Report on Bachelor / Master Thesis

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

Student:	**Michal Šoltés**
Advisor:	**Jaromír Baxa**
Title of the thesis:	**Endogenous Growth Model, Distance to Frontier, and Labour Market Institutions.**

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

Thesis written by Michal Šoltés fits into the literature on endogenous growth models that aims to explain various empirical regularities through the lens of growth models with optimizing agents and as such, it is built on recent contributions by D. Acemoglu et al. (JEEA, 2006) and P. Aghion et al. (NBER; 2013). In particular, Michal Šoltés focuses on the impact of generosity of unemployment insurance on economic growth. Intuitively, the effect can be twofold. On one hand, generous unemployment insurance scheme shall contribute to lower growth due to higher unemployment and costs of labour, on the other hand it allows unemployed to search for better jobs and thus it increases labour productivity by better job match.

In the first part of this thesis a formal model is introduced and calibrated for both developed and emerging economies, then, some empirical evidence is provided to support some of the main results. It is shown that in developed countries, higher unemployment insurance tends to increase productivity. Unfortunatelly, limited data availability does not allow similar empirical exercise for developing countries. Also, the results from the model calibrated on developing countries lead to several counterintuitive results.

Already at the beginning, let me state that from my point of view this thesis perfectly fulfills criteria for diploma theses at the IES. It is original but with a clear link to existing literature, the model seems to be carefully derived and described and pros and cons of the model are evaluated in a credible way. The thesis itself is also well written.

Since Michal Šoltés' thesis is the first input for the GAUK research project, let me express a couple of hints for further improvements of the paper that can (from my point of view) provide additional support for the results and contribute to better prospects for successful publication of the paper.

1. I think the paper would benefit from somewhat different structure. My recommendation is to start with a section illustrating the empirical findings and regularities that are to be explained by the model. This section shall appear either before or after the literature review. Then the model will be clearly motivated by an attempt to explain what do we see in the data. Second, I would focus on calibration on developed countries and then I would recommend to add some discussion which parameters affect the results at most, whether there is some parameter combination that leads to different implications (e.g. larger unemployment benefits decreasing growth). Then, some discussion whether such parameter combinations are relevant or not can be included and policy implications for developing countries can be formulated.

2. Would it be possible to extend the production function in 3.1 to account for human capital or labour input explicitly?

3. Could it be possible to provide more formal arguments in explanation why the results for developing countries (where high benefits tend to 100% unemployment rate while keeping steady growth) is not plausible or why is it an extreme result?

Anyway, these are comments to a thesis that is good as such. Overall, my grade is excellent.

Report on Bachelor / Master Thesis

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

Student:	Michal Šoltés
Advisor:	Jaromír Baxa
Title of the thesis:	Endogenous Growth Model, Distance to Frontier, and Labour Market Institutions.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	29
Contribution	*(max. 30 points)*	29
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**98**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: *Jaromír Baxa*

DATE OF EVALUATION: *2.6.2016*

_____
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