

## **MA Economics of Globalisation and European Integration**

### ***Reader's Report***

*Dissertation title:*

MONETARY POLICIES OF ECB AND FED IN COMPARISON

*Candidate:* Sylvia Rejnartová

Reminder of the general instructions:

- 1) The dissertation should:
  - a. have an original empirical part, albeit of limited scope, OR
  - b. (in the best of cases) contribute to theory, OR
  - c. be a 'meta-empirical' study, i.e. a comparative study of empirical results, with particular care to synthesis, OR
  - d. be a thorough critical survey of the literature (empirical and/or theoretical).
- 2) The length of the dissertation should be kept within well-defined limits (8,000 to 12,000 words). Quality before quantity.
- 3) There should be proper attention to the citation of sources in footnotes or endnotes. The list of references should be carefully made.
- 4) The supervisor and the readers of the dissertation may perform checks on plagiarism. Citations should be made very explicit with quotation marks, indented text and quotation of the source in the main text. Quotations should be limited. Attempts of plagiarism will be severely dealt with, according to the examination regulations.

According to these general guidelines, please report the final overall grade, using the following grading system:

- 5 = 'excellent' (outstanding performance with no or only minor errors);
- 4 = 'very good' (above the average standard but with some errors);
- 3 = 'good' (generally sound work with a number of notable errors);
- 2 = 'satisfactory/sufficient' (pass; performance meets the minimum requirements);
- 1 = 'not sufficient' (marginal fail);
- 0 = 'poor' (fail).

In order to determine the overall grade, it may be helpful to mark the dissertation on each one of the specific aspects mentioned below. However, the final grade does not necessarily have to be the simple average of these partial grades. Please do not use decimals for the final overall grade.

A short motivation of your grade will be much appreciated.

NAME OF READER: Marcel Bluhm

FINAL OVERALL GRADE: 3

1. Presentation of the dissertation objectives (motivation, main objective, bottom line, etc.) 3
2. Organization of the dissertation (division in sections, introduction and conclusions, etc.) 3
3. Use of presentation devices (tables, graphs, referenced material, quotes, etc.) 2
4. Development of the argument and provision of evidence for the dissertation objective (including references to the literature) 2
5. Originality of the work 3
6. Length of the dissertation (whether appropriate, penalize if you think the 12,000 words limit has not been reasonably respected) NA

Motivation: The author investigates a topic of high relevance, that is, the policies of the European Central bank and the Federal Reserve in general but also with a focus on the non-standard policies during the recent financial crisis. The author then estimates monetary reaction functions for both central banks to investigate if their monetary policy stance could be well described Taylor type rules. Overall, the thesis passes the minimum requirements but has a number of notable weaknesses which are outlined in the following in the order of the aspects (1-6) graded above (a complete set of errors, inconsistencies, and examples for poor development of the arguments in the thesis is available upon request). Note that the final grade, 3 out of 5 points is rounded up, that is, the grade lies between 2 and 3 points.

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1. Presentation of the dissertation objectives (motivation, main objective, bottom line, etc.) 3  
Student does a relatively poor job to motivate the question (which in itself is very relevant). The Central Banks were essential to stabilize the economies during the recent financial crisis. There would have been plenty of scope to motivate the analysis better. The qualitative analysis is in parts poor in its argumentation, the empirical part lacks rigour (interpretation of tables missing to a large extent) and throws together a sample period that covers to 2/3 the pre crisis period and 1/3 the after crisis period without accounting for possible structural breaks. The thesis is partly difficult to understand because of numerous grammar mistakes and typos (e.g. page 2 in the motivation: beneficial instead of beneficial, same page last paragraph: '...The chosen period...is comparable with regards that the ECB started conduct its monetary policy...').
  2. Organization of the dissertation (division in sections, introduction and conclusions, etc.) 3  
Ok, but some unnecessary parts covered (for example, detailed outline of hp filtering in part 3.2) while more detail could have been devoted to the main objective (for example, more details on non-standard measures and related such as 'operation twist' which is an important non-standard approach an brushed off in one or two phrases).
  3. Use of presentation devices (tables, graphs, referenced material, quotes, etc.) 2

Relatively weak part of the thesis. Figures and equations contain errors (e.g. figure 1: Official instead of official), tables given without explaining or referring to them (e.g. Figure 2 on page 16 as well as all robustness checks in the appendix). Furthermore, quotations mentioned in the text are missing in the reference list (Friedmann 1960 on p. 4), and references given in the literature list are not quoted in the paper (e.g. Avouyi-Dovi 2007). Furthermore quotations and abbreviations are inconsistent (sometimes central banks are abbreviated with CBs and sometimes with CB's on p. 5). Acronyms are defined several times in the text (e.g. the acronym OMO is defined again on p. 11 after it had already been used and introduced).

4. Development of the argument and provision of evidence for the dissertation objective (including references to the literature) 2

It is often not clear, if the student understood statements and supporting arguments given or if she replicated what she had read somewhere without understanding. Many arguments given were thus either unconvincing or not understandable. Empirical part relatively poor. It is not clear if student understood regressions she ran (partly her regressions are not clear, for example she mentions her dependent variable is at a daily frequency and the explanatory variables are quarterly. Maybe she took the quarterly average of the dependent variable as she did for some monthly explanatory variables, but this remains unclear. In the main text the student mentions numerous times that central banks actually apply Taylor rules to decide on monetary stance. Given that this is the methodological core, she should have been more careful and stating clearly that the Taylor rule is only used to describe Central Bank decision making. She is only clear about this during her conclusion. Furthermore, the relatively simple regression framework (OLS/Tobit estimations of backward looking Taylor rules) makes no sense from a timing perspective. She puts a focus to investigate central bank responses during crisis time but her sample stretches from 1999 to 2013. Most of her sample is thus before 2007/2008 et seq. Econometrically, at least a crisis dummy should have been included to capture some structural shifts.

5. Originality of the work 3

There are a number of existing comparisons of the two central banks, also as regards their crisis responses. Same holds for estimations of Taylor rule. However, mixing both, the thesis offers a somewhat new approach.

6. Length of the dissertation (whether appropriate, penalize if you think the 12,000 words limit has not been reasonably respected)

Number of words could not be computed because document was only provided in pdf (and copy into ms word to count words was not possible with the pdf document).

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