

Report on Bachelor / Master Thesis

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

Student:	Doarian Ardeleanu
Advisor:	PhDr. Baxa, J. Ph.D.
Title of the thesis:	What is the effect of income inequality on economic growth?

OVERALL ASSESSMENT

Contribution

The author has successfully presented that the topic of effect of income inequality on economic growth is heavily discussed within the academic circles without a clear agreement on its effect and as such additional research is of value.

Besides asking the main question, the author has also focused on two subareas where he divided the data set into subsets based on economic development and doctrine of the ruling party which are certainly important areas to discuss when it comes to income inequality. In particular, the effect of income inequality on economic growth based on the doctrine of the ruling party, seems like a very interesting topic that I would have appreciated to be discussed in further detail. As such, this could be a possible area author can further focus on in his future research.

To summarize, I believe the author has selected a valuable question within his Bachelor Thesis and went beyond the original scope of his proposal in order to adequately focus on the topic of income inequality and its effect on economic growth.

Methods

In general, the author has presented the models he has based his research on clearly, as well as the dataset. The author has conducted appropriate tests to identify and or eliminate issues with the model, as well as correctly tested for selection between random and fixed effects models.

The author has very correctly identified possible issues with the net Gini coefficient and has used a coefficient which takes into account taxes and transfers which, as he stated, could very easily lead to misleading results if omitted when it comes to studying income inequality.

I would have appreciated if the author discussed in further detail the other chosen explanatory variables, their expected effect, possible alternatives to such variables, as well as significance, or rather lack of, within the models.

Furthermore, it would have been beneficial to discuss possible shortcomings of the research such as the elimination of the data from developing countries as this could leave to a larger bias in results than the author gives it credit for given that these are the countries with presumed larger income disparity compared to the developed countries.

In the part focused on dividing the countries based on their income level, this is clearly an important question to ask in regards to income inequality but the author should consider or at least discuss alternatives to the method used to divide the set of countries into two subsets - i.e. the average GDP per capita. This could lead to further bias as certain countries could have above average GDP per capita but they would not be considered developed due to extreme income inequality (e.g. countries in Central Asian with a large stock of valuable natural resources which is distributed unevenly).

As I mentioned before, I have found the part focusing on doctrine of the ruling party to be a very interesting area but I was very unclear on the author's choice of source data for the actual doctrine. It is understandable that this data is challenging to quantify but further detail is required beyond „the author's study“.

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Literature

It can be seen that the author has gone through extensive research of available literature to the topic and has presented academic papers summarizing the current view on the topic of income inequality and economic growth, regardless of their findings, not just those which support his research.

Furthermore, the econometrics theory and tests are also backed with relevant literature, as such I have no remarks to the author's literature review.

Manuscript form

The manuscript is very well done when it comes to the format and it is clear the author has put significant effort into the technical part of writing the thesis (such as hyperlinking references parts and academic papers) making it easy to read and cross-reference. One comment regarding the form is that it would have been preferable to see the full results of the mentioned tests in the auxiliary tables (e.g. tests from 4.2. Panel Data Method Selection).

The language is, besides an occasional mistake and some cases of informality, easy to read and follow. One minor comment I have regarding the language is to pay more attention to the pronouns used – „the author“ and „we“ being used interchangeably.

My comments regarding the structuring of the contents are as follows. The author should consider going into more exact detail within the introduction – what exact hypotheses will be tested, what are the findings etc. There is no need to be ambiguous. On the other hand, I have appreciated that the author has used the conclusion part of the thesis to present potential further options to improve the research, which goes beyond the scope of the original proposal.

Overall, I would say that the manuscript form was well structured and cleanly presented but with room for improvement.

Summary and suggested questions for the discussion during the defense

To summarize, I believe this to be a well-presented and well-researched Bachelor Thesis. The question I would like to raise is regarding the aforementioned unclarity when it comes to the source of data for the doctrine of the ruling party. Can the author go into further detail of the process of collecting this data?

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

CATEGORY	POINTS
Contribution (max. 30 points)	27
Methods (max. 30 points)	24
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	15
TOTAL POINTS (max. 100 points)	86
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: Stanislav Astapovich

DATE OF EVALUATION: 30.05.2019

Stanislav Astapovich
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