

Report on Bachelor / Master Thesis

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

Student:	Astakhov, Anton
Advisor:	Jiří Novák
Title of the thesis:	"Competition and Innovation: Revisiting the Relationship Using Alternative Measures of Rivalry"

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

The author investigates how product market competition affects the propensity of firms to innovate. He uses four measures of competition (industry concentration index (HHI), Lerner's Index based on industry-adjusted profit margin, and two new measures: Boone's Indicator (adjusted Lerner's Index) and product market fluidity (text-based measure capturing product description similarity). He uses four inter-related measures for innovation (R&D expenditures, raw patents, citation-weighted patents and citations). Due to the endogeneity of the relationship he uses policy changes as instrumental variables representing exogenous shocks. For most measures he documents the predicted inverse-U shape relationship suggesting that companies facing more intense competition innovate more, but very high level of competition reduces innovation perhaps due to the low persistence of the benefits of innovation under highly intensive competition.

I think the thesis is very well written and in many aspects it surpasses criteria for a Master's Thesis. First, the research question is very relevant, clearly interesting and it is well motivated in the text. The question has been investigated in the past, but the use of new competition measures and the innovative approach to empirical identification makes the research original.

Second, the empirical tests are well implemented. The author makes a reasonable choice of non-trivial proxies for both competition and innovation. The choice of instrumental variables is plausible. Hence, despite of the complex relationship between competition and innovation the results are convincing.

Third, the author makes good use of the existing literature, he motivates the research question well with the reference of conceptual (philosophical) and analytical work in the area. He also establishes reasonable connections between his work and prior work. As a minor objection I suggest that some of the literature review and references to it in other parts of the text could be more condensed and synthesised. That way the work would be shorter and better focused.

Fourth, I think that the structure and the format of the thesis is very good. Individual parts of the text are well structured, presented in a logical order, they build up the argument nicely from the building blocks and the individual sections communicate well with the arguments presented earlier. The thesis is written in very good English and it is neatly formatted.

Hence, I consider the thesis to be of very high quality, definitely one of the best I have supervised or graded. I recommend the committee to grade it A (1, výborně). Due to the ambition of the research question and the sophistication of the analysis and recommend the committee to consider it for the Excellent Thesis Award (ETA).

Report on Bachelor / Master Thesis

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

Student:	Astakhov, Anton
Advisor:	Jiří Novák
Title of the thesis:	"Competition and Innovation: Revisiting the Relationship Using Alternative Measures of Rivalry"

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

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	28
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	95
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jiří Novák

DATE OF EVALUATION: September 14, 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