Report on Bachelor / Master Thesis

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

Student:	**Lukáš Petrásek**
Advisor:	**Prof. Roman Horváth, PhD.**
Title of the thesis:	**The Effectiveness of the Federal Reserve's Monetary Policy under the Zero Lower Bound**

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

Contribution

The thesis is an original contribution to important policy question regarding the central banks. The thesis examine the monetary policy effectiveness in zero interest rate environment. The article by Swanson and Williams (2014) published in the American Economic Review provides a theoretical model stating that the central bank actions (including communication) become impotent under zero lower bound on interest rates and show that the sensitivity of interest rates to macroecomic news represents a measure of monetary policy effectiveness.

Two other papers have tested this premise using the data – i.e. whether interest rate reaction to macroeconomic news is weaker under the zero lower bound contraint (Swanson and Williams (2014) in Journal of International Economics with US data and Moessner et al. (2016) in Contemporary Economic Policy with Swedish data). This thesis tackles the same question but with more recent data (therefore covering the period of zero lower bound environment in a fuller manner) and examining the effect of central bank communication with richer dataset (previous literature examined the effect of communication on less macroeconomic variables than this thesis). The results indeed suggest that monetary policy effectiveness decreases under the zero lower bound constraint.

Methods

The author compiles a rich dataset of macroeconomic news in the US and use this data to estimate the effect on interest rates using the ordinary least squares. This method is appropriate in this setting. The substantial robustness checks are conducted.

Literature

The literature is well-cited. All important references are covered. The discussion of previous literature is excellent and it is clearly stated what the novelty is vis-a-vis prevous literature.

Manuscript form

The thesis reads very well. The author is clear in the arguments and thesis is well-structured. I could not find abstract in the thesis, only saved separately in the SIS but it is minor issue for me.

Overall, the thesis represents fine empirical work on important but underresearched topic. Its contribution is so large that I would find the thesis defendable for the M.A. thesis as well.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	29
Methods	*(max. 30 points)*	29
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	**97**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Prof. Roman Horváth, PhD.

DATE OF EVALUATION: 21st August, 2017

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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