

# Report on Bachelor / Master Thesis

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

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

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

The author analyses a relevant research question and makes an original contribution to the literature by undertaking his own econometric analysis. He demonstrates good understanding of the discussed topic and methods applied with only minor shortcomings. The literature review focuses on empirical studies rather than economic theory but provides a good background for his own empirical analysis. The manuscript form and academic presentation is good.

*Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Contribution**

The author analyses the highly relevant and topical research question of whether corporate income tax burden is at least partly passed on to labour rather than borne by capital or consumers. Economic theory and recent empirical analyses so far come to ambiguous conclusions. For this reason, further research is needed. The theoretical channels of this pass-through and counter-arguments could have been discussed in more detail. Still, the author provides a thorough review of conflicting empirical results, which justify further research. Following the empirical literature, he sets up an econometric strategy to test his hypothesis and produces original empirical results.

### **Methods**

The author uses a panel VAR model to estimate the effect of corporate income tax on wages for a panel of OECD countries. The choice of method is ambitious for the author's level of studies. He provides an overview of basic panel estimation techniques. He adequately justifies his choice of method based on academic literature and adjusts his model to his own data. He demonstrates an adequate understanding of the method applied. The interpretation of the results could have been more detailed to demonstrate a deeper understanding of the method and theory applied.

### **Literature**

The literature review is comprehensive and justifies the need for further research. The literature is quoted in a proper way. The focus of the literature review is on econometric results. A more thorough review of theoretical explanations for why corporate income tax should or should not affect wages might have improved it by providing an economic rationale for the own results.

### **Manuscript form**

The structure, language and style of the thesis are convincing. The author effectively refers to graphs and tables which help illustrate the argument. Two minor formal shortcomings: The sources of the data in the tables are given in the text but not below the tables. Part of the result section should be moved to the method section, which makes the result section relatively short.

### **Summary and suggested questions for the discussion during the defense**

The author estimates the effect of corporate income tax on wages based on a panel of OECD countries. Following the academic literature, the author uses a panel VAR model to validate previous empirical results based on different data. He does not find significant evidence of a causal effect of corporate income tax on wages which contrasts with much of the cited empirical literature but confirms the result of a study using the same econometric approach.

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Questions for the discussion during the defense:

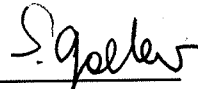
1. According to the papers you cited: Why should corporate taxes affect wages? Why might this theoretical effect not be observable in the empirical world?
2. What is the value added of compiling your own dataset instead of using the ready-made OECD data only?
3. How would you interpret the coefficient of the tax variable in the tax, wage and GDP equations?
4. How might a lower corporate tax rate affect public expenditures? Can you see a potential indirect effect on wages?

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

CATEGORY	POINTS
Contribution (max. 30 points)	27
Methods (max. 30 points)	27
Literature (max. 20 points)	16
Manuscript Form (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>88</b>
<b>GRADE</b> (A - B - C - D - E - F)	<b>B</b>

**NAME OF THE REFEREE:** SARAH GODAR

**DATE OF EVALUATION:**

29.5.2020   
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