

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. David Vostřák</b>
<b>Advisor:</b>	<b>PhDr. Simona Malovaná</b>
<b>Title of the thesis:</b>	<b>Rational Inattention in DSGE Model</b>

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

The aim of this thesis is to examine the rational inattention theory to see how the perceived signals about the exogenous variables would change under different levels of information capacity in the New Keynesian DSGE framework. The thesis heavily relies on the literature review and theory and the practical application is rather secondary. The thesis contains many redundant examples unnecessarily lengthening the text and not bringing anything new. The whole chapter 3 about the information theory could have been shortened and integrated with chapter 4 to form a methodology section. The author dedicated a lot of space to describe a standard NK-DSGE model but the results and following discussion with policy implications is very brief.

### **Contribution**

Often the problem with bachelor and diploma theses lies in the fact that the contribution is not highlighted enough. I see this being a problem in this particular case as well since the contribution to the literature in the field is not clearly stated and appropriately justified. However, it is obvious that the author spent a considerable amount of time both studying relevant articles and writing the thesis itself. The work certainly has its place but would benefit from some further improvements regarding for example the introduction. This is the part which sells the work and in this case the introduction was rather repetitive and lengthy. I believe that a brief and more straight-to-the-point approach would be better. Also the organization of the introduction is unclear. The author rotated between general description of the topic and description of his thesis several times. I suggest following a thought line – introduce the topic, highlight what has been done and what is missing and how the work fits into this gap.

### **Methods**

The third chapter presents the information theory in a very general way. The chapter 4 then proceeds to describe the rational inattention filter following the paper by Maćkowiak et al. (2017). This chapter is nicely written and clear without redundant information. The thesis operated in a NK-DSGE framework where the DSGE model is standard and basic. The model is in detail described in the chapter 5 and the novelty which is the rational inattention is not highlighted enough.

### **Literature**

In the second chapter, the author provides a lengthy review of related but rather obsolete literature. The chapter is very long and broad focusing more on the concept rather than on the DSGE application. I would focus more on detail and present relevant recent research. Moreover, the author does not work with recent literature, references are at least ten and more years old in most cases. Are there not available more recent studies? This is problematic because the author focuses on the recent modeling framework so the thesis would benefit immensely from recent views of other researchers.

### **Manuscript form**

The form of the manuscript is good, I do not have any major complaints here.

### **Summary and suggested questions for the discussion during the defense**

How can you summarize your contribution to the field? Why do you think that this topic is important?

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Can you identify any recent findings (relevant papers) dealing with rational inattention in the macroeconomic framework? What are some relevant policy implications?

Overall, I think that the thesis fulfills all formal requirements and I recommend it for the defense suggesting the grade B.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	22
<i>Methods</i> (max. 30 points)	24
<i>Literature</i> (max. 20 points)	15
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>81</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:** *Mgr. Vědunka Kopečná*

**DATE OF EVALUATION:** 11.6.2018



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**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**Overall grading:**

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