

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Khatia Zakaraia</b>
<b>Advisor:</b>	<b>Pavel Ryska</b>
<b>Title of the thesis:</b>	<b>The Impact of Age Structure on Inflation – Example of Developing Countries</b>

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

*Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Contribution**

The evaluated Master's Thesis (MT) is very much based on a paper Doug Andrews, Jaideep Oberoi, Tony Wirjanto, C. Mark Zhou, Investigating the Link between Population Aging and Deflation, February 2016 (this is exact copy-paste of the item from Bibliography). This Andrews et al. (2016) paper is actually a final report of the grant project financed by Society of Actuaries. The main contribution of the MT is a use of different data set than original Andrews et al. (2016) report.

The first three paragraphs in the Introduction could be omitted, they are not really needed. There is no special need to focus on the general topic of aging. What is interesting is the connection between aging and inflation.

Sections 3.2-3.4 (pages 13-24) describing covered countries are not sufficiently well linked to the major argument of the MT.

Why the author claims that major contribution of MT is the first investigation of this topic on the developing countries sample, at least one of mentioned papers (Vlandas, 2016) already uses developing countries since „as the robustness check author extended the analysis by using larger sample data of 175 countries“ (p. 12 of MT).

### **Methods**

The evaluated MT uses the methods used in the source papers without any significant extension or elaboration.

The author should give more attention to investigation whether possible comovement between share of old people in population and inflation is not spurious regression, whether possible apparent comovement is not caused just by share of old people essentially following time trend in majority of considered economies or some other spurious relation.

Given that inflation level may be driven by institutional features of particular economies, by decisions of particular central banks etc., as contrasted to relatively smooth and long term determined population structure, these features of data should be taken into account when considering the appropriate econometric framework. It is strange that demographic variable has outliers, which have to be removed (p. 13) – I would expect that as opposed to some purely economic variables, the demographic variables should be more stable, without outliers which should be removed.

While the author says that the choice of the sample countries was essentially random, there could be exercised some considerations during the selection of the sample. Especially from the point of view of inflation management techniques exercised in different countries. The approach of doing the same analysis on two samples, justified as robustness check, is not a standard best practice approach.

### **Literature**

The work with literature is rather weak.

P. 11 Maestas Et. al (2016) (incorrect typing of Et. al is copy-paste from MT), which is most likely identical to Maestas, J. Mullen, and Powell (again incorrect citation format is a copy-paste from MT) is not mentioned in the Bibliography.

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Item Juselius and Takats is with 2015 in Bibliography, with 2016 in the text (on page 12).

## Manuscript form

The MT could be written better.

## Summary and suggested questions for the discussion during the defense

The evaluated MT claims that higher share of old people is associated with lower inflation.

The evaluated MT does not provide persuasive argument explaining why and how inflation and age structure of population are connected.

While the connection between share of old people and the GDP or labor productivity seems plausible, the student should take some care during the defense to explain why the share of old people should be connected with a level of inflation.

While the author of MT says that there is a lot of papers/articles dealing with aging, she also notes that there is only a few empirical analyses on this topic. Actually looking on journal publications, there are only about 4 journal articles mentioned in the Bibliography. Therefore, could the author provide more theoretical support, especially based on articles in high quality academic journals, to the statement that there exist link between the proportion of old people in population and inflation?

Why the MT does not pay more attention to the inflation determination part of the paper? For example taking into account inflation targeting or other methods of inflation management and the switches between those methods.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	10
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	10
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>55</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>E</b>

**NAME OF THE REFEREE:** Karel Janda

**DATE OF EVALUATION:**

January 12, 2018

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F