

Report on Bachelor / Master Thesis

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

Student:	Matej Machil
Advisor:	Mgr. Miroslav Palanský M.A.
Title of the thesis:	Tax havens' financial secrecy and its development

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

Contribution

The student, Matej Machil, deals with an important topic in his thesis that has consequences for financial systems worldwide and global economy more generally. The lack of financial transparency – or the abundance of financial secrecy – and its importance for global economy has become apparent during the global financial crisis and in the wake of the Panama Papers and other similar revelations. Consequently, financial secrecy has become an increasingly important research topic, together with other related topics of tax evasion or corruption, about which some of the most important academic journals in economics have published papers by the likes of Gabriel Zucman or Joel Slemrod. It is a natural and welcome development that students at the IES – such as Matej - are writing their theses on these topics under the supervision of Miroslav Palanský (as is this case) or myself (since I am also actively involved in the research in this area, sometimes jointly with Miroslav, as is the case with a 2019 working paper that Matej cites).

In his thesis, Matej has done a careful analysis of financial secrecy that could serve as a useful tool for other economists in their research on the role of financial secrecy for the global economy. Specifically, the best existing data on the extent of financial secrecy across countries, the Financial Secrecy Index (FSI), has a potential drawback when it comes to using to study its development over time. Matej faces the inconsistency of the methodology over the years of the FSI head-on and his objective is to construct a brand new series of the 2015 FSI by applying the 2018 FSI methodology. To a large degree he succeeds in this endeavour and along the way he exhibits skills of a well-trained economist that has the ability to solve methodological and empirical problems and write a good thesis about it.

Methods

The methods applied are appropriate for the analysis at hand and that fact is important. It is also worth noting that the analysis did not require Matej to use all the empirical tools he has learned during his undergraduate studies.

In section 3, Matej describes in detail how he constructed the adjusted FSI 2015. It shows a good attention to the detail and it also likely required a good understanding of the economic, financial, law and other concepts covered by the FSI.

Literature

Most of the dedicated literature review section describes the background information and basic description of the FSI. Only the first two and half pages of that section cover the related academic literature (and a few mentions in the introduction and elsewhere). Although the literature that is covered is relatively good and although I agree with Matej that there is not much relevant literature, there has been more in particular in recent years (partly in response to the Panama Papers) and I wish his discussion would be more extensive.

Manuscript form

The use of English is mostly OK, but grammar and spelling mistakes do occur. Furthermore, the writing could be clearer and more concise. At times I had problems understanding what the author is trying to convey and needed to read the sentence again - and I suppose that this might be even more of a problem for economists less used to reading about the topic of financial secrecy. Furthermore, I appreciate that MS Excel might be the best tool to do this analysis, but Matej should have been slightly

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more careful when presenting the results, as, for example, the figures on pages 41-42 are difficult to read when the country names are tiny and overlap with the colourful bars. Another minor note is that numbering the pages of the appendix separately from the main text is uncommon in theses I am used to reading.

Suggested questions for the committee

If you were to extend your thesis, what economic or financial data sets would you combine your newly adjusted financial secrecy dataset with and, by doing that, what research questions could you answer in this way?

Your results of adjusted FSI 2015 differ substantially from the original FSI 2015. On the basis of your work, what would be your recommendation to the creators of the FSI (Tax Justice Network - should they keep the methodology constant over time, or invest substantial resources into adjusting backwards as you did for one edition or something else?) and to its users (which series they should use and when/under what conditions)?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	24
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	80
GRADE (1 – 2 – 3 – 4)	C

NAME OF THE REFEREE: Petr Janský, Ph.D.



Referee Signature

DATE OF EVALUATION: 27th January 2020

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