

Report on Bachelor / Master Thesis

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

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

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

Excellent mastery of thesis focusing on a very interesting topic – the theory of rational inattention. The theory of rational inattention addresses the impact of the cost of information on decision making of individual agents. Paradoxically, a huge amount of information available from many different sources makes it impossible for us to know everything. Therefore, it might seem at the first glance that people are not always behaving rationally; however, as stated by the theory, they rationally decided to pay attention only to some information. In the theory of rational inattention, the decision makers are not aware about true states of some variables, but instead, see them as random ones. From this perspective, for a decision maker, this represents huge uncertainty, which she is willing to decrease by receiving some signals about the true state of these variables.

The author uses the theory of rational inattention to analyze the impact of signals about exogenous variables under different levels of information capacity. He demonstrates his ability to use very advanced modeling techniques in a proper way. No doubt there is a lot of effort hidden behind this work.

The author employs a New Keynesian DSGE model calibrated for the Czech Republic and extended to account for rational inattention. In particular, he uses the rational inattention filter to derive optimal signals received by a representative agent about exogenous variables of interest and compare them to those derived under the perfect attention.

The thesis is well written and structured. The models and the method of solution are appropriate and well described. Objectives and research questions are well articulated. The literature review is exhaustive and covers some important recent studies. The manuscript form is appropriate. However, I would appreciate if the policy implications were discussed more.

Overall, I recommend the thesis to be accepted and graded A.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: *Simona Malovaná*

DATE OF EVALUATION: 14. 6. 2018



Referee Signature

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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