Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha

Referee report on the Master Thesis submitted to State Exam

Student Name:	**Martin Kopecký**
Thesis Supervisor Name:	**Michaela Erbenová**
Thesis Title:	**Labor Costs in Industrialized Countries...**

Overall Evaluation: The thesis deals with an interesting and important question whether and how fast labor costs converge in an open economy. The author carefully reviews relevant literature and conducts some original empirical research. Therefore, I recommend the thesis for the defense and suggest grade A, i.e. **excellent.**

The thesis is well organized, even though it occasionally suffers from excessive literature surveying. The author, however, works with the literature appropriately and demonstrates his good grasp of the theoretical issues involved and of statistical methods needed to analyze these issues. After a brief intro, the second chapter deals with the underlying theory of factor price equalization. While figures 2.1 and 2.2 might not be very intuitive, the author deserves credit for including of not-so-standard implications of the new trade theory (p.9-11). The third chapter discusses capital mobility and price equalization. The chapter relies completely on literature, but it does come to interesting and not obvious conclusions (p.31). Fourth chapter moves to labor mobility and wage convergence. The author spends perhaps too much time on exchange rate issues (pages 34-39), but the author shows convincingly that labor convergence lags behind other price convergence processes (p.42-43). The fifth chapter brings the most valuable part – an original empirical assessment of the factor price convergence. While the theory of the Dickey-Fuller test is interesting, it might have been treated more concisely than in part 5.3 which spends almost 4 pages (further two pages are used for panel tests technique later on). Table 5.2 (page 61) shows that there seems to be wage convergence among developed countries. Page 68 then argues that the convergence takes place even among the "less developed EU member states" – see table 5.4.

The thesis brings a sophisticated analysis of the factor price equalization theory and complements theoretical analysis with empirical analysis. The text suffers, occasionally, from inconsistent language and too complicated structure with many "returns" and "turns".

Overall, I strongly recommend the thesis for the defense and I suggest **grade A, "Excellent"** for it.
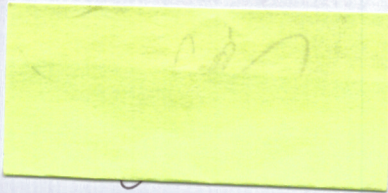
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SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Quality of Research	30
Clarity and Readability	10
Content/Quality of Ideas	35
Organization & Development	10
Manuscript Form	5
TOTAL POINTS	90
LETTER GRADE	A

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(Signature – Defense Opponent)

Michaela Erbenová

Evaluated on: 14 June 2007