Report on **Bachelor / Master Thesis**

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

Student:	**Natálie Dvořáková**
Advisor:	**Mgr. Ing. Tomáš Šestořád**
Title of the thesis:	**Origin of Current High Inflation in the Czech Economy (2022)**

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

Short summary

This is a great thesis that goes well beyond what is expected of a bachelor student. I believe the thesis could be successfully defended even as an MA thesis. I like the clarity and straightforwardness of the approach: build a well-identified Bayesian structural VAR and then use variance decomposition to trace the time-varying sources of inflation. I congratulate both the author and the advisor.

Contribution

Excellent timing, given the recent discussion on the sources of inflation and responsibility for the current inflation fiasco. Policy contribution is exceptional (given that this is a BA thesis), and a paper based on the thesis could be easily published in a Czech journal (such as CJEF), perhaps even abroad. Having said that, I must recommend the thesis for A with distinction.

Methods

The methods used in the thesis (Bayesian structural VAR with sign restrictions) go well beyond the econometrics curriculum of the BA level. One could voice issues regarding sign restrictions, which involve strong priors analogous to institutionalized selection bias, but sign restrictions are commonly used even in top journals, and opinions on their suitability vary.

Literature

The relevant literature is described well.

Manuscript form

The thesis is written in good English and typeset in LaTeX. Some figures are too small and difficult to read, you should have taken care of this, so I subtract 2 points here.

Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a bachelor's thesis at the IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade A. The results of the Urkund analysis do not indicate significant text

Report on **Bachelor / Master Thesis**

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

Student:	**Natálie Dvořáková**
Advisor:	**Mgr. Ing. Tomáš Šestořád**
Title of the thesis:	**Origin of Current High Inflation in the Czech Economy (2022)**

similarity with other available sources. Question for defense: On p. 8 you paste a complicated diagram of "the interest rate transmission channel". Is there really any empirical evidence for this? In my view, the diagram is a fairytale, based on Keynesian intuition, but not supported by any rational expectations models (or any models since the late 1970s). Certainly the diagram is completely inconsistent with how the CNB's benchmark (g3+) structural model works. Also, why do you consider exchange rate shocks separately from monetary policy? The resulting picture is misleading. If you put ER and IR shocks together, as you should, you will see that monetary policy shocks clearly dominate fiscal policy as a source of inflation. Make this crystal clear in the working paper that you hopefully will write soon (and submit to the Young Economist competition) based on this excellent thesis.

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

CATEGORY	POINTS
Contribution (max. 30 points)	30
Methods (max. 30 points)	30
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	**98**
GRADE (A – B – C – D – E – F)	A*

NAME OF THE REFEREE: Prof. PhDr. Tomáš Havránek, Ph.D.

DATE OF EVALUATION: 18.5.2023   Digitally signed, Tomas Havranek

_____

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.*

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.*

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

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.*

Overall grading:

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