

# Advisor's Report on Dissertation Thesis

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Title of the Thesis:	Empirical Essays on Monetary Policy and Financial Stability
Type of Defense:	<b>DEFENSE</b>
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Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author? YES
- b) Is the thesis based on relevant references? YES
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures? YES
- d) Do the results of the thesis allow their publication in a respected economic journal? YES
- e) Are there any additional major comments on what should be improved? YES
- f) What is your overall assessment of the thesis? I recommend the thesis for defense without substantial changes

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I strongly recommend the thesis for defense without any changes. I appreciate the detailed response to the referees at the end of the revised thesis. I had no requests for revisions to begin with, and the requests of the referees were very minor. I congratulate Dominika Ehrenbergerová on her excellent work and below I repeat my summary of her dissertation and studies that I provided for the pre-defense.

The dissertation consists of three papers, but Dominika Ehrenbergerová has published 9 papers in peer-reviewed journals and has several other projects at the working paper stage (in her RePEc profile I see 16 distinct papers). I appreciate that, instead of overwhelming us with about 10 papers, Dominika selected the ones that best represent her work. Her publications are impressive: IMF Economic Review, Review of Economic Dynamics, Journal of Economic Surveys, Journal of Regulatory Economics, Journal of Financial Stability, Empirica, Annals of Regional Science, and others. Moreover, according to Google Scholar her research has attracted more than 300 citations. According to RePEc, she ranks 14<sup>th</sup> among all Czech economists when the last 10 years of publication activity are considered. She has achieved all that while also

spending most of the last two years on maternity leave. Taken together, her CV is already strong enough to warrant tenure at a good European university. Because of all that and because all three papers included in the dissertation have already been published in good journals (and thus subjected to several rounds of quality peer review), I have no major comments and believe that the dissertation can be defended as it is. In the rest of the report I reflect on Dominika's work and studies.

As I have noted, Dominika's research has been published high and has also garnered a healthy number of citations, both from academia and policy institutions. Dominika has received prestigious awards for her research. The most prominent ones are the Frantisek Vencovsky Prize for the top researchers below 35 years of age and the Karel Englis Prize by the Czech Economic Society for the best economic policy paper (which Dominika received twice). She also spent a year as a trainee at the ECB, co-authoring several papers there. Considering all these achievements, I cannot escape the conclusion that Dominika is the best PhD student I have ever supervised, and she ranks high among all the PhD students who have so far defended their dissertation at the Institute of Economic Studies. Dominika is also very modest (sometimes too modest to adequately prosper in a profession that values assertiveness) and the share of work she has done on joint projects (including the ones with me) is larger than she will admit.

The first paper included in the dissertation is a meta-analysis of the elasticity of substitution between capital and labor. It was published in the *Review of Economic Dynamics* (prior to that, it circulated under the title "Death to the Cobb-Douglas Production Function"). This massively cited paper provides clear evidence that the Cobb-Douglas production function, while computationally convenient, is emphatically rejected by empirical evidence evaluated at any angle. Instead of 1, as assumed by the function, the elasticity of substitution is more likely to be around 0.3 on average: of course, the precise value differs across industries and other contexts, but values close to 1 are very rare and cannot be used to represent entire economies. This paper, published in 2022, will fundamentally change the way common macroeconomic models (for example those used by central banks) are designed.

The second paper included in the dissertation is a meta-analysis on the effect of monetary policy on house prices, published in *IMF Economic Review*. Many VAR studies have been conducted on the topic, but their results vary. The meta-analysis shows that, after correction for publication bias and misspecifications in some studies, the reaction of house prices is more muted than commonly thought. Last month, the Swiss National Bank invited us to present the paper there. Finally, the last paper in the dissertation is not a meta-analysis, but a primary study on the effect of capital requirements on bank lending. The paper finds that

higher capital requirements result in lower credit supply. Overall, I am completely satisfied with this superb dissertation and see no need for further revisions.

Date:	March 25, 2024
Advisor's Signature	Digitally signed, Tomas Havranek
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