University of Economics, Prague

Faculty of Finance and Accounting

Study programme "Finance and Accounting"

Master Thesis Evaluation

Reviewer form

Student name:	*Karina Repkina*
Title of the thesis:	*Multicurrency System as a Way Out of the Eurozone Debt Crisis*
Year of the defence:	*2018*
Supervisor name and affiliation:	*doc. Ing. Karel Brůna, Ph.D. (Department of Monetary Theory and Policy; Institute chief official and Associate Professor)*
Reviewer name and affiliation:	*Ing. Ondřej Šíma (Department of Monetary Theory and Policy; Assistant Instructor)*

THESIS CONTENT SUMMARY:

The diploma thesis consists of four parts. The first part is the introduction of the whole thesis. The second chapter informs about the theory of optimal currency areas. Next part of this chapter introduces the monetary history in Europe and its unification. Subchapter 2.4 provides a macroeconomic analysis of EMU countries in the period 1996–2015. Subchapter 2.5 confronts the EMU economic development with Mundell's OCA criteria. The third chapter discusses the limits of fiscal policy and its stimuli. Then the author tries to set up a solution with the help of parallel use of the Euro and national currencies or alternatively, "regional" currencies within one country. Subchapter 3.4 focuses on the significance of local banks and their "guilt" on the European debt crisis. The author appropriately included sector analysis (non-financial corporations and households) of interest rates on loans.

The main goal of the thesis "*...to examine the causes of the crisis and propose the possible solution for the Eurozone member states.*" (p. 6) was fulfilled.

OBJECTIONS AND REMARKS:

One the one hand, the author offers a solid macroeconomic analysis of the EMU countries as well as a good critique of Mundell's OCA criteria. I also appreciate the emphasis on the issue of local banking systems and their pre-crisis differences. This view is largely neglected in the main discussions about the crisis. On the other hand, the author should have gone a little bit deeper into the problems arising from the possible use of multiple currencies within the EMU (and especially within one country), i.e. to add marginal costs and marginal benefits related to the number of

currencies used (at least theoretically - graph).

Despite some mentioned drawbacks the diploma thesis gives excellent impression and makes readers find more information about this topic. Moreover, this topic is quite demanding and from my point of view, Karina Repkina catches the main aspects of the crisis and possible solutions very well.

QUESTIONS FOR THE DEFENCE:

1) On pages 21 and 22, you report the low debt of the government sector of Spain and Ireland before the crisis. After the crisis, however, this debt is growing. At the same time, you mention the "state rescue" of Bankia Bank (pages 54 and 55) in Spain. Is it sufficient to refer only to the government sector debt under the Maastricht criteria (p.33)? You also provide further data on the indebtedness of other sectors. Why is your approach more complex?

2) Is always high GDP growth (see page 16, table 1) perceived as a sign of a well-functioning economy (especially in the long term)? Give your answer in the context of the so-called production gap.

3) On page 16, you report GDP development and on page 18, you mention the rate of unemployment. Is there a connection (economic "law" or "rule") between the unemployment rate and GDP growth?

4) Almost throughout your whole thesis you mention the trade flows that are captured in the balance of payments. You also often refer to money movements between economies. Is there anything like a "monetary approach to the balance of payments"? (If so, can you describe the basic logic of this approach?) Or is there only a view of the balance of payments through international trade in goods and services?

ASSESSMENT:

Criterion	Excellent	Very good	Good	Insufficient
Aim formulation and fulfilment	X	☐	☐	☐
Work with literature	X	☐	☐	☐
Methods and data used	☐	X	☐	☐
Results and their discussion	X	X	☐	☐
Formal aspects	X	☐	☐	☐

Suggested overall grading: *1 – Excellent/2 – Very good*

Prague, 25th May 2018

Signature