

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Jana Kahounová</b>
<b>Advisor:</b>	<b>Michal Bauer</b>
<b>Title of the thesis:</b>	<b>Czech pension reform through the lens of behavioral economics</b>

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

Behavioral economics provides some fresh insights into psychological barriers of saving behavior and it is a natural exercise to assess whether there is some inspiration for the Czech pension reform. Conceptually, Jana builds on theories of limited self-control that lead to present bias in inter-temporal choices and potentially to demand for commitment features in saving products. She asks two research questions: Does patience vary with personal characteristics, in particular education? Does present-bias predict more demand for commitment? To answer that, she collects original survey data among varied subject pool in the Czech republic. The data include information about education, financial literacy, time discounting and, importantly, it includes survey questions on preferred features of stylized pension reform plans.

This is a carefully made thesis – effort has been invested in creation of survey instrument, data collection and analysis. The study draws heavily on existing studies which is nice for comparability but somewhat limits its originality.

The main findings are the following:

- People who are more educated and more financially literate are more patient, consistent with some previous evidence. Although the causality cannot be established with data at hand, as the author readily acknowledges, the result strengthens the case for rigorously evaluating financial literacy programs on choices that concern inter-temporal trade-offs.
- People who are present-biased save less than they would like to and prefer to have withdrawal restrictions embedded into the saving plans, consistent with the theory. This finding is particularly interesting, because it suggests such restrictions may be demanded by some of the clients, in line with Ashraf et al (2006) or Thaler and Sunstein (2004).

Jana openly discusses the limitations of the methods used and her sample. She did her best to approach also non-student subject pools (there are “only” 23% of students in her sample). It would of course be better to experimentally measure preferences or observe actual choices of saving plans (using a randomized control trial perhaps), but this is extremely hard and rarely feasible in practice. Nevertheless, I don’t understand the following sentence when justifying using survey-based measures of discounting “variables like subjective discount rate are very often estimated by hypothetical queries because there is no consensus on the method how to measure them in practice.” I think the issue is that some people are concerned that participants don’t pay enough attention to hypothetical questions.

In terms of defence, it could be interesting to discuss which of the results are relevant for policy-makers and which for private providers of new pension plans.

In sum, this is a good thesis and I recommend grade B.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	15
<i>Methods</i> (max. 30 points)	20
<i>Contribution</i> (max. 30 points)	20
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>70</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** *Michal Bauer*

**DATE OF EVALUATION:**

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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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě