

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Milan Frydrych</b>
<b>Advisor:</b>	<b>Doc. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Social Cohesion and Growth</b>

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

The thesis examines whether social cohesion has a positive effect on long-term economic growth. It uses the index of social cohesion recently developed by Foa (2011), which is an encompassing measure with the underlying variables including the level of trust, non-violence, cooperation, and so on. Foa (2011) defines the social cohesion as: „We understand a socially cohesive society to be one in which institutions exist that foster norms of cooperation between distinct ethnic, religious, and other identity groups, including non-discrimination, such as in the labour or capital market; and non-violence, whether it be via low-level, spontaneous communal conflict such as riots, assassinations and programs or more institutionalized forms of intergroup struggle such as terrorist activities or civil war.“ So, the thesis examines an old but still not fully resolved question (and largely central question for our profession) about why the growth patterns across countries differ so dramatically. It approaches the question from a more unified angle than previous research. The previous research examines the effect of wars, riots, assassinations, ethnic violence, trust separately, using the index of social cohesion one can examine the effect of this collinear factors jointly.

I have to say that I like the thesis a lot. There are hundreds of articles on growth econometrics and it is far from easy to contribute to this field. I think that this bachelor thesis contributed to it quite elegantly. First, it uses the new index of social cohesion. Second, it employs the frontier econometric method – instrumental variables Bayesian model averaging (IVBMA). The method is quite suitable for empirical growth exercises. It addresses the issue of regression model uncertainty, i.e. it is far from easy for empirical growth studies to say, which variables to include into the regressions and which not. So, instead of model selection techniques model averaging techniques are employed. Second, it addresses the endogeneity of regressors, which is also typical for empirical growth studies. To my knowledge, there are probably about five (or even less) applications of IVBMA and this bachelor thesis is one of them. Therefore, I believe that the revised version of the thesis could even make it into some scientific journal.

The thesis is well-written and econometrics is carried out competently. The literature review is very broad and includes the studies not only from economics but also some from sociology. The data should be described in a greater details, especially more should be shown about social cohesion index. The empirical results could have been compared to the previous literature in a greater detail.

All in all, I recommend the thesis to be defended and suggest the grade A.

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

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	30
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	17
<b>TOTAL POINTS</b> (max. 100 points)	<b>95</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Doc. Roman Horváth, Ph.D.

**DATE OF EVALUATION:** August 10, 2014



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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