

Report on Master Thesis

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

Student:	Bc. Jonáš Čekal
Advisor:	doc. PhDr. Adam Geršl, Ph.D.
Title of the thesis:	The Effects of Crisis Management Measures on the Economy: Evidence from Past Crises

OVERALL ASSESSMENT

Short summary

The chosen topic of the Master's thesis, i.e. the investigation of the effectiveness of banking crisis resolution tools, is very interesting and relevant in today's globalized and financially integrated world. Understanding the origins of banking crises and setting up ex ante mechanisms for their elimination is very important not only from the perspective of the regulator (central bank) or the fiscal authority (government). There is also an international dimension, whether European (the creation of a banking union) or global (IMF activities). It is precisely in the example of the creation of the banking union that we can see that banking crises are now in fact no longer purely national. I also believe that the topic of this thesis and findings of this thesis may be of interest to my colleagues in monetary, financial stability and especially resolution department of the CNB.

The thesis is divided into eight parts. After a short introduction, the author explains and defines key concepts and terms such as systemic risk, systemic banking crisis, crisis management measures (i.e. liquidity support, recapitalization, guarantees on bank liabilities, nationalization, asset purchases, bank holidays and deposit freezes). The third chapter summarizes the relevant literature related to the topic of effects of crisis management measures on the economy (in terms of macroeconomic and microeconomic analysis) and on bank performance and risk. The next chapter presents the data sources used, i.e. the choice of dependent and independent variables including overall dataset description. The fifth chapter provides graphical analysis of dataset with the aim of illustrating the trends and patterns prevailing in the examined variables. The following chapter describes the chosen econometric techniques (and the methodology behind them) including model specifications, which are used in the empirical part of this master thesis. The seventh chapter discusses the results of the empirical part (i.e. effect of policies on GDP, house prices and credit), including their robustness, limitations and main findings. The last chapter concludes and summarizes.

Contribution

The author presents interesting ideas on the topic, demonstrating critical thinking and the ability to draw conclusions based on the knowledge of relevant literature and empirics. There is a visible value added in the thesis, i.e. the identification of the timing of individual measures across the 54 systemic banking crisis periods covered. The author attributes movements in macroeconomic variables to these measures associated with the resolution of banking crises, including controlling for country-specific fixed effects and time and macroeconomic developments in the constructed control group of countries. One of the main conclusions of the paper is that, when analysing real GDP growth and nominal house prices, the author finds that nationalization and deposit freezes are significantly effective measures for economic recovery after banking crises. However, the second hypothesis put forward by the author about more costly measures contributing to faster growth was rejected. I also very much appreciated that the master's thesis also includes the economic motivation behind this analysis.

Methods

The opponent has no criticism of the author in terms of the chosen methods. The thesis applies well-chosen empirical techniques, i.e. difference-in-differences approach. The referee appreciates application of specialized type of fixed effects estimation method. This is the two-way fixed effects regression method, which accounts for state- and time-specific trends.

Literature

The literature review is above a standard level, i.e. includes both original sources of literature and current applied studies oriented on analysed countries. The author quotes relevant literature in a proper way, perhaps too often the work of Leaven and Valencia. (A very minor point: the correct

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reference for Systemic Banking Crises: A New Database. IMF Working Papers, is Laeven, L., & Valencia, F. (2008), i.e. not Valencia, F., & Laeven, L. (2008), see here <https://www.imf.org/external/pubs/ft/wp/2008/wp08224.pdf>).

Manuscript form

The manuscript is overall very well formatted, logically structured, easy to navigate and properly referenced.

Overall evaluation and suggested questions for the discussion during the defense

Overall, this master thesis is well balanced; it consists very interesting empirical parts with interesting results, relatively rich literature survey and appropriate techniques for empirical analysis. Questions and comments, which may be answered during the defence:

1. *Does the author believe that it would be possible to establish some general classification of the effectiveness of the resolution of banking crises?*
2. *In [Kollár and Komárek \(2009\)](#), we analysed other options for resolving banking crises, such as Open Bank Assistance, Bank Liquidation and Payment of Insured Deposits, Purchase and Assumption Transaction, Bridge Bank, and Government-Assisted Sale, etc.. Have any of these options been analysed by you in your dataset?*

In my view, the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, **I recommend it for defence and suggest a grade A.**

The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	28
<i>Methods (max. 30 points)</i>	30
<i>Literature (max. 20 points)</i>	18
<i>Manuscript Form (max. 20 points)</i>	20
TOTAL POINTS (max. 100 points)	96
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Prof. Luboš Komárek

DATE OF EVALUATION: 4.9.2024

Digitálně podepsáno (4. 9. 2024)
Luboš Komárek

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