Report on Bachelor / Master Thesis

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

Student:	Bc. Paul Mainka
Advisor:	prof. Roman Horváth, Ph.D.
Title of the thesis:	Financial Development and Wealth Inequality: A Panel Data Analysis

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

The author explores the determinants of wealth inequality in a panel data setting. Combining LASSO followed-up by fixed effects estimations and using the data in Credit Suisse Wealth Database, he identifies that globalization, business-friendly regulatory environment associate with higher wealth inequality. On the contrary, higher labour force participation and better corruption control are linked with more equal distribution of wealth. The evidence on the importance of savings, proxied by the variables capturing financial development, is only moderate. The thesis is methodologically solid and very thorough in all data descriptions as well as in econometric techniques. Given the close relatedness of the topic to my own field of interest, I sincerely enjoyed reading the details of this work.

Contribution
The thesis provides novel insight into the determinants of wealth inequality largely through its focus on the panel setting. To the best of my knowledge, Credit Suisse Wealth Database has not been studied in such a long time span to identify possibly important covariates of wealth inequality. It should be noted that Paul obtained the data directly from the conceivers and maintainers of the database, establishing a promising academic network. He also innovatively applies LASSO in order to limit the number of potential determinants before turning to a more standard regression approach.

Methods
The thesis is technically very rigorous, at times perhaps even too technical at the expense of smoother transition to economic arguments, but this is certainly a subjective matter. Considering the detailed discussions throughout the thesis, I would expect a note on the shrinkage parameter of LASSO since that could influence the set of variables considered for the fixed effects estimation. Nevertheless, Paul discusses all the methods very thoroughly, shows a firm understanding of their limitations, and presents robustness checks very transparently, yet convincingly.

Literature
The literature overview satisfyingly covers related studies and is up to date. The references meet the standard of academic papers. Paul shows extensive knowledge of the literature both in terms of the examined topic.

Manuscript form
The thesis is logically structured and the work reads very well. I did not find any remaining typos or spelling mistakes. The thesis could be naturally rewritten into an academic paper publishable in a solid academic journal. I can also confirm that the results of the Urkund analysis do not indicate significant text similarity with other available sources (even though formally it shows 100% match, the match is with the thesis itself and I consider it an error).

Summary and suggested questions for the discussion during the defense
Overall, I believe the thesis meets all the requirements of the master level thesis at IES, Faculty of Social Sciences, Charles University, and I fully recommend it for defense and suggest a grade A.

Questions
- Which countries display the steepest increase in wealth inequality in the examined time period? What hypotheses could explain the trends in these particular countries?
- In Figure 4, the distribution corresponding to the year 2000 closely reminds of normal distribution. Is it so? What could be the reason behind this?

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- In one of the robustness checks, income inequality substitutes labour force participation (p. 40), they both aim to approximate the earnings from labour. Why not use the labour share directly in the estimation?
- Isn't the education index also correlated with other regressors (especially in the robustness checks with extended regressor sets)? How would it change your conclusions?
- I understand the reservations on providing specific recommendations given the uncertainty about the data and the thin ice of normative stance that it might require, but what is your view on the policy relevance of wealth inequality? In other words, why do we strive to understand the trends related to it? What may be the consequences and what policy tools we have if we wanted to address such trends?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	28
Methods	*(max. 30 points)*	29
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**97**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Jan Mareš

DATE OF EVALUATION: 28. 1. 2021

Digitally signed (28. 1. 2021):
Jan Mareš

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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.*

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.*

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

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.*

Overall grading:

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