

Report on Bachelor / Master Thesis

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

Student:	Paul Mainka
Advisor:	Prof. Roman Horváth, Ph.D.
Title of the thesis:	Financial Development and Wealth Inequality: A Panel Data Analysis

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

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 thesis focuses on the determinants of wealth inequality. This is the issue largely neglected in economics despite its enormous importance. The available (scarce) evidence largely focuses on the measurement of wealth inequality. I am aware only of two other studies, which empirically examine the determinants of wealth inequality. This thesis differs substantially from these two studies. Therefore, the thesis represents a novel piece of empirical evidence. The thesis builds a large dataset using the wealth inequality data from the Credit Suisse reports and estimates various panel data models. The special focus is on how financial development affects wealth inequality, but other channels, such as globalization effects, are also examined. The closest related study is by Hasan, Horvath, and Mares (2020) but the thesis extends it on several grounds, for example, 1) by examining a panel of countries instead of in a cross-sectional setting, 2) using broader time coverage, 3) using a different econometric technique such as Lasso and 4) examining a much wider set of explanatory variables.

Methods

The student uses panel data models to examine the determinants of wealth inequality. However, because the (scarce) theoretical models do not give clear guidance regarding the regression model specification, the student uses a lasso technique to guide him in choosing the regression model specification. More than 80 determinants are examined using the Lasso, and in doing so, the Lasso recommends a largely similar set to the cross-sectional study of Hasan, Horvath, and Mares (2020). The student is very careful and provides arguments for all the steps undertaken and choices made. The student undertook a very large empirical exercise and collected a large dataset.

Literature

The literature is covered excellently and all important sources are covered. The existing literature is discussed with sufficient detail.

Manuscript form

I appreciate that the student also submitted all data and estimation codes online. Sometimes the text focuses on too many details without sufficiently focusing on the main message but, in my view, it is more of a matter of writing style rather than main drawback. There are typos, but its extent is at a tolerable level.

Summary and suggested questions for the discussion during the defense

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In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for the defense and suggest a grade A.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Question: How will the wealth inequality evolve in developed countries in future? Will there be a trend towards greater taxation? Will wealth inequality become a major policy issue?

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	30
<i>Methods (max. 30 points)</i>	28
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	15
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Prof. Roman Horváth, Ph.D.

DATE OF EVALUATION: 9.1.2021

Digitally signed, 9.1.2021, Roman Horváth

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