# REPORT ON MASTER THESIS
# CENTER FOR ECONOMIC RESEARCH AND GRADUATE STUDIES

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|---|---|
| **STUDENT:** | **Pavel Koval** |
| **ADVISOR:** | **Filip Matejka** |
| **TITLE OF THE THESIS:** | **Inattention, Hand-to-mouth behavior, and poverty trap** |

*OVERALL ASSESSMENT*:

The thesis studies how propensity to consume out of stochastic income changes when economic agents are uncertain about the permanent component of their income but can acquire costly information about the permanent component. The key result of the thesis is that 'poor' agents with low variance of permanent income and high information costs might optimally choose low levels of savings, consuming most of their income.

**CONTRIBUTION:**

The main contribution of the thesis is the parametric condition under which agents choose low levels of savings and consume most of their income. In addition, the thesis discusses the related literature---rational inattention, poverty traps, permanent income hypothesis---in a clear and structured way. The contribution is thus well placed in the relevant literature.

**METHODS:**

The methodology the thesis uses---formulate formal economic model, derive its solution, and provide novel insights by studying how the solution varies with the model parameters---is standard and accepted in economics. Use of the rational inattention techniques puts the thesis at the forefront of the existing research frontier.

**LITERATURE:**

The thesis discusses clearly and systematically the relevant literature. It show in-depth understanding of the literature and ability to critically assess it.

**MANUSCRIPT FORM:**

The thesis reads well and shows clear signs of careful and thorough proofreading before the final submission.

**SUMMARY AND SUGGESTED QUESTIONS FOR THE DISCUSSION DURING THE DEFENSE:**

I liked the thesis and learned from reading it. I have little to add.

*Please indicate whether you recommend the Thesis for defense or not.*

**I recommend the thesis for defense.**

**TEXT ORIGINALITY CONTROL**

I confirm that I acquainted myself with the report on the originality of the text of the thesis from

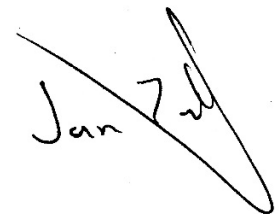[ X ] Theses     [ X ] Turnitin     [  ] Ouriginal (Urkund)

Comments on the reported results: none

**SUMMARY OF POINTS AWARDED** *(for details, please see the page 3)*

| CATEGORY | | POINTS |
|---|---|---|
| Contribution | *(max. 30 points)* | 28 |
| Methods | *(max. 30 points)* | 28 |
| Literature | *(max. 20 points)* | 18 |
| Manuscript Form | *(max. 20 points)* | 18 |
| **TOTAL POINTS** *(max. 100 points)* | | **92** |
| **GRADE** *(A – B – C – D – E – F)* | | **A** |

**NAME OF THE REFEREE: Jan Zapal**

**DATE OF EVALUATION: Sept 1, 2021**

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**REFEREE SIGNATURE**