

Report on Bachelor / Master Thesis

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

Student:	Bc. Michal Petrouš
Advisor:	Petr Janský, Ph.D.
Title of the thesis:	Base erosion and profit shifting by multinational firms: re-estimation of firm-level evidence

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

Contribution

Michal Petrouš wrote a very good, policy-relevant empirical thesis on base erosion and profit shifting (BEPS) by multinational firms. With BEPS high on the G20/OECD and media agenda worldwide, in his thesis Michal answers a research question on a very topical issue – and there is thus also a relatively good chance of policy makers and others being interested in the results of his work.

Michal clearly explores a well-defined gap in the existing research – the leading BEPS estimates by OECD have not been presented at the country level by the OECD. Furthermore, the OECD economists refused to share their data and Stata do files. It is thus up to independent economists and researchers to step in and re-estimate their results from scratch both as a quality control process, but also to deliver the relevance and for policy discussions needed country-level results. In this case, the OECD has been checked by Michal, who has fulfilled his role well. I believe that similar re-estimations are worthwhile both academically and policy-wise. It is not straightforward to follow the advanced research by the OECD and Michal has proved his expertise by being able to deliver on his planned objectives. In addition, similar research re-estimating leading estimates of BEPS were published in good field journals (e.g. Journal of International Development). I believe that Michal could rewrite his thesis in the form of an academic paper and then be able to publish it in similar journals of good standing and readership.

In addition to doing a good job of re-estimating the OECD leading research, he makes a number of useful extensions and thus also contributes to the existing research. He observes that the so-called semi-elasticity of individual countries increases with financial secrecy score of the Financial Secrecy Index and that using statutory tax rate yields stronger results than using country-level effective tax rates calculated from the financial data (the latter is a surprising result for me given the fact that, for example, Luxembourg has a statutory rate of around 29%, but its effective rate is about ten times lower). While OECD estimates only aggregate results, his country-level results range between 12% loss and 23% gain of corporate income tax revenues due to BEPS. His work with firm-level (but somewhat outdated, due to availability/purchase) data results into more detailed observations than OECD such as the fact that these percentage estimates translate to overall net loss 48 billion US dollars in his sample of 53 countries with sufficient number of observations.

Methods

Michal applies empirical methods appropriate for the research question at hand and his application of the methods seems to reflect the high level of his econometrics courses.

The empirical methods Michal applies to the data are not straightforward and I appreciate his awareness of the practical and econometric problems he faced, how he dealt with them and communicated about them. For example, in the section 4.3 on possible sources of inaccuracy, he displays a very competent understanding of the methods and the related results (and that would be even better would be not only a discussion, but also empirical evaluation of some of these limitations, for example, in the form of robustness checks that follow directly from some of these discussed points). Similarly in the even more detailed section 3.3 on possible biases, Michal's understanding of the critical issues is obvious and, after his long final period of working on his thesis without him asking me for assistance, I am happy to see it.

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Literature

Michal clearly defines the research gap in literature that he aims to bridge. He demonstrates good command of the relevant academic literature to which he contributes. In his thesis he discusses the most relevant papers from both academic and policy points of view, although he neglects some more recent contributions such as an influential NBER paper by Tørsløv, Wier, and Zucman (2018).

Manuscript form

The manuscript form of Michal thesis is of expected quality, the layout is clear. Michal has put substantial thought into how to communicate his results to both academic and policy audience and I can see how his results could be almost directly used as a basis for policy discussions. Providing both detailed tables and straightforward graphs seems to be a good decision.

Michal did an exceptionally good job of writing up a concise thesis. As it happens sometimes with other theses, his thesis does not contain sections that are excessively long or altogether unnecessary. Most of his writing is clear and I appreciate that he does not allow many digressions and is a focused writer.

Suggested questions for the committee

Due to data availability and the cost of the access to the Orbis database, you are using a slightly older version of the data. What implications this might have for your thesis and would you expect the results to change if you had access to newer data?

In short, Michal did an excellent job of achieving a well-defined research objective by exploiting the best available firm-level dataset and, depending on the defence and related discussion, I recommend a grade of A (or B).

Regardless the grade he is going to receive, I believe that his work is an exceptionally useful contribution to the research literature with potentially important policy implications. If he wished to rework his thesis in the form of an academic paper, he should succeed in publishing it in a good field journal and improving its chances of influencing research and policy discourses.

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

CATEGORY	POINTS
Contribution (max. 30 points)	26
Methods (max. 30 points)	25
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Petr Janský, Ph.D.



DATE OF EVALUATION: 10th September, 2018

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