Report on **Bachelor Thesis**

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

Student:	Richard Janoušek
Advisor:	Martin Gregor
Title of the thesis:	The Principles of Optimal Income Taxation Revisited

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

The optimal income taxation is a complex field with profound theoretical results referring mainly to Mirrlees (1971). Richard Janoušek has set a goal to review its recent developments and the most recent policy discussion with respect to high income taxation. This topic is only briefly touched upon in the undergraduate course of public finance and in its details in one of the most difficult parts of applied microeconomics.

The idea to look again into the optimal taxation is driven by several reasons: First, with a much finer and detailed income statistics, the tests of previously untestable assumptions are now feasible (e.g., fitting top tails of realized income distribution to any well-known class of theoretical distributions). Second, there is a growing number of top economists who have quite recently contributed to this field with provoking and innovative contributions, notably Mankiw and Weinzierl on one side, and Diamond and Saez on the other side. Third, the boom of 2000s and the subsequent crisis made the evolution of relative incomes of a top 1 percentile an issue of utmost public concern.

I proposed to Richard to write a thesis that would thoroughly review this topic in a relatively accessible language. From that perspective, the thesis is successful, and it serves as a very well done survey, useful, among others, for our Master students of public economics.

Richard has followed my advice and did his best to reflect my suggestions. At some parts, the argument might have gone more into depth, but there is natural tradeoff between scope and length. To sum up, given that optimal taxation is a rather difficult subject, I think that Richard has made enormous effort to complete the thesis and I believe that the investment into it will bear fruits, among others when Richard pursues a Master degree in Economics at University of Cambridge where he has been admitted.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	25
Contribution	*(max. 30 points)*	21
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	86
GRADE	(1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: PhDr. Martin Gregor, PhD

DATE OF EVALUATION: June 3rd, 2013

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Referee Signature