

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Michal Petrouš</b>
<b>Advisor:</b>	<b>RnDr. Michal Hlaváček, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Macprudential regulation of the housing market</b>

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

The thesis is just a not very well handled literature overview. It does not present any empirical or theoretical analysis. The selected topic is very general (even for the bachelor thesis) and the work with literature is unsatisfactory. Throughout the thesis, author discusses a lot of marginal topics while his conclusions are very vague and often misleading (see e.g. Sub-chapters 2.1 and 2.2 about monetary and fiscal policies or Sub-chapter 2.4.3 about theoretical modelling concepts).

In Chapter 3, the author employs an inadequate methodology and data. The assessment of effectiveness of macroprudential measures is based on two simple charts of two indicators. The whole chapter is just a description. Moreover, the author has chosen such countries where the desired instruments were implemented only recently (CZ, HU, PL, and UK). These countries cannot be considered for the analyses. Effects of the regulation in particular countries are described just in one or two sentences which is not sufficient and appropriate (see p. 23, 25, and 29).

The final evaluation of the effectiveness of macroprudential tools is described in two short paragraphs (see Sub-chapter 3.4) which is also highly insufficient. Conclusion does not give a clear answer to the question stated in the introduction. Overall, the aim of the thesis was not met.

To individual categories:

### *(A) Literature*

The use of references is insufficient, i.e. there are no references at all in many case. The author does not compare literature sources while some sub-chapters are based only on one source (see e.g. Sub-chapter 1.4). The literature review is largely treated as a set of separate themes and terms, presented in the form *Term–Definition*.

### *(B) Methods*

Too many countries were chosen for the comparison while some of them have implemented desired macroprudential measures just recently. It would be more suitable to focus just on few of them in more detail. There is no statistical, econometrical or theoretical analysis which would be appropriate in this case.

### *(C) Contribution*

Conclusions are very general. The comparison is vague and very short. The thesis does not bring anything new.

### *(D) Manuscript Form*

The word order is sometimes very strange. The thesis contains also a few typos. Paragraphs are often too short, including just two or three sentences. There are missing data sources for charts.

**With respect to the aforementioned arguments, I do not recommend the thesis for defense (i.e. “nedoporučuji k obhajobě”; fail, 4).**

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In the case of better evaluation by the supervisor, suggested questions for the defense are:

1. The author attempts to assess the effectiveness of macroprudential measures base on nominal residential property prices and residential loans outstanding to disposable income. Are these two indicators really sufficient? Which additional indicators could be considered? Why did not the author consider the dynamics of these indicators, i.e. y-o-y changes? How would the conclusions change?
2. Why did the author choose countries where the desired measures were implemented just recently?
3. Why does the thesis include Sub-chapter 2.4.3 *Theoretical assessment of effectiveness* as these methods are not used practically in the thesis? Why did the author describe just one particular paper related to DSGE models and did not make a proper literature overview / comparison? There are a lot of DSGE studies dealing with this issue. Does the author know any? What are their limitations for analysis of macroprudential measure?
4. Why does the author conclude that: „*It is clear that the monetary policy is good to fight the bubbles in real estate prices only if these are part of general economic overheating, otherwise, it is too cumbersome to deal with such a specific goal.*“ (p. 10)? The author supports this statement only by one web article and experience of one country. Are there another literature sources or empirical evidence?

## SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (max. 20 points)	9
Methods (max. 30 points)	3
Contribution (max. 30 points)	6
Manuscript Form (max. 20 points)	10
<b>TOTAL POINTS</b> (max. 100 points)	<b>28</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>4</b>

**NAME OF THE REFEREE:** Simona Malovaná

**DATE OF EVALUATION:** 1. 9. 2015

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**Referee Signature**