

Report on Bachelor / Master Thesis

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

Student:	Marek Šedivý
Advisor:	Petr Janský
Title of the thesis:	New new bottom billion: Poverty and regional differences in price levels around the world

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

Contribution

Marek Šedivý in his thesis estimates regional price levels for a sample of 21 countries, uses them to calculate poverty and inequality measures, and checks whether they differ from measures obtained using official country-level price levels. He finds that in 79% of cases the adjustment for regional price levels led to lower inequality measured by the Gini coefficient. There was no systematic bias present in case of poverty measures – depending on the used measure, the ratio of downward vs. upward change when using regional price levels ranges from 52:43 to 62:33.

It was hard for me to judge the originality of the topic and the author's contribution because the thesis lacks a theoretical part which would explain the mechanism of why and how the use of regional price levels should influence poverty and inequality measures. Also, the literature review part is not very clearly written. There is, for example, a large number of articles on inequality, and also some very recent ones, which are not mentioned in the thesis. Some of them even deal with within-country inequality.

The author writes in the Introduction what his goal is, but doesn't explain what the contribution is – what has been already done in the literature and what has not. And if not, why is it important to do. Nor does he do so in the Literature review.

Methods

As I mention above, the thesis lacks a theoretical part which would explain the analyzed topic and its importance. Moreover, the author doesn't show how the estimated regional price levels enter the calculations of inequality and poverty measures. As a consequence, the reader doesn't know what exactly is being done especially in chapter 5.

I am not sure, if it makes sense to pool estimates of regional price levels obtained from various sources, where they have been estimated using many different methodologies (p. 9). The author should have addressed this potential problem more.

I disliked the chosen process of selecting the final specification of the model (p. 14), which is then used to estimate regional price levels using various macroeconomic variables. The author added explanatory variables one by one and always keeps the one with highest significance. Why not use, for example, bayesian model averaging? Or principal components?

Also, would not it be possible to say something about the significance of the differences between adjusted and unadjusted Gini coefficients or poverty measures? For example, is adjusted Gini 0.332 for Australia really different from unadjusted 0.334 (p. 24)? Given the fact the author estimates the regional price levels used for adjusted Gini, he should at least have some confidence intervals. The results are not really convincing without taking the precision of the used estimates into account.

Literature

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The author quotes literature in a proper way. But the literature review part is slightly confusing as it mixes papers on regional price levels with papers on inequality and poverty.

Manuscript form

Form is probably the biggest weakness of the thesis. Chapter 2, immediately following the Literature review, is called „Variable definition and dataset description“ (p. 8) and starts directly with defining some dependent variable without explaining the reason for it. Only on p. 14 I finally managed to understand that the author wants to explain the differences in regional price levels. At the end of p. 16 is the first mention of „out-of-sample predictions“. Only then it becomes clear that the author wants to use the determinants of regional price levels to estimate them for countries without available data.

The thesis would have benefited from careful proof-reading. Sometimes it is not very clear what the author wanted to say. Also, I do not understand why the author uses some strange abbreviations in tables 3 and 4 (p. 15, 17) without explaining what they mean. Every table should be ideally self-explanatory!

Why did the author put almost all tables and figures into the appendix?

To sum up, I agree that it is important to provide correct measures of inequality and poverty given their use in policy debates. From this point of view I think that the thesis provides an interesting and potentially important analysis. But the deficiencies I describe above do not allow me to suggest a better grade.

I recommend the thesis for defense and in the case of successful defense I recommend „velmi dobře“ (good, 2).

Suggested question for the defense: Based on your analysis and results, is it possible to say if the adjusted measures of poverty and inequality are „more correct“ than their unadjusted counterparts? Do they even capture the same phenomenon?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	22
<i>Methods</i> (max. 30 points)	12
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	8
TOTAL POINTS (max. 100 points)	60
GRADE (1 – 2 – 3 – 4)	2-3

NAME OF THE REFEREE: Jiří Schwarz

DATE OF EVALUATION: 30.5.2017



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