 and 3 present basic economic indicators and mentions several economic policies practised in Germany and EU, respectively. Chapter 4 continues with some other indicators, related to labour market and balance of payments. Chapter 5 then tries to estimate the effect austerity measures had on unit labour costs in crisis-affected countries and discusses possible solutions of the Euro area crisis.

The thesis does not contain literature review of the topic investigated. In its style and structure it resembles rather an essay or an opinion paper than a diploma thesis. The author does not support its statements by references on existing academic literature (with only few exceptions) and does not provide citation of numerous numbers or facts mentioned in the thesis.

Methodology used in the thesis is based on presentation of graphs of main economic indicators supplemented by author's commentary. The only exception is an econometric model presented in Chapter 5. However, the author does not prove much understanding of the method, as he confuses basic terminology.

The contribution of the thesis resides mainly in its careful summarization of possible Euro area crisis solution scenarios, and especially in discussion of their most probable consequences (part 5.4 of the thesis). Another valuable aspect of the thesis is emphasizing of the fact that economic imbalances were not caused only by debtor countries. Excessive current account surpluses are harmful as well as deficits.

Concerning the manuscript form of the thesis, the level of English could definitely be better. The text suffers from large number of typing errors, as well as informal expressions. Proofreading would have been beneficial. The thesis does not contain list of abbreviations, some of abbreviations used in the text are not explained at all. Uniform notation (for example for per cents) is also not used throughout the text.

I have following more concrete concerns:

- Difference of two values in per cents is not in per cents, but percentage points. The thesis ignores this.
- EMU (Economic and Monetary Union) is not a synonym for Euro area (or Eurozone). All the Member States of the EU are officially members of EMU, even those not paying by euro.
- Inflation target of the Euro area is not set up or enforced through the Stability and Growth Pact (SGP), as the thesis claims on p. 35. SGP deals with fiscal, not monetary policies.
- Cyprus is member state of the Euro area from 2008. On p.44, the thesis counts it among countries outside the Euro area.
- Concerning the econometrical model (p. 47), the thesis confuses terms: dependent and independent variable. Unit labour costs is dependent variable there. The others are independent ones.
- When we talk about expected sign, we mean expected sign of the estimated coefficient, not the variable itself. I also miss proper reasoning of the expectations about signs of coefficients. The author only states that he expects positive signs as he suppose the variables to move in the same direction (p. 47-48).
- It would be better to present detailed results of assumption tests in the Appendix, not just mentioning their outcome in the text.

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	Bc. Martin Šimunek
<b>Advisor:</b>	prof. Ing. Oldřich Dědek, Csc.
<b>Title of the thesis:</b>	The Role of German Economic Policy in Shaping of European Union and Eurozone

- Concerning graphs presented in the thesis, it would be much better if each country has one colour which would be the same in all the graphs. Moreover, other differentiation of the lines (for example using different types of lines or point marks) should be considered, as the graphs are sometimes fairly chaotic.

Suggested questions for the defence:

- Do you really believe, based on your model estimation, that unemployment does not have any effect on unit labour costs? Can your model suffer from omitted variable problem? If yes, which variables do you think could be these omitted ones and what sign of the bias do you expect in your results?

Recommended overall grading: **“nedoporučuji k obhajobě” (fail, 4).**

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

CATEGORY	POINTS
Literature (max. 20 points)	5
Methods (max. 30 points)	8
Contribution (max. 30 points)	10
Manuscript Form (max. 20 points)	7
<b>TOTAL POINTS</b> (max. 100 points)	<b>30</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>4</b>

**NAME OF THE REFEREE: Mgr. Pavla Břizová**

**DATE OF EVALUATION: 8. 9. 2014**

**Referee Signature**