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

Matej Machil's thesis builds on recent research that systematically tracks the development of financial secrecy over time for a number of secrecy jurisdictions. In particular, he contributes to this research by collecting data on individual secrecy indicators (which form the Secrecy Scores of the Financial Secrecy Index, as developed and published bi-annually by the Tax Justice Network) for the year 2015 based on the methodology of the index in its 2018 edition. This allows for a direct comparison of the two editions of the index, which was previously not possible due to significant changes to the methodology of the Secrecy Scores between the 2015 and 2018 editions. As we argue in our recent IES working paper (41/2019, co-authored with Petr Janský), to an extent, it is desirable to collect this data retrospectively, and this thesis does precisely that. I believe that the contribution of the thesis in this respect is substantial and will be happy to see these results being used by other researchers and activists.

That being said, I believe that there was potential to make better use of the collected data by improving the presentation of the results, as I describe in more detail in the section Methods.

Methods

This thesis compares the adjusted 2015 Secrecy Scores and the resulting adjusted 2015 FSI values with the 2018 edition. Methods of descriptive statistics and graphical comparisons are used to observe changes to the Secrecy Scores that happened due to methodological changes and those that happened due to actual developments in the secrecy supplied by individual secrecy jurisdictions.

Matej has demonstrated a deep understanding of the index and its components, however, at several places throughout the thesis, the concepts are not used in the best way possible (for example, Figure 7 shows changes in the SJs' rank, but changes in FSI values would tell us more; the caption of Figure 8 is unclear as I would expect the graph to show changes in FSI values, not the rank; etc.) and the text would benefit from a further proofreading for brevity and clarity.

Also, it would be desirable to see a more detailed analysis of the results. For example, since the results allow to compare the development of secrecy between 2015 and 2018 for such a large number of jurisdictions for the very first time, I would like to see whether, and how, the changes in secrecy affected economic activity – did countries that decreased their actual secrecy also decrease their global scale weight, i.e. their share in the global market for cross-border financial services? Did portfolio assets held in these countries decrease? If yes, these results would suggest that secrecy is actually important for economic agents. If such analysis was done by category of secrecy, it could also tell us which types of secrecy are the most important determinants of the observed changes in economic activity. A simple regression analysis could determine the answers to these questions.

Literature

I believe that Matej has done a decent job reviewing the literature on secrecy jurisdictions – while a few important references are missing (such as Johannesen, N., & Zucman, G. (2014). The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown. *American Economic Journal: Economic Policy, 6*(1), 65–91.), he places his work relatively well into the most relevant existing literature.

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Manuscript form

The manuscript form could be improved. The graphics are sometimes unreadable (as an example, it is very difficult to read the legend and x-axis label in Figure 3) – I know it is a challenge to create graphs for many countries, but I believe there are ways to improve the reader's experience substantially in this respect, for example by aggregating more of the results by groups (similarly as done in Figure 2). Regarding the text, as I already report above, it would benefit from further proofreading, but overall is of relatively good quality.

Summary and suggested questions for the discussion during the defense

I believe Matej has written a good thesis on an important topic and has demonstrated his ability to deeply understand the underlying concepts, his willingness to carry out large-scale data collection and analysis, and his ability to write concise and understandable text. I believe that the thesis satisifes the standards of IES and should Matej successfully defend his work in front of the committee, I propose the grade B.
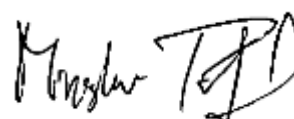
For the defense, it would be nice if Matej could show some additional results using the database he created – something along the lines of what I describe above in the section Methods would bring a lot of value.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	26
Methods	*(max. 30 points)*	25
Literature	*(max. 20 points)*	18
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**84**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Mgr. Miroslav Palanský, M.A.

DATE OF EVALUATION: January 27, 2020

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.*

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.*

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

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.*

Overall grading:

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