Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha
Referee report on the Rigorosis Master Thesis

Student Name:	Karel Herbst
Thesis Supervisor Name:	Ondřej Schneider
Thesis Title:	Is the concept of Laffer curve valid?

Overall Evaluation:

The master thesis submitted by Karel Herbst is a thorough and interesting analysis of a potential "Laffer effect" of high taxes on government revenues. The author provides a solid theoretical overview of the topic and he also attempts a series of econometric tests that seem to confirm the Laffer effect presence on data from three European countries. The thesis uses literature properly and provides a rich list of sources. English is sometimes clumsy but the author is able to communicate his main points clearly. I recommend the thesis for the defense and suggest grade A, i.e. **excellent.**

The thesis is structured around the idea of Laffer effect. The author explores the idea first from the theoretical point of view. It is to be appreciated that Karel does not stop at a standard description and includes more sophisticated discussion of expenditure effects as well (see chapter 3.2). The discussion then moves on to estimation methods (chapter 4). Following this, Karel discusses the corporate taxes, which he chose as his preferred tax. The thesis shows clearly that while tax rates have fallen in most countries, the revenues have held up. The author, however, does not suggest that the whole effect has been due to the Laffer effect (see chapter 5.3).

Chapter 6 discusses in detail tax systems in three EU countries and finds presence of the Laffer effect in all of them. While I don't feel comfortable enough to assess econometric value of the work, I find the results and their careful discussion very satisfactory. The seventh chapter expands the sample to 20 OECD countries, and discusses interesting behavior of the Laffer curve in recent years (pages 94-95).

I find the thesis very through and well structured. The discussion of results is correct and careful. The author collected data and executed estimations well beyond a standard thesis.

I strongly recommend the thesis for the defense and I propose grade A.

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SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Quality of Research	30
Clarity and Readability	10
Content/Quality of Ideas	35
Organization & Development	10
Manuscript Form	5
TOTAL POINTS	**90**
LETTER GRADE	**A**

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(Signature of Referee Completed)

Ondřej Schneider

Evaluated on: 25 August 2008