Report on Bachelor / Master Thesis

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

Student:	Bc. Petra Lancuchová
Advisor:	Mgr. Polák Petr, M.Sc.
Title of the thesis:	The Impact of Economic Development on Asset Poverty: Evidence from Slovakia

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

Contribution

The student, Petra Lancuchová, has chosen an important topic for her thesis. Both poverty and inequality in either assets and wealth or income (and other similar concepts such as consumption or expenditure) are being increasingly studied by economists, whose research results are being published in some of the best academic journals in economics. In recent years the works of Atkinson, Piketty, Saez or Zucman and others had put the distributional questions closer to the core of economics than it has been for some decades (and it is a bity pity and surprising to me that Petra does not seem to refer any of these listed economists' work, if only to frame her literature review or introduction).

Petra has also chosen an excellent data source. The data from Household Finance and Consumption Survey (HFCS) are suitable for studying the question at hand. Countries in Europe can be categorised into three groups according to how good surveys of people's assets are available for research purposes. For some countries such as Slovakia, the focus of Petra's work, HFCS is the best available data source. For other countries, such as Sweden or France, there are other data sets that provide even more detailed information than HFCS. And then there are countries for which there are hardly any similar data available and researchers interested in studying similar questions as Petra dream of having the option of working with something similar to HFCS. To this third, and fortunately diminishing, group of countries belongs, unfortunately, Czechia, which is still waiting for its first wave of HFCS data.

So far, so good. The topic is good, the data is good, but exactly what Petra does in her thesis has surprised me and I do not mean this unfortunately in a positive way. If I understand the thesis correctly, Petra combines the HFCS household-level data for 2014 with macroeconomic indicators for 2014-2019 to simulate the development of households' assets over time and in 2019, which let her compare asset poverty between 2014 and 2019. I acknowledge that this might be a meaningful approach if one is set to examine "whether current economic development reduces the threat of households falling into asset poverty and whether the gap between poor and rich households is widening" which is what Petra has indeed explained as her objective. But she opens her thesis to critique that she compares good survey data in one year with a simulation in another year with the latter, simulated year obviously raising concerns how credible it is. I observe that Petra has tried to do her best and has put a lot thought into simulating the period between 2014 and 2019, but I remain largely not persuaded and therefore a sceptic. Ultimately, this is an empirical question – another HFCS is, I think, taking place this year in Slovakia and by the end of the next year one could run the asset poverty comparison between two survey years and evaluate how close or off the mark are Petra's estimates. This is my opinion and other economists' might have a different view so I am discussing it here at quite some length but not deducting too many points in my evaluation below. In addition, I appreciate that Petra provides some relevant observations in her results that are independent of her simulation approach.

So, overall, the extent of the student's contribution is mixed. Petra has chosen an interesting research question, suitable data set, but I am not convinced by her methods and thus I remain wary of her results.

Methods

For the methodological approach chosen by Petra and discussed above, the methods (OLS, quantile regression) seem appropriate and quite carefully applied. The data source is state-of-the-art for Slovakia (again as discussed above).

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Literature

Petra covers quite a broad literature in her thesis and is obviously familiar with some of the most important contributions to the literature. She does compare her partial results with other existing papers such as those discussed at the end of page 55 and at the beginning of page 56, but I would ideally like to see more of it, which would help make non-experts sense of the methodology as well as results. As a minor comment, I am not an expert on asset poverty, but I was surprised not see references to some of the economists frequently cited in related fields such as wealth inequality (some of them are mentioned above).

Manuscript form

The use of English is very good and the writing is mostly clear. The form is of high quality. (As a minor comment, let me note that a shortcut such as HFSC should not be used in the abstract without an explanation.)

Suggested questions for the committee

The concept of asset poverty is related to the concept of wealth inequality. The HFSC surveys can be used to measure both. What is the difference between them and why you focused on the former and did not include also estimates of the latter? Relatedly, you observe that "may lead to a growing gap between wealthy and poor households" – why not to estimate the measures of the gap even more and/or highlight your existing estimates more explicitly?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	20
Methods	*(max. 30 points)*	20
Literature	*(max. 20 points)*	18
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**76**
GRADE	**(1 – 2 – 3 – 4)**	**C**

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

DATE OF EVALUATION: 18th May 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.*

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