Report on **Bachelor / Master Thesis**

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

Student:	**Lukáš Patera**
Advisor:	**Mgr. Barbara Pertold-Gebicka M.A., Ph.D.**
Title of the thesis:	**Returns to education: Comparison of the USA and Germany**

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

Contribution

In this thesis, the author estimates the returns to education in Germany and the US. He uses a standard approach to such analysis, building on the Mincer equation that explains hourly wage with education and experience, controlling for other factors. The thesis provides a relatively deep description of the schooling systems in the two countries. The author emloys relevant data that are commonly used for these purposes.

That said, in my opinion, the contribution of the thesis to the existing literature is not as high as it could have been. First, it would be desirable to directly compare the author's results with other studies that estimate the same effects. For example, how does an estimate of a 92% return to a doctoral degree in the US compare to what other studies have found?

Second, the author chooses to devote a lot of space to the interpretation of coefficients unrelated to returns to education (sections 6.2.1., 6.2.2., 6.2.3., 6.3.1., 6.3.2.). In the area of returns to education, he only provides basic estimates of coefficients of individual dummy variables for various levels of attained education. In an excellent thesis with a large contribution, I would expect a deeper analysis, for example by including interaction variables to see the differential effect of education on earnings across groups of individuals.

Third, it would be great to provide a deeper discussion of the results, which could bring an additional contribution. For example, what are the implications for wealth and income inequality in the two countries? In the US, the costs of education are often thought to be excessive, but the author finds that the investment into education in the US brings ultimately higher returns that in Germany, where higher education is tuition-free.

Fourth, as another example of the unfulfilled potential of the thesis, while I like the "accumulated earnings" analysis in Section 6.4., the six (!) bar charts presented in this section would serve their purpose much better if they were combined into just one line chart. The space would then be better used by discussing the findings: most importantly, how the two countries compare in light of the large tuition payments in the US.

Fifth, it would be great to see some summary statistics about the used data. How many people in the dataset have attained each level of education? How many people fall into the ethnic, gender, and socio-economic categories used in the analysis? Especially for the small sample used for Germany, these are crucial questions to be answered in a study like this.

Methods

I do not have strong methodological objections to the way the author employs the models. He uses relevant data and the results are interpreted clearly and correctly. However, as I write above, the methodology is very basic and does not allow the author to answer more nuanced questions.

One specific methodological decision that the author makes was not clear to me: why remove people who do not work full-time? The author says he makes this adjustment, but does not explain why it is needed.

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Literature

The literature review is relatively short and with an unclear structure. Also, as described above, I am missing a clear link between the existing literature and the present study.

Manuscript form

The thesis is written relatively clearly and the chapter structure makes sense. Within the individual sections, however, some paragraphs are way too long and lack a clear structure which makes it a bit difficult to read; for example, the whole of page 9 is a part of just one paragraph. Figures and tables lack some fine-tuning.

Summary and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, and I recommend it for the defense and suggest a grade D.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Below I summarize a few suggested questions for a debate during the defense:
- How do your results compare to existing studies? Do you find a larger or smaller effect of education on wages?
- How do the sample data from the two countries compare? For example, do people in your sample for Germany go to university more often, given that it is tuition-free?
- What are the implications of your results for wealth and income inequality in the two countries? What do they mean for equality of opportunity?
- Why do you exclude people who do not work full-time from your analysis?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	15
Methods	*(max. 30 points)*	22
Literature	*(max. 20 points)*	13
Manuscript Form	*(max. 20 points)*	16
TOTAL POINTS	*(max. 100 points)*	**66**
GRADE	**(A – B – C – D – E – F)**	**D**

NAME OF THE REFEREE: Mgr. Tereza Palanská, M.A.

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DATE OF EVALUATION: August 30, 2021

Digitálně podepsáno (30.8.2021)
Tereza Palanská

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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**