Report on **Bachelor / Master Thesis**

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

Student:	Lukáš Patera
Advisor:	Barbara Pertold-Gebicka
Title of the thesis:	Returns to education: Comparison of the USA and Germany

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary
The bachelor thesis by Lukáš Patera is devoted to comparison of the returns to higher education between two countries: USA and Germany. Lukáš uses simple, but generally accepted approach towards estimating these returns – he runs a series of Mincerian regressions without instrumenting the education variable or without adding a proxy for ability. This means that the presented results are not free from the ability bias (which, by the way, has been shown to be relatively small), but they are comparable between countries. A nice summary table is presented on page 30 of the thesis. It reveals that the general patterns are similar between countries with USA reporting somehow larger returns, especially to Master's degree.

Contribution
The main contribution of this thesis is the comparison of returns to different forms of higher education between USA and Germany. The most recent data are used and the same methodology is applied to data from both countries.

Methods
As written in the summary, Lukáš runs a set of Mincerian regressions to estimate returns to education. This approach does not deal with the ability bias. Howeve, as Lukáš mentions in the thesis, it has been shown in previous research that this bias is not large. On the other hand, the advantage of using simple models and simple estimation methods lies in clear comparability between the two analyzed countries.
The econometric analysis may look simple, but it is not visible at the first sight how much data manipulation has preseeded the analysis itself. Finding the relevant data, downloading them and preparing for the analysis was a big task which Lukáš managed to complete perfectly.

There are some minor issues in the methodology.
First, the way how the ability bias is described on p.13 is not fully correct. For the bias to occur, both have to be true: ability has to affect wages (which implies that it is part of the error term) and ability has to affect the education choice (which implies that error term and education variable are correlated).
Second, the analysis presened in Chapter 6.4 has an implicit assumption not spelled out in the thesis. Namely, that the returns observed for each age group in 2017 are representative of returns of a single cohort at different ages. It is a very strict assumption! How unrealistic is this assumption is shown in Figure 6.7.

Literature
The section 'Literature review' is not good. It is missing the context. Terms such as 'returns to education', 'human capital', 'college wage premium', 'Mincerian regression' are used without explaining their meaning and there is no discussion of interconnection between them. The cited studies could be used to explain this in more detail, as it is crucial for the thesis itself. Instead, empirical studies are listed without any systematization and conclusion. The author should have grouped them somehow (by decade, by country/region, by method or somehow else) and tell what is the takeout from each of the cited study (or group of studies). The takeout might by an estimate or a preferred methodology, for example. This is to some extent present in the next section, „Empirical Model Background".

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Manuscript form
Some parts of the text read well, while others look rather like a draft; there are numerous grammatical/spelling mistakes and typos. It is visible that Lukáš ocncentrated on data manipulation andd the empirical analysis itself a lot and had less time to write up the thesis.
The term 'returns to education' is defined too late in the text.
Mincer whould be always spelled with a capital M.

Overall evaluation and suggested questions for the discussion during the defense
The thesis presents a coherent comparison of returns to higher education between USA and Germany. The data manipulation and analysis is on a very good level, text writing is somehow weaker, but the generall sounding of the thesis is positive. I recommend it for the defense and suggest a grade B.
The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Suggested question:
How is the analysis of life-long comparison of costs and benefits of education affected by the cross-sectional nature of the used data?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	28
Methods	*(max. 30 points)*	28
Literature	*(max. 20 points)*	12
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**83**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Barbara Pertold-Gebicka

DATE OF EVALUATION: 27.8.2021

*digitally signed on 27.8.2021
by Barbara Pertold-Gebicka*

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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