

Report on Bachelor / Master Thesis

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

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| Student: | Jan Nykl |
| Advisor: | Jaromír Baxa |
| Title of the thesis: | Relation of Debt Relief to Social and Military Expenditures: Empirical Evidence |

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

In this thesis, Jan estimates the impact of sovereign debt reliefs on the dynamics of public expenditures in healthcare, education, and military expenditures. To investigate the impact, Jan has chosen the dynamic panel data models estimated using the System GMM and the Difference GMM models. He finds that in countries that were granted debt reliefs since 1991, the military expenditures decreased while the spendings on education increased. The impact on health expenditures remains uncertain.

Contribution

This thesis aimed to verify whether debt reliefs actually contribute to improving the living conditions of the people by expansions of educational and health savings, i.e., whether the effects are in line with the goals of international institutions to coordinate and provide debt reliefs. It uses more recent data than the existing studies, and Jan focused on debt reliefs since the 1990s. Besides, he focuses also on the impact on military expenditures. By doing so, he complements the existing evidence in the literature. I found the contribution adequate for a decent bachelor thesis.

Methods

Jan follows the practice of the current literature, which aims to evaluate the impact of debt reliefs on social spending, poverty, and other variables. He uses the Arrelano-Bond and Bond-Bover GMM estimators that overcome the Nickel bias and possible endogeneity by using lags of variables as instruments. The models used for estimation rely on reasonable sets of control variables. The GMM technique is implemented relatively well, which is not standard even among published papers, often with implausibly high p-values of specification tests or proliferated instruments. Some minor indication of a possibly too high number of instruments appears in difference-GMM with the p-value of the Hansen test at 0.87, but it's still beyond 1.000 reported elsewhere.

Moreover, the methodology is described carefully and accessibly, which is again something to praise.

Literature

Relevant literature is surveyed well, and the historical context of debt reliefs is provided.

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Manuscript form

My only objective goes to the form of the Introduction, which shall not be divided into subsections and shall not contain bullets. Also, the contribution of the thesis could have been more precise and related to specific papers.

Overall evaluation and suggested questions for the discussion during the defense

From my point of view, Jan Nykl wrote a solid bachelor thesis. He reflects the relevant literature, uses a well-established methodology, which is correctly implemented, and provides reasonable results. Jan demonstrated his ability to conduct his own research, which is mostly in line with the standards in the profession. Therefore, I warmly recommend defending the thesis with a grade A.

Suggested question: Do the regression coefficients contain the causal effect of the debt relief on variables of interest?

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

| CATEGORY | POINTS |
|---|---------------|
| <i>Contribution</i> (max. 30 points) | 26 |
| <i>Methods</i> (max. 30 points) | 28 |
| <i>Literature</i> (max. 20 points) | 20 |
| <i>Manuscript Form</i> (max. 20 points) | 18 |
| TOTAL POINTS (max. 100 points) | 92 |
| GRADE (A – B – C – D – E – F) | A |

NAME OF THE REFEREE:

Jaromír Baxa

DATE OF EVALUATION:

Referee Signature

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Please sign the report electronically using one of the following options:

- *Certified electronic signature*
 - *Adobe digital signature*
 - *Writing „Digitally signed“, the date and your name above „Referee Signature“*
 - *In any case, your name has to be typed, the signature cannot include a scanned picture of your hand-written signature.*
- *Two examples are here:*

Ladislav
Kristoufek

Digitally signed by
Ladislav Kristoufek
Date: 2020.08.05
15:14:49 +02'00'

Referee Signature

Digitálně podepsáno (5. 8. 2020):
Ladislav Křišťoufek

Referee Signature

Please note that a scan of the report with hand-written signature will not be accepted.

*Then submit the report to SIS. There is no need to deliver a signed hard copy of the report.
Please delete these instructions before submitting the report.*

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 |