

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Josef Záhlava</b>
<b>Advisor:</b>	<b>PhDr. Petr Gapko, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Sovereign credit risk drivers in a spatial perspective</b>

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

### **Contribution**

Josef Záhlava wrote a very good empirical thesis on the sovereign credit risk drivers from a spatial perspective. It is obvious and commendable that the author has put quite a lot of effort into writing this thesis. The author has quite well demonstrated his knowledge of advanced econometrics and of how to write a research text. The author's contribution seems to be at about average of other master theses. Importantly, I would like to see more of author's own evaluation of his contribution with regard to specific existing research papers in both introduction and conclusion. The author presents his own results, but a critical discussion why his results are similar or different than existing results seems to be included only in a limited way and only in the results section.

### **Methods**

My understanding is that the author has made good use of some of the relevant empirical methods employed for similar exercises and he seems to have executed them carefully. The presentation of the methods and data in sections 3 and 4 is quite good. In section 3 the author could more clearly present whether all of the methods have been developed by other researchers (and in every case specify which ones) or whether some of the parts are his novel contributions. For example at the beginning of the section, at page 15, there is no reference and it is not clear why the reader is should be reading this – is it something the author developed or is it a textbook-like description of the issues (the latter is most likely the case and also consistent with the authors' stated objective of theoretical background). Ideally, this should be discussed better and more explicitly – this kind of unclear presentation is unfortunately common in student theses, but would be rare to find in an article in a respectable academic journal. Furthermore, the section 4 on data, and section 3 to some extent as well, describes the data well, but it should better explain why the type as well as specific sources of data are to be used.

Let me continue the discussion of methods with one specific point. When I read in the introduction that the author used 14 countries in his analysis, I was expecting to find out details of the choice of countries later on in the text, likely in the dedicated data section. Having read it, I cannot see a clear and persuasive justification in the thesis why it is based only on 14 countries and why these 14 countries. The author describes for the daily data (and he later describes that he has quarterly data for the same set of countries) that he started with 17 that needed to be reduced to 14 countries. Why not to base the model on a data set for all countries for which the data is available and only then focus on a sample of countries of interest? It is possible that the author's data set includes data only for the 17 listed countries. Then perhaps he should say so. If not, he should clarify what led him to the choice of his selection of countries.

### **Literature**

The literature review seems to include, as far as I can judge, the relevant research contributions. But, the literature review mostly deals with what the existing literature says on its own rather than how is it relevant for the author's own work. I would like to see more discussion of how the related body of literature is different or similar, and what new the current piece of work brings to the body of existing literature. I wish the author was more critical in his review of the literature and discussed it with relevance to his own contribution. The beginning of the paragraphs at pages, 4, 5, 8 or two of them at page 12 are emblematic of this by starting the first sentence with the reference to the literature itself. With this, the author is no exception in student theses - the literature reviews often seem to contain most of the relevant literature, but lists the references and summarises their findings rather than critically evaluating. Also, this is obviously interlinked with my evaluation of the contribution above.

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Furthermore, the form of the literature review suffers from paragraphs being too long. Actually, most of the paragraphs between pages 4 and 11 seem to be as long as one page, which is, in my opinion, beyond any limit of well-structured text and from the point of view of the ease of reading.

## Manuscript form

The thesis is generally relatively well written and neatly presented. The author's writing is quite concise with a good use of English.

In addition to the long paragraphs highlighted above in my comments on literature, the use of a shortcut without an explanation in the abstract should be avoided (the author uses the long version with a shortcut in a Czech version, but fails to include it in the English version).

## Suggested questions for the committee

Can the author clearly explain his contribution to the existing literature by contrasting his methodology and findings with some of the most relevant existing research papers?

The author argues that corporate credit risk is simpler to assess as it can be modelled using detailed and accurate firm-level information. The country-level information is less detailed or less accurate than firm-level information?

The author split the dataset into two parts, before and after the Greek sovereign debt restructuring, for estimation of separate models. To what biases this could lead and has the author considered using the whole sample, in addition to the two split samples?

Overall, I find the thesis a good piece of empirical research and I sincerely hope that the thesis will be of interest to other economists working in this area of research or relevant policy makers. Josef Záhlava did a good job of writing a thesis and I recommend a grade of **good (velmi dobře)**. However, the final grade could be anywhere between 1 and 3, depending on the presentation and related discussion.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	20
<i>Methods (max. 30 points)</i>	20
<i>Literature (max. 20 points)</i>	15
<i>Manuscript Form (max. 20 points)</i>	17
<b>TOTAL POINTS (max. 100 points)</b>	<b>72</b>
<b>GRADE (1 – 2 – 3 – 4)</b>	<b>C</b>

**NAME OF THE REFEREE:** Petr Janský, Ph.D.

**DATE OF EVALUATION:** 12<sup>th</sup> January, 2018

  
Referee Signature

**EXPLANATION OF CATEGORIES AND SCALE:**

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F