

Report on Bachelor / Master Thesis

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

Student:	Magdalena Hummelová
Advisor:	PhDr. Mgr. Michal Hlaváček, Ph.D.
Title of the thesis:	Monetary policy approaches at the ZLB to solve post-crisis situation and their effectiveness

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

The bachelor thesis by Magdalena Hummelova deals with the response of central banks to the low-inflation, low-growth environment witnessed after the 2008 crisis, and their efficacy. The thesis is well written and uses methods (the VAR) which exceed what is required for a bachelor-level student. The text has a balanced structure and is written in good English.

I have certain reservations when it comes to the underlying assumptions. In chapters 1 and 2, the author perhaps takes too many things for granted. For example the author writes that „In November 2013, Czech economy faced a very strong recession with a threat of liquidity and deflation trap. Low interest rates were not able to pick up Czech economy; inflation continued to decrease and economy needed negative interest rates. To avoid dangerous scenarios, the CNB employed an unconventional monetary policy, a publicly declared asymmetric exchange rate commitment respectively.“ (Page 15.) The Czech economy, in fact, was going through a very mild recession in terms of GDP in 2013 and many indicators started to pick up long before the November 2013 intervention (consumer sentiment, retail sales, etc.). Whether the economy „needed negative interest rates“ or not is a matter of controversy among economists. For an academic text, such claims should be presented with more caution or should have references to their authors.

Second, I would suggest more discussion around interpretation of the results in chapters 4 and 5. For example, in Figure A.10 for the US, after a rise in central bank's balance sheet, retail sales grow after a certain lag, but CPI inflation cumulatively doesn't rise at all. Therefore, this casts doubt on the theory that higher inflation spurs consumer spending. The channel might be different or it might be a complete coincidence, but the typical reasoning does not seem to be supported here. More interpretation would be helpful for the reader.

Overall, however, I consider the thesis well thought-through and satisfying all that should be expected from a bachelor thesis. **I recommend grade 1 (excellent).**

For the defence, I suggest the following question:

- One notable country that has had the longest experience with zero interest rates and Quantitative Easing is Japan. It has used these tools for almost 20 years now but the rate of GDP growth seems to be still the same, i.e. slow (the same with inflation). What could be the reasons for this? Do you think the US, eurozone, Switzerland and the Czech Republic are well comparable to Japan?

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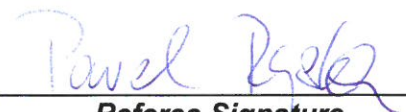
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	16
Methods (max. 30 points)	27
Contribution (max. 30 points)	22
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	84
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Mgr. Pavel Ryska, MPhil.

DATE OF EVALUATION: June 8, 2016


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

