Report on Bachelor / Master Thesis

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

Student:	**Vyacheslav Lypko**
Advisor:	**Doc. Vladimír Benáček**
Title of the thesis:	**Increasing returns to scale and international trade. Role of multinational corporations in the world economy**

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

Mr Lypko has decided to analyze possibly the most interesting and most dynamic part of international trade theory, i.e. the field of theories analyzing intra-industry trade based on assumptions of increasing returns to scale, imperfect competition, and presence of multinational corporations. His work is divided into four main parts: (i) definitions and introductions into economies of scale, (ii) internal increasing returns to scale and international trade with empirical analysis of the relationship between the extent of IIT and differences in GDP per capita, (iii) external economies of scale and international trade, (iv) role of multinational corporations.

      The number of topics opened and described in the thesis is formidable, but I am afraid that Mr Lypko made the classical error of trying to address too many issues on too small space. The result is therefore more similar to a literature review than to own analytical work (with the small exception of section 2.6) and even the literature review often does not go deep enough and often remains at the low textbook level (e.g. section 2.3). I think that the thesis would be much better if Mr Lypko had decided to focus e.g. just on the topic analyzed in section 2 and provided better and deeper analysis of his data on patterns of trade and unit values (kg prices) instead of opening the remaining topics.

      As far as strengths of the thesis are concerned, I would mention the attempt at own analysis in section 2. However, there is space for some relatively simple to achieve improvements: (i) instead of comparing kg prices in German exports and imports for each country (which seems to be what the author was doing) I would suggest comparing export prices of all the analyzed countries on some third market (e.g. again Germany). In this way we could get rid of possible contamination of the results by different treatment of costs in import and export data. (ii) I would also suggest replacing the simple OLS analysis used by the author by e.g. fixed effect model based on panel data. As author acknowledges, his simple regression analysis omits many important variables – OLS results are likely to be bias in this case, whereas fixed effects would be more robust.

      Concerning weaknesses (other than the excessively broad topic), I should mention the treatment of references and citations. The sources which is probably cited most often by the author (Krugman and Helpman, 1985) is not included in the list of references at all. In some sections it is not quite apparent whether the author is explaining his own ideas or describing model of someone else (e.g. section 3). I would also suggest more rigorous proof-reading of the text before submission.

      All in all, the thesis can constitute an fairly interesting beginning of further research in the field. Taking into account that it is a bachelor thesis, I would therefore evaluate it as very good.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	18
Methods	*(max. 30 points)*	20
Contribution	*(max. 30 points)*	15
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**68**
GRADE	**(1 – 2 – 3 – 4)**	**2**

NAME OF THE REFEREE: Vilém Semerák

DATE OF EVALUATION: *June 10th, 2010*

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                                             Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong   *Average*   *Weak*
20   *10*   *0*

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.*

Strong   *Average*   *Weak*
30   *15*   *0*

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.*

Strong   *Average*   *Weak*
30   *15*   *0*

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.*

Strong   *Average*   *Weak*
20   *10*   *0*

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě