

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Kryštof Krotil</b>
<b>Advisor:</b>	<b>PhDr. Martin Gregor, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Do Small Countries Outcompete Large Countries in Diesel Taxes? Evidence from the EU-16</b>

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

Bachelor thesis written by Kryštof Krotil focuses on particular drivers of diesel fuel taxation policy of selected European countries. His thesis include also empirical analysis of the phenomenon provided on a balanced panel data covering 16 countries over the 5-year period. The results of this study suggest that tax competition between small and large countries is present.

Since I am not expert in this field, it is rather hard question for me to assess whether all relevant papers are mentioned in this paper. Author is, however, able to discuss current literature and place his thesis in this field.

Most of my comments are about the methods used in this thesis.

- In the first paragraph of chapter 4, you state that „As a measure for the diesel tax, we take the pre-VAT price for commercial users and the pump price for households (both in USD per liter“ but then in all equations the endogenous variable is the diesel price in given country. Based on intro to data, I would expect you to have your measure of diesel tax as an endogenous variable.
- Since you work with price instead, would you agree that your results can be also affected by decision of sellers about their margins?
- What about the transit traffic from third countries, do you expect this to have some affect on your results (I mean not only trucks, but also holiday destinations etc.)
- You set the distance for cross-border fueling arbitrarily equal to 40 km. Did you try some sensitivity analysis?
- Based on Ramsey rule, you suppose that countries with higher GDP per capita should have lower price elasticity. Did you try to check this assumption at some micro-based study?
- Some of the variables are obviously non-stationary but hopefully this should not make any problems when only 5 years are considered.
- Are you sure that SIZE and NP\*SIZE are almost perfectly correlated? Since the variance of SIZE is (expectedly) low, the correlation between these two variables should be low if I am not mistaken.
- Are the responses of small and large countries statistically different or have you built your conclusion on the basis of just having a look?
- The R2 is suspiciously high in almost all equation which can be caused by the problem of endogeneity of NP as you mentioned.
- The application of the same models also on the commercial diesel I find doubtful.

Contribution of this paper is in employing price as a dependent variable and measurement of country size. This is what makes this thesis different from the previous work within this field. Although the empirical results are in line with other studies, there is still a lot of work in the methodology.

The manuscript form is reasonably good. Thesis is well structured and includes also proper academic references. What I would appreciate a lot would be inclusion of graphs with raw data and some summary statistics. Some typos- In the thesis on page 15 in the first row below the equation you have twice „in country“ and in the next sentence there should be either whether or if not both, so check this ☺.

My overall assessment on the Bachelor thesis written by Kryštof Krotil is positive. Besides the manuscript form I do appreciate also his willingness to provide an empirical research. This is true

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even though I have several remarks on the methods he used, some of them being more important than the others. However, from my point of view, Kryštof Krotil showed sufficient performance for the bachelor level and therefore in case of successful defence I suggest Kryštof Krotil to be graded A (výborně).

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	24
<i>Contribution</i> (max. 30 points)	24
<i>Manuscript Form</i> (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>86</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Jan Šolc

**DATE OF EVALUATION:** 10. June 2013

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*Jan Šolc v.r.*  
**Referee Signature**

