

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Barbora Bajgarová</b>
<b>Advisor:</b>	<b>Doc. Petr Janský, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Elasticity of local governments' expenditures to gross domestic product</b>

## OVERALL ASSESSMENT

### Contribution

Barbora Bajgarová wrote a good thesis on the relationship between GDP and local government expenditures. Interestingly, Barbora finds a differential relationship according to the type of expenditure. The effect is positive for current expenditures, meaning they tend to decrease when GDP drops, and negative for capital expenditures, meaning they tend to rise when GDP drops. Furthermore, she sheds new light on substantial heterogeneity among the more than 6000 municipalities within Czechia. She also finds evidence consistent with political budget cycles.

### Methods

The methods and data sets chosen seem appropriate for an undergraduate thesis and the research question at hand.

Czechia provides a very good case study with more than 6000 municipalities and a very detailed dataset of their expenditures.

Barbora selected the fixed effects model on the basis of the Hausmann test and it also seems to me to be more suitable given the structure of the municipal-level data (but it is still a good practice to present the random effects model results as Barbora does in the Appendix).

I appreciate that Barbora included an investigation of heterogeneity in terms of both types of municipalities and types of expenditures.

I welcome the use of descriptive statistics such as the colourful correlation table in figure 4.1 (but it would be even better in case more meaningful labels were used instead of the shortcuts).

### Literature

Barbora shows a good command of the wider relevant literature, including international local government research as well as recent studies focusing on Czechia and political budget cycles in particular. In her literature review section 2, Barbora only describes the existing studies rather than contrasting them with her own thesis. While Barbora contrast her findings with selected existing studies in section 5, I would welcome even more such explicit comparisons.

### Manuscript form

The thesis is written very clearly, the style and language used is mostly very appropriate. The results are presented clearly using figures and tables. The introduction is very short and, if it was longer, it could include a brief summary of her findings and contributions to the existing literature.

### Suggested questions for the committee

What methods or data would enable you to present even more rigorous estimates of the relationship between local expenditures and economic output?

### Summary

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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 B.

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

In short, Barbora Bajgarová did an excellent job of writing a thesis and I recommend **a grade of B.**

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	25
<i>Methods (max. 30 points)</i>	25
<i>Literature (max. 20 points)</i>	18
<i>Manuscript Form (max. 20 points)</i>	18
<b>TOTAL POINTS (max. 100 points)</b>	<b>86</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>B</b>

**NAME OF THE REFEREE:**

**DATE OF EVALUATION:**

*Digitally signed (17. 8. 2021)*  
*Petr Janský*

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**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