

Report on Bachelor / Master Thesis

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

Student:	Bc. Jana Kahounová
Advisor:	PhDr. Michal Bauer, Ph.D.
Title of the thesis:	Czech Pension Reform through the Lens of Behavioral Economics

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

The author Jana Kahounová provides in this thesis an interesting assesment of the Czech pension reform based on ideas stemming from behavioral finance and her own survey-based dataset. Based on her findings, she suggests some improvements of the Czech pension reform.

Manuscript form: the thesis is well structured and organized, the length of chapters and of the thesis itself is quite balanced and it gives reader all information needed. The author uses good English and reader does not get lost in the text. I have to say that except for some details (having tables on two separate pages) I have nothing to object against.

Literature review: The author introduces reader into the current state of the arts of the Czech pension reform and in the next section into the aspects determining the pension saving attitudes. She cites relevant literature, putting reader into the context of behavioral point of view on policy making.

Methodology: The methodology and own contribution are the weakest parts of the otherwise well-looking thesis. Using survey to asses the subjective discount rate and other aspects of behavior that are subject to psychological biases is rather inappropriate as in these situations the revealed preferences usually sharply differ to the stated preferences - hypothetical bias distorts data even when respondents truthfully report their attitudes, because when faced with the real decision, they may decide to act differently. For assesing e.g. present-bias or other important arguments used for policy improvements could have been used another data source – where the skewed patterns in behavior are self-revealed.

Apart from this, survey methodology itself suffers from other weakness: when the author tries to get „as large sample as possible“ – the goal of a survey is normally to get data for a specified target group, which in case of the whole population is the representative sample, not as much data points as possible (as Gallup famously demonstrated in 1935 a precise prediction of the US presidential ellections on a sample of 2000 people against The Literary Digest with hunderds of thousands of collected answers). Stratified sampling is the simple and powerful answer. I understand that the author was afraid of having only students in her sample and thus having it not representative, but this would have been completely fine if the ambitious scope of the thesis was reduced to students only, which would still be enough and an interesting topic for a master thesis, had it been carried out well. On this data, the author then runs regressions to reveal some already known patterns.

What the most missing part is that the author does not really come up with any new idea – she tests already proven facts about imperfections of human behavior and she cites in her work. One of the main policy implications – that the second pillar of the pension scheme, the private savings – should be mandatory was already implemented in many countries, e.g. in Slovakia several years ago. I would appreciate discussion of what these reforms have brought from the behavioral point of view and if the commitment devices implemented brought the expected results, not only the Smart program from the US.

Suggested question for defense:

Please explain, why do you think that the commitment devices like mandatory private savings are an important policy tool and outperform traditional PAYG systems, if in the future the private pension funds may be subject to frauds, nationalization or just a simple bankruptcy and thus the patient people may be worse off than the impatient ones.

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In case of a successful defense I recommend the commission to give the **grade B** (good/velmi dobře).

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

CATEGORY		POINTS
Literature	(max. 20 points)	20
Methods	(max. 30 points)	20
Contribution	(max. 30 points)	15
Manuscript Form	(max. 20 points)	18
TOTAL POINTS	(max. 100 points)	73
GRADE	(1 – 2 – 3 – 4)	2

NAME OF THE REFEREE:

PhDr. Lubomír Cingl

DATE OF EVALUATION:

June 21, 2012

