# Report on Bachelor / Master Thesis

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

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| **Student:** | Petr Choutka |
| **Advisor:** | Ing. Irena Kemény |
| **Title of the thesis:** | The importance of tax system structure for economic growth in OECD countries - Extreme Bonus Analysis |

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

The aim of this thesis is analysis whether a revenue-neutral tax reform can promote economic growth in OECD countries. Main motivation is identify taxes which are most harmful for economic growth and suggest tax policy implications. The author aims to find out what type of taxes inhibits economic growth most strongly and what type is the least harmful for economic activity. The research found that taxes levied on personal income have a robust negative impact on economic growth, however consumption and property taxes appear to be non-significant predictors of economic growth. The Extreme Bound Analysis used for 32 countries from 1995 to 2011 on cross-sectional data, pooled cross-sections data and panel data methods. The paper is very nicely written: the motivation for the student is set out well, the literature review is done well, and the presentation and structure are very good. My only critical comment in this respect is that the paper is about methodology:

- Data used as a range from 1995 to 2011, is there any reason do not consider before 1995?
- The choice of core variables is based on standard neoclassic growth models, due to omitted variable problem, recent literature recommend the importance of institutional level impact on economic growth? ((Bulte et al., 2005; Isham et al., 2005; Brunnschweiler and Bulte, 2008) Why not used it as a core variable?
- Why Author presented all cross-sectional, pooled and panel data results, simply Author can use test statistics to compare all methods (LM test, F test, Hausman test), and present only one of them. It is recommended to add test results to the Tables 9-12 (example Hausman test).
- Author did not explain possible endogeneity of economic growth model.
- It is not clearly explained whether Author reject/accept three hypotheses he did. What is the main contribution of this research?

**Suggested question for the defense is:**

Whether results will be consistent if we will have different choice of first group which represented by the dependent variable?
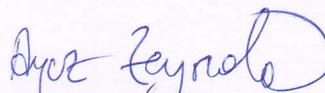
In the case of successful defense, I recommend **"velmi dobře"**
*SUMMARY OF POINTS AWARDED (for details, see below):*

| CATEGORY | | POINTS |
|---|---|---|
| *Literature* | *(max. 20 points)* | 20 |
| *Methods* | *(max. 30 points)* | 25 |
| *Contribution* | *(max. 30 points)* | 15 |
| *Manuscript Form* | *(max. 20 points)* | 15 |
| **TOTAL POINTS** | *(max. 100 points)* | **75** |
| **GRADE** | (1 – 2 – 3 – 4) | 2 |

*NAME OF THE REFEREE:* **Ayaz Zeynalov**
*DATE OF EVALUATION:* **04 February 2015**

*Referee Signature*