

Report on Bachelor / Master Thesis

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

Student:	Bc. Kamila Kaucká
Advisor:	MRes PhDr. Jan Zápál
Title of the thesis:	Elasticity of Taxable Income Survey of Methods and Analysis for Czech Republic

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

The thesis is an over 100 pages work on taxpayers' behavior with 85 pages of a descriptive survey and vast literature review, and 15 pages of empirical research.

The key drawback of this paper is obvious from the very beginning – the manuscript form is really low in all its aspects: Graphical presentatnion of the text, headlines, numbers' formats, tables (!) and especially the language. Currently the paper is “non-publishable” because of the mistakes in English. I would expect a master candidate to have his or her thesis at least proofread.

Selected comments on use of English:

Articles (both definite and indefinite) are largely missing, especially „the first...“ Present perfect tense should not be used for past and finished activities. “Data” is, to my knowledge, usually an uncountable noun.

Descriptive part:

There is little to be discussed about the first nine chapters as they include mostly description of past studies, methods and concepts. It is quite elaborate and the author has proven to have done a detailed and more than sufficient literature research. I will include some particular comments, each of them starting with the number of a page to which it's related.

17: terms like „skill-biased demand shocks“ would be definitely worth explaining.

28: self-selection constraint is a really strong constraint. It would need some sort of more detailed description and perhaps discussion/justification. The items in the list of features by Saez (2001) should be at least somehow explained.

29: typo: „come costs“

30-31: Again I miss explanatiion to the listed keywords. Whereas most of positional readers might be familiar with Rawlsian objectives, They can hardly know, chat is meant by „Progressive liberalism – declining pattern „. This would be perfectly sufficient for personal notes but, In my opinion, not for a thesis.

31-32: What are the units of optimal tax? Is it per cent? What do the “social weights” mean? I haven't found any clue what are „g's“ and „h's“.

33: The last sentence in the first paragraph does not make sense to me.

70 just a note: there is no “excise tax on alcohol“, there are taxes on (sparkling) wine, beer, spirits and other products containing ethanol.

Report on Bachelor / Master Thesis

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

Student:	Bc. Kamila Kaucká
Advisor:	MRes PhDr. Jan Zápal
Title of the thesis:	Elasticity of Taxable Income Survey of Methods and Analysis for Czech Republic

71: I was unable to find any trace of excise taxes in table 9.

77: Table 15 is really atrocious from the graphical point of view. For the future, please do pay attention to the font size and overlapping numbers in table cells.

81: Table 19 (and also repeatedly later in the text): I am either unaware of all meanings of the word „ass“ or nobody has proofread the text at all. I would guess that it should have been “tax assessment” but the phrase “26% of base of asses “does seem to me as referring to either a donkey or to something even less academic.

83: Just for sake of precision: There should be ...change in marginal net-of-tax rate.

Empirical part:

This part is rather short and, to be honest, I would expect a little more from a master thesis. Plain applying of a basic version of a simple model to the Czech data does not seem too creative to me. The difference-in-differences method is applied using a single control group. I don't see much evidence of attempting to solve the problems with the data by altering the model or the way of computing. However, it is legitimate to assume that even more complex calculation methods would not solve the problem with lack of panel-structured data.

86: Table 21: It would be again good to include units of measurement.

90: Is there some economic reasoning behind using the “sum of average taxable income in each bracket divided by number of brackets“ other than that it earns us slightly less negative results? I couldn't find any logic justification for such an approach.

97: Despite the fact that the results of the analyses seem neither persuasive nor consistent, the author draws quite strong form of conclusion. Elasticity is a point feature of a function (it is derived from “small enough” or even infinitesimal changes). Therefore statements like “I compute revenue maximizing rate which is almost 72%” should be taken with some caution. Moreover, I miss some discussion on short-term and long-term responses to the tax measures which turned out to be a problem in the first two runs of estimation.

101: “This is not consistent with economic theory, thus my estimation is not significant.“ I am afraid that such implications are far simplistic. Unfortunately, economic theory does not say anything about empirical significance of estimated elasticities.

References:

106-108: References to the internet sources miss some formal requirements

Report on Bachelor / Master Thesis

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

Student:	Bc. Kamila Kaucká
Advisor:	MRes PhDr. Jan Zápal
Title of the thesis:	Elasticity of Taxable Income Survey of Methods and Analysis for Czech Republic

Just few ideas of mine:

There is obviously a large problem with the data. Given that the repeated cross-section data are the only source available (and I do believe that it would be really hard to find a good panel data on such a confidential issue as taxes). So we must stay with the data we have. First, it would be reasonable to introduce the whole structure of the data, i.e. include information on all tax brackets. By doing so, we could at least get a feeling for whether there is some structural shift across the brackets during the time or not. This could help us to fight the curse of averaging a bit. For example, if the average taxable income decreases both for “poorer” and “richer” brackets, and say number of taxpayers in the “poorer” racket decreases in favour of the number of “rich”, it might mean that the “richest of the poor” have now shifted to the “richer” group, in fact lowering the average income for both groups. Any observation like this could help us fight the difficulties with the data, we are facing. However, it would be more than naïve to expect some solid results from such poor dataset. One thing also came to my mind concerning the negative results for 2002. According to the data by Czech Statistical Office, the year 2002 was far the worst in terms of GDP growth within the period from 2000 to 2009. Assuming that the “richest” group’s income is more tightly connected to GDP (say through performance-related managerial bonuses etc.) it would be legitimate to infer that their taxable income would rise/fall by at a slower/quicker pace than for the “poorer” groups.

To summarize my impression of the thesis, it is quite extensive and the author has done a broad research for relevant literature. Whereas there are some reserves in the area of modeling and data analysis, there is much work to be done on the manuscript form. Should the paper be published, there will be a need for language proofreading and graphical redesigning. The results correspond to the assignment in the thesis project. If we take the conclusions as a “discussion from the perspective of potential difference-in-differences estimation of the elasticity of taxable income“ on Czech data, then we must consider this task as fulfilled.

Report on Bachelor / Master Thesis

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

Student:	Bc. Kamila Kaucká
Advisor:	MRes PhDr. Jan Zápal
Title of the thesis:	Elasticity of Taxable Income Survey of Methods and Analysis for Czech Republic

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	19
<i>Methods</i> (max. 30 points)	22
<i>Contribution</i> (max. 30 points)	18
<i>Manuscript Form</i> (max. 20 points)	3
TOTAL POINTS (max. 100 points)	62
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE:

DATE OF EVALUATION:

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě