

Report on Bachelor Thesis

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

Student:	Bc. Petr Filipec
Advisor:	Petr Jánský M.Sc.
Title of the thesis:	The Shadow Economy Analysis in the Czech Republic

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

This bachelor thesis deals with shadow economy and estimates its size in the Czech Republic. The thesis is well organized. After a short review of shadow economy definition, its causes and positive and negative consequences author presents some models used for an estimation of shadow economy size. Then author attempts to estimate the size of Czech shadow economy in past years.

The topic is well chosen and the scope of the research is adequate. The thesis is written in good English, to the point and its structure is rational.

Some other points that rationalize my assessment:

- My main suggestion is that the empirical part could be richer. Although author presents three models he finally estimates only two of them, whereas the first one (Kaufmann-Kaliberda model) is very simple and doesn't provide realistic results. Calculation of the most advanced model (MIMIC approach) is omitted even though author presented it in the previous chapter (I also didn't find any rationalization for this omission).
- Sometimes I missed results of other researchers in this field and more comments on the results. (E.g. in case of currency demand approach author arrived at little strange results - two models with either total taxation OR social security contributions as independent variables. Also average rates of taxation and social security contributions didn't come out as expected. Did others arrive at similar results?)
- Entry data could have been better described. (E.g. author uses several indices evaluating economic freedom, business freedom and fiscal freedom which finally turn out not to be significant in currency demand approach. I would appreciate better explanation and scope of these indices – does World Bank calculate these indices on a yearly basis for each country? What were their values in past years?)
- What I find the main deficiency of all models used in the thesis is a threat of cumulative mistake in the calculation (author also points out this disadvantage). Absolute results are conditioned by some base value which authors take over from previous authors' results that have to be trusted. The relative nature of the models still has some informative character and if the question changes from „what is the size of Czech shadow economy“ to „is Czech shadow economy decreasing or increasing“, then the models offer satisfactory results.

In the case of successful defense, I recommend **“velmi dobře” (good, 2)**.

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

CATEGORY	POINTS
Literature (max. 20 points)	17
Methods (max. 30 points)	19
Contribution (max. 30 points)	19
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	74
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: PhDr. Petra Buzková

DATE OF EVALUATION: 5.6.2011

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