Report on **Bachelor Thesis**

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

Student:	**Maxmilian Hönig**
Advisor:	doc. PhDr. Julie Chytilová, Ph.D.
Title of the thesis:	**The correlation of economic changes to the super luxury care sector**

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

The thesis aims to analyze the luxury car sector both in times of bust and boom. It considers car sectors of four representative countries (the U.S.A., China, Germany, the Czech Republic). It uses the OLS regression. Even though the topic has a great potential, the thesis is written very carelessly and proves the lack of basic economic knowledge of the author.

Contribution

Given the methodological problems (see further) that the thesis suffers from, which causes that the model is unreliable, the contribution of the thesis is nearly none. If the thesis was completely rewritten, it could reveal important results about the demand for luxuries, though.

Methods

The thesis applied the OLS methodology. However, I doubt that the dependent variable is normally distributed and thus the OLS is appropriate in the first place. The author does not carry out any consistency tests to prove that the model is BLUE. Only 64 observations are analyzed in the main model which is generally accepted as a sufficient sample, although consistency is most likely violated. As a rule of thumb, consistent results are assumed from at least 150 observations. In other words, the smaller the sample size, the lower the probability that the result is consistent, i.e. that the expected mean approaches the true mean as the sample size goes to infinity.
Country-specific regressions are thus inappropriate since they analyze only a maximum of 14 observations (sometimes even 8 observations are analyzed). Interpretation with caution, which the author proposes, does not help.

A correlation matrix is missing. I expect most of the independent variables used in the regression to be correlated since there are empirically proved relationships among basic macroeconomic variables (Phillips curve, the relationship between GDP and unemployment, magic quadrangular).

Interpretation of the results is wrong too, suggesting that the author did not think about it at all.
Otherwise, the author would not claim that a coefficient 0.56 is the magnitude od 560,000. The interpretation for this intuition was very incomprehensible, so I actually do not know what the author meant by this.

The author mixes the terms "correlation of variables" and "the effect of a variable".

Literature

The literature review which starts on page 4 is not a real literature review that a reader would expect from a Bachelor thesis. It is an inconsistent mixture of description of the market for luxury goods, description of hard data and macroeconomic laws in a wrong way. For instance, section 2.2.1 and section 2.3.1. deal with a similar concept but are apart from each other.

The list of similar studies which are referenced is not sufficient.

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Obviously, the author did not learn how to use a citation manager either. The list of bibliography at the end is inconsistent and does not follow any citation form. Citations within the text are often wrong too, e.g. page 5 at the bottom

Manuscript form
It is obvious that the author did not discuss the thesis with the supervisor at all.

The text is full of fillers and is written in a very bad English (showcase – instead of show?). Sometimes the reader does not even understand the meaning of the sentences. It misses completely an academic style, which is one of the main lessons a student should learn while writing a bachelor thesis. Since the text is written in MS Word, instead of LaTeX, which I highly recommend to my students to learn during the process of writing their Bachelor theses, the author has to be very careful about formatting and citations.

While reading the text, the reader gets distracted and gets lost. Often the reader also asks why the text was written, which should be clear to the reader the whole time and the text should be easy for the reader to follow.

Summary and suggested questions for the discussion during the defense

This is the worst bachelor thesis I have ever read. The author did not devote enough attention to it. Even though I always do my best to find as many positives about the thesis, this thesis has such serious drawbacks that indeed cannot be accepted.

Since the students do not have to pass any final exams any more where they would reveal their knowledge of economics, its laws and relationships, the thesis should be written with utmost care showing author's knowledge from the whole course of studies. This bachelor thesis reveals very serious incapability of the author and a lack basic economic knowledge, laws and methods.

Specifically, the author obviously missed the relationship between inflation, unemployment rate and GDP growth, otherwise he would not use all these three variables in an OLS regression (Phillips curve, the relationship between GDP and unemployment, magic quadrangular)

The fact that the thesis misses a correlation matrix of the independent variables (which would reveal the correlation among the macroeconomic variables) and routine tests for the consistency of the OLS model suggests that the author misses also basic statistical and econometric knowledge.

For all these reasons I suggest that the thesis should not be defended at this current state. Once completely rewritten with utmost care and close cooperation of the supervisor which was missing now, as obvious from the text, the thesis has a potential to be defended. **Now, I propose grade F (failed)**

Questions for the defense:
1. **What are the relationships among basic macroeconomic variables? What do they mean?**

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2. **What properties does a dependent variables must fulfilled so that you can apply the OLS?**
3. **What must be fulfilled for the OLS to be BLUE?**
4. **Why is a correlation matrix important when doing and empirical analysis?**
5. **How often did you see your supervisor while writing the thesis?**

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

CATEGORY	POINTS
Contribution　　　　(max. 30 points)	5
Methods　　　　　(max. 30 points)	8
Literature　　　　(max. 20 points)	5
Manuscript Form　　(max. 20 points)	10
TOTAL POINTS　　(max. 100 points)	**28**
GRADE　　(A – B – C – D – E – F)	**F**

NAME OF THE REFEREE:
PhDr. Jana Votápková

DATE OF EVALUATION: **August 29, 2019**

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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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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