

Report on Bachelor / Master Thesis

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

Student:	Bc. Jana Vavříčková
Advisor:	PhDr. Tomáš Havránek, Ph.D.
Title of the thesis:	A Meta-Analysis of the Effect of Minimum Wage Increases on Prices

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

This master's thesis presents the first quantitative survey of the relation between minimum wage increases and the price level, which is a relevant topic for monetary policy, especially in a situation where the government plans to increase the minimum wage regularly (which is currently the case of the Czech Republic). The author finds that the average reported effect is positive (increases in the minimum wage increase prices), but that the magnitude of the effect is relatively small. Moreover, the effect disappears entirely when publication selection bias is taken into account.

The author exploits the property of most econometric models used for the estimation of the effect of minimum wage hikes: the ratio of the point estimate to its standard error has a t-distribution. This property implies that the estimate and the standard error should be statistically independent quantities. The literature, however, shows correlation between estimates and standard errors, which suggests publication bias – negative and insignificant estimates are underreported in the literature. A simple intuition for the result is the following: when researchers strive to report significant estimates and have imprecise data (thus large standard errors), they need large point estimates to produce large t-values. Therefore, a positive correlation between estimates and standard errors arises. The author shows that the results hold when one controls for data and method heterogeneity in the literature and when plausible instruments for the standard errors are used.

This is an exceptional master's thesis that could be, after revisions, published in a solid international journal, such as the Journal of Economic Surveys. I have noted that it is a meta-analysis of an original topic, and the author had to collect all of the data by herself (and by hand; data collection in meta-analysis is labor-intensive). The thesis clearly deserves an A, and I encourage the author to prepare a shorter version and submit it to the IES working paper series.

Question for thesis defense: what data and method characteristics matter the most for the estimation of the effect on minimum wage increases on prices?

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	29
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	92
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Tomáš Havránek, Ph.D.*

DATE OF EVALUATION: 19. 5. 2015



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