Report on Bachelor / Master Thesis

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

Student:	Václav Petrželka
Advisor:	Doc. Petr Janský, Ph.D.
Title of the thesis:	Economic incidence of corporate income tax

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

Contribution

Václav Petrželka wrote an excellent empirical thesis answering the research question of whether corporate income taxation affects wages.

Economic incidence of corporate tax is a fundamental economic puzzle that remains largely unanswered. As Václav demonstrates in his thesis, he is well aware of the decades-long discussion and empirical evidence in the economics professions. He cites some recent studies, such as a carefully done rigorous analysis by Fuest et al published in 2018 in American Economic Review, which however is at most conclusive about one specific tax in one specific country, Germany. In contrast, Václav's approach is more wide-ranging and, in the absence to access of sufficiently detailed data for Czechia or another country (as in the research of Fuest et al), he applies suitable econometric methods to a cross-country data. He revisits the previously published research by Kimberly Clausing, who is a frequent and extremely competent contributor to the corporate income tax debates in economics. He goes beyond a straightforward replication of her analysis and he arrives at new results for 35 OECD countries for the period between 2000 and 2018. Václav's headline result is that there is no evidence that changes to the corporate income tax rate affect wages in any way. While similar null results are not always popular with academic journals, at least in this case this is a clearly valuable contribution to the empirical debate about economic incidence of corporate tax.

Methods

To answer his research question, Václav uses the combination of the most suitable available data and the most appropriate methodology. Specifically, he applies a panel VAR model analysis to comparable data for 35 OECD economies. With the VAR model, I am glad that Václav sought out colleagues who have experience with these models (in contrast with me) and as far as I can judge it, the analysis is carefully done.

Literature

Václav demonstrates his familiarity with the research papers most relevant to his thesis and he competently reviews the related literature in a dedicated section, where he covers theory and both strands of the empirical literature – cross-country analyses, to which he contributes, as well as individual countries' analyses.

Manuscript form

The manuscript form is clear and well outlined and accessible for the reader. The use of English could be better, but the text is easily readable and understandable.

Suggested questions for the committee

In your thesis, you used cross-country analysis. Do your results have any implications for Czechia?

Imagine the Czech government would approach you as an expert on economic incidence of corporate income tax and ask you to estimate it for Czechia. What data would you ask for from the government and what methods would you apply to the data?

In short, Václav did an excellent job of writing a thesis and I recommend **a grade of A.**

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

CATEGORY	POINTS
Contribution (max. 30 points)	27
Methods (max. 30 points)	27
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	**94**
GRADE (A – B – C – D – E – F)	**A**

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

DATE OF EVALUATION: **15 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**