

# Opponent's Report on Dissertation Thesis

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Title of the Thesis:	Corruption, Tax Abuse, and Financial Secrecy
Type of Defense:	<b>DEFENSE</b>
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Opponent:	Gabriel Zucman M.Sc., Ph.D.

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

*(Note: The report should be at least 2 pages long.)*

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Miroslav Palanský has produced a well-founded, rigorous, and innovative dissertation thesis focused on corruption and tax evasion. Studying illegal activity is by definition fraught with difficulties. Miroslav provides new quantifications of these phenomena by applying novel empirical techniques and creating new data series. This dissertation pushes forward scientific knowledge in three fields of economic research: international economics, political economy, and public economics. This dissertation provides an original contribution to the scientific literature in these fields. It would be defensible in any respected institution, such as UC Berkeley where I teach or the London School of Economics. Indeed, two of the three main chapters of the dissertation have already been published or accepted for publication in well-regarded, peer-reviewed academic journals (*Public Choice* and *International Tax and Public Finance*). This is a notable achievement for a PhD student and proof that Miroslav is capable

of conducting research at a high international standard. Therefore, I recommend this thesis for defense without substantial change.

In the rest of this report I will summarize Miroslav's work and make a few comments on some of the chapters most connected to my area of expertise.

The first chapter of the dissertation aptly motivates the work and summarizes the main results of the dissertation.

The second chapter is based on a sole-authored paper titled "The value of political connections during the post-transition period: Evidence from Czechia" which is forthcoming in the peer-reviewed journal *Public Choice*. This paper demonstrates that Miroslav is able to conduct original work on his own at a high international standard and indeed publishable in well-respected peer-reviewed outlets. Since the paper has already been accepted for publication and falls somewhat outside my area of expertise, I will not provide additional comments and suggestions.

The third chapter is based on a paper titled "Estimating the scale of profit shifting and tax revenue losses related to foreign direct investment," jointly written with Petr Janský. This paper has been published in *International Tax and Public Finance*, a well-regarded peer-reviewed academic journal in the field of public economics. This paper is close to my area of expertise, and I could check that the Miroslav appropriately refers to all the relevant papers in this sub-field. Miroslav has an excellent command of the literature and this chapter usefully contributes to pushing forward knowledge about the size of corporate profit shifting, a subject which is highly relevant to global policy debates. The basic idea of the paper, to compare rates of returns on foreign direct investment to detect traces of profit shifting, is sound. This chapter builds on the methodology pioneered by UNCTAD (2015), and extends it in a number of ways. The results suggest that around \$420 billion USD is shifted from the 79 countries in the authors' sample, resulting in \$125 billion USD foregone in tax revenue. The chapter discusses the distributional effects of international corporate profit shifting and compares the results with other existing estimates of its scale. Strikingly, the findings are very consistent to those in Torslov, Wier and Zucman (2018), lending support to the idea that the corporate income tax revenue losses due to profit shifting are indeed of around \$125 billion annually. For future work, I can only encourage the authors to incorporate the new Foreign Affiliates

Statistics recently released by many countries to refine their estimates.

The last chapter, based on a working paper co-authored with Petr Janský and Markus Meinzer, constructs a ranking of the most important secrecy jurisdictions for each country individually, what the authors call the Bilateral Financial Secrecy Index (BFSI). The chapter then evaluates two major recent policy efforts aimed at fighting tax evasion: the blacklisting process of the European Commission and the bilateral automatic information exchange of bank information. The results suggest that tax havens continue to supply secrecy to some of their key partners. Of course, the creation of Secrecy Indexes (and hence bilateral indexes) involves several judgement calls, and so I expect that this paper might be harder to publish than the first 2 chapters. However it nonetheless constitutes in my view a valuable—if somewhat more qualitative—addition to the literature on tax havens.

Overall, this is a rigorous dissertation, that I can recommend for defense without substantial changes.

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