REPORT ON BACHELOR THESIS

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

Student: Veronika Machová
Advisor: doc. Ing. Tomáš Cahlík, CSc.
Title of the thesis: Happiness and Income

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

The thesis of Veronika Machová aims at documenting the relationship between happiness and different measures of economic performance at country level. Although I have highlighted some issues with the thesis (see below), my overall impression with this work is very positive and I recommend the thesis for defense.

Contribution

It is hard to assess the contribution of this thesis, as the author herself writes very little about it. After reading the thesis we do not know whether other studies analyzing the relationship between subjective well-being and countries economic performance apply similar methods, use similarly extensive data or reach similar conclusions.

Methods

The econometric methods used in the thesis are appropriate given the scope of the analysis and the available data. Moreover, the author demonstrates her understanding of panel data estimation methods, their advantages, disadvantages, and limitation. I especially appreciate the use of correlated random effects model, which is beyond the program of bachelor curriculum at IES.

Another advantage of the thesis is a careful choice of variables and the units of measurement. For example, the author explains in detail which measures of GDP she uses and why these are the most appropriate for her analysis. I also appreciate dividing the analyzed countries into three groups based on their development, although I would suggest running separate regressions for each these groups rather than adding dummies for these groups in a pooled regression.

What I miss, on the other hand, is the derivation and/or justification of the model. We learn in the introduction that the goal of the thesis is to analyze the relationship between subjective well-being and countries economic performance, but the author does not discuss much the rationale behind this relationship. It would improve the thesis if there was a section devoted to discussion of subjective well-being and factors potentially affecting it, formulation of hypotheses to be tested in the empirical analysis, and derivation (not necessarily formal) of the relationship to be estimated.

Literature

The literature review is divided into three parts, each reviewing papers about the relationship between one of the three economic performance measures (GDP, unemployment rate, economic freedom index) and subjective well-being. This review demonstrated that the author browsed through the works on happiness and tried to select those that are the most relevant to her research. What is, however, missing in the literature review is a direct comment on how the student’s work matches or complements the reviewed studies. I would also appreciate mentioning the methods used in the described studies, as these might drive the differences in their findings and might have been an inspiration for the student when choosing an appropriate methodology.
Report on Bachelor Thesis
Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

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<th>Student:</th>
<th>Veronika Machová</th>
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<td>Advisor:</td>
<td>doc. Ing. Tomáš Cahlík, CSc.</td>
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<td>Title of the thesis:</td>
<td>Happiness and Income</td>
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There is also a short review of studies discussing measuring subjective well-being in the methodology section. Here again the author demonstrates that she read through a large portion of the literature, but on the other hand she does not derive clear conclusions from the cited studies.

**Manuscript form**

The manuscript has seven parts: the Introduction, Literature Review, Data Description, Methodology, Empirical Analysis, Discussion of Results, and Conclusion. The structure is logical and the language used is clear. However, the linkages between individual sections, especially in the first part of the thesis, are missing. In the introduction the reader is presented with the goal of the thesis without being convinced why this is relevant to study. The literature review just lists papers on selected topics without explaining their relevance to the thesis, explaining which papers serve as the benchmark, inspiration, or which are criticised. Data is described without the reader knowing what they are going to be used for and why are they needed. Methodology and Results sections are, not surprisingly, better linked.

Some acronyms are used in the text without being first defined. There range from the well-known GDP to not so obvious WVS (World Values Survey).

Figures should have self-explanatory notes. Without them it is difficult to understand, for example, figures 4.3 and 4.4.

Other than that, the manuscript is easy to read and nice to look at.

**Question for defense:** Could you highlight the value added of your analysis with respect to the existing literature on the topic?

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

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<th>CATEGORY</th>
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<tr>
<td>Methods</td>
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**NAME OF THE REFEREE:** Barbara Pertold-Gebicka

**DATE OF EVALUATION:** 13.9.2017

Referee Signature