

# Report on Bachelor / Master Thesis

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

Student:	Bc. Adam Dobiáš
Advisor:	Mgr. Michal Paulus
Title of the thesis:	Observing Globalization using the Gravity Model of Trade

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

The thesis examines the effects of globalization of the trade between eastern and western members of the EU and looks for the trade convergence of those two blocks. The author utilizes micro-founded version of a gravity model of trade based on Anderson & Wincoop (2003) when the globalization is measured via development of distance coefficient. The model is estimated via PPML (Santos Silva & Tenreyro, 2006), multilateral resistance terms (MRT) are approximated via Taylor approximation (Baier & Bergstrand, 2009) and key issues (multicollinearity, endogeneity) related to institutional variables are treated following Francois & Manchin (2013). The model is estimated also on 10 basic SITC sectors (disaggregated specification).

Author reveals different trade convergence speed across sectors and the results support the trend of export data disaggregation. The thesis also shows time development of globalization proxy (distance coefficient) for particular sectors.

The thesis is well written, contains original empirical contribution and the author shows that he is able to handle advanced gravity model techniques associated with micro-founded specifications and work with large bilateral datasets. As a supervisor I would like to also appreciate the effort he has devoted to the thesis. I have no serious remark to the paper so I grade the thesis as being **excellent**.

I would add just few minor comments:

- On page 7 we can find that “ Anderson & van Wincoop (2003) have included two additional variables  $\Pi_i^k$  and  $P_j^k$  into their model”. The interpretation is slightly imprecise. They did not include the theoretical MRT (usually denoted as  $\Pi_i^k$  and  $P_j^k$ ) but they approximated them by observable variables.
- At some other places there are similar claims, that somebody included or did not include MRT into the model. It should be clear that MRT are absolutely theoretical and unmeasurable concepts. We can or cannot include approximations of MRT not the MRT themselves.
- On page 17 the author claims that Siliverstovs & Schumacher (2008) partly followed methodology of Baier & Bergstrand (2009) however on page 56 he cites Baier & Bergstrand (2007). In both cases I expect that the proper paper is Baier & Bergstrand (2007). The 2009 paper was also published later than Siliverstovs & Schumacher (2008)...
- On page 27 author was imprecise in description of Francois & Manchin (2013) and their strategy towards institutional variables. They did not utilize institutional distance strategy (difference between the variables in absolute terms) but they included the variables on both sides: exporter and importer sides.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	30
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>96</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Mgr. Michal Paulus

**DATE OF EVALUATION:** 1. 6. 2016



Referee Signature