

Institut ekonomických studií

Fakulta sociálních věd, Universita Karlova Praha

Referee report on the Bachelor/Master Thesis submitted to State Exam

Student Name:	Pavel Hrbek
Thesis Supervisor Name:	PhDr. Martin Gregor, PhD
Thesis Title:	The Impact of Forms of Government and Electoral Rules on Public Spending

Overall Evaluation:

The thesis provides an exercise in political economy analysis of impact of institutional factors (such as forms of government and electoral rules) on public spending. Thesis is written in English, has 45 pages, author quotes 31 references (including 5 web-pages), uses figures and tables for illustrative purposes.

In the first part of the thesis (Chapter 2) the author introduces fundamental categories of political institutions and defines basic concepts. Theoretical model of policy choices and party formation under proportional electoral rule and under majoritarian electoral rule is presented in Chapter 3. Chapter 4 provides empirical evidence supporting theoretical predictions. Chapter 5 concludes and summarizes results.

I have the following comments and questions to the thesis:

a) Some formulations in Chapter 2 are rather problematic. Just few examples: "A coalition government is formed in order to set up government" (page 5) – tautology. "There are three basic types of majoritarian system: electoral system of simple majority; electoral system of absolute majority; and the less used and very specific, electoral system of alternative voting" (page 6) – simple majority is usually called plurality voting system, what is alternative voting (Borda?, approval voting?), why to mention it without proper explanation? "Therefore this system (majoritarian) is generally used for elections to one man office holder such as president, governor, mayor, etc." (page 6) – not precise, also parliaments are elected by different variants of majoritarian systems. "There are four most common dichotomic conceptions: democratic and autocratic, consensual and majoritarian, parliamentary and presidential, authoritative and totalitarian" (page 8) – strange classification, e.g. authoritative and totalitarian is not dichotomy. It is possible to continue. Chapter 2 in general is a rather chaotic survey of different concepts used in political sciences, most of them not used in the rest of the text, it would be better select only basic concepts necessary for understanding the model and quote relevant papers and/or book with their complete definitions.

b) The model in Chapter 3 of government spending behaviour in parliamentary democracies under proportional and majoritarian electoral rule is inspired by Persson, Roland and Tabellini (2007). It is de facto replica of the Persson, Roland and Tabellini model simplifying original version by considering only three parties instead of four. I am missing explicit motivation for this slight modification. In footnote on page 14 the author is commenting the original model Persson, Roland and Tabellini (2003) for 4 political parties in legislature, with political rents, defined as $4\tau = \sum_J g^J + \sum_P r^P$ not explaining what r is, stating that he is not using "it because

as it is shown in Persson, Roland and Tabellini (2006) and (2007), the results are about to be the same". What results? Rather cumbersome notation system is used (why ${}_N W_G^P$ etc. is used, the formulas would be more readable if e.g. $W_G^P(N)$ is used, or better if considered party configuration structures are defined in a more conventional way, say, as $N \in [\{\{1,2\},$

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$\{3\}, \{1,3\}, \{2\}, \{2,3\}, \{1\}, \{1,2,3\}$. Similarly in other cases, when capital letters used as indices denotes some sets, which it is not properly defined. On page 21 P is defined as $P = 1 + 2$ (what gives 3) meaning party 1 and 2, while on other places (page 19) P is used as $P = 12$ for set of parties 1 and 2, etc. How to understand statement "Let's consider a single party government formed by parties $P = 12$ " (single party government composed from two parties)? Concept of merging more parties into one is not clearly explained. Anyway, notations are important.

c) The author comes to conclusion that "My findings go generally in hand with those in original model presented by Persson, Roland and Tabellini (2007). I find that coalition governments have higher overall spending than single-party governments under proportional electoral rule. Next, I find that to remain an independent party in government is the dominant strategy under proportional electoral rule. The equilibrium public spending only depends whether the government is formed by coalition or by single party. Next result is that there are only coalition governments observed in a proportional electoral rule and the last result is that in a two party system, there is no difference between proportional and majoritarian electoral rule in the expected utility of a party P." Does it follow from it that author's modification is just a special case of Persson, Roland and Tabellini?

d) In Chapter 4 empirical evidence is provided. Again, data from Persson, Roland and Tabellini are used. Were this data transformed in some form or figures and tables are used without change? Statement: "Using these data sets I prove the indirect effect of electoral rules: that proportional electoral rule induces higher government spending than majoritarian electoral rules. Indirect effect because proportional elections induces higher spending by party formation and the impact of coalition government. I also prove that a change of form of government from a parliamentary to a presidential reduces spending programs with many beneficiaries; and that presidential regime under majoritarian electoral rule produces smaller welfare spending" is too strong, there is some empirical evidence, but it is not a proof.

e) References: in most cases editor and pages are missing.

f) English should be revised and improved (e.g. in quotation from John Locke on page 13 one can read "and whenever the People shall chuse their Representatives" – not chuse but choose).

To resume: selected topic and used approach is important and interesting, but I am not sure that modification of Persson, Roland and Tabellini model brings something new. Even in this specific form the model modification should be better elaborated. It does not mean that the work done is useless. The author knows how to benefit from advanced literature and the thesis might represent a good start of further fruitful research in this direction.

I recommend grade B (velmi dobře) for the thesis defense.

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SUMMARY OF POINTS AWARDED (for the explanation of categories and scale, please, see below):

CATEGORY	POINTS
Quality of Research	24
Clarity and Readability	8
Content/Quality of Ideas	28
Organization & Development	12
Manuscript Form	4
TOTAL POINTS	78
	B

Prof. RNDr.

Evaluated on: 15.6.2008