IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator (jiri.vykoukal@post.cz)

Please note that IMESS students are <u>not</u> required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Yi Hu
Dissertation title:	The Impacts of Economic Globalization on Poverty and Income Inequality: Evidence from CEECs

	70+	69-65	64-60	59-55	54-50	<50
	A	B	C	D	E	F
Knowledge *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.*			60			
Analysis & Interpretation *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.*				57		
Structure & Argument *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument´s limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.*			62			
Presentation & Documentation *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.*		65				
Methodology *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.*			64			

ECTS Mark:	62	**Charles Mark:**	C	**Marker:**	Vilém Semerák, Ph.D.
Deducted for late submission:	No			**Signed:**	
Deducted for inadequate referencing:				**Date:**	September 12th, 2023

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90– very good)
C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)
E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (_at least 300 words_):

The text aims to provide additional evidence to quite a traditional dispute concerning the effects of globalisation on income inequality and poverty.

The topic is still relevant, and the author explains the motivation reasonably well. However, the author's claim that there is a significant research gap on this topic (e.g. p. 2, but it is repeated quite a few times in concluding sections, too) is exaggerated. The presence of the diversity of results, or rather the conclusion that the effects of "globalisation" depend on the particular situation (the features of the analysed countries), does not mean the lack of research - quite to the contrary. After all, the author cites many research papers with e.g. similar methodology but much wider and longer samples (e.g. section 1.3.2); even a meta-analytical paper which found 123 other studies worth analysing is cited there.

Also, the fact that papers do not target CEE countries only does not automatically indicate a research gap – it is often advantageous to have a wider sample; therefore, most authors might want to focus on more countries than just nine. If the author really wanted to reduce a research gap by focusing on a narrower group of countries, it would have been logical to try to go deeper than most other authors who used larger samples and include e.g. more details on institutional quality, GVC-participation, i.e. based on statistics only available for the narrower set of countries. Reducing the number of observed units without going deeper does not really promise better results or chances of closing any research gaps.

The literature review provides a good description of the measurement of income inequality and poverty. A decent overview of studies attempting to analyse the relationship between broad measures of globalisation and poverty/inequality is also provided (section 1.3.1 & 1.3.2). A brief description of 1990s and 2000s economic history of the region is provided too, but some parts of it appear to be rather oversimplified. For example, there were quite significant differences in the timing of inflows of capital to CEE countries in the 1990s and extremely big differences in the dependence on capital flows prior to the 2008/9 financial crisis (compared with simplified claims on p. 12-13). Interestingly, the text completely ignores the existence of association agreements - and thus the fact that a substantial degree of mutual trade openness between EU and CEE countries had been achieved prior to 2004. Mutual economic integration in the CEE region (CEFTA) achieved in the 1990s is not mentioned at all. This leaves the impression that the author does not have to be aware of the fact that many of the deepest changes in the openness of the economies happened in the year preceding the beginning of the analysed sample (2004!). On the other hand, the description of changes in inequality and poverty is acceptable (although some additional statistics are available, too).

What the literature review largely bypasses is the role of institutional quality (only on p. 25 is mentioned a bit indirectly). In fact, institutional quality is crucial for the countries' ability to benefit from opportunities from globalisation.

What is also entirely missing is the issue of the countries' involvement in global value chains (GVC). This is an important omission – not only is the participation in global value chains an important part of globalisation-like processes, but very good sets of indicators (e.g. based on OECD ICIO) are available which cover the whole analysed period and which might have helped the student get either a complement or an alternative to the indicators (KOF) which were used in the thesis. Even more importantly, some politicians in CEE countries have blamed the position of CEE countries in Western-dominated GVCs for the lack of progress in e.g. wage convergence, which can make this issue directly relevant.

As a trade economist, I would also prefer to see a bit more precise work with trade theory. The Heckscher (not Hechsher)-Ohlin model and Stolper (again – not Stopler as the author writes persistently) model would have deserved more precise explanation and use. By the way, the whole Heckscher-Ohlin framework preceded Stolper-Samuelson theorem, but the author's formulations suggest the it came much later (p. 16). Similarly, empirical challenges to HO model date back to 1950s (although they mainly focused on different problems than the ones analysed here). The HO model is also typically used to show that trade creates winners and losers - so why should this be a challenge to the model? (p. 19).

The most important and in a way the most troublesome is the author's decision to choose a fairly narrow (only 9 countries, which means that not even all new member states have been included) and short (2004-2020) panel of countries. I would have expected that if the author opted for such a narrow panel, then this will be compensated by going deeper, but the econometric specification does not attempt to include any additional institutional or GVC-related variables (only basic macro variables + components of the KOF index). Why is the sample a problem? There are at least two issues:

- The countries' external trade policies are the same. As the author probably knows but never mentions, all the countries have the same external tariffs, and they are in the same FTAs and customs unions since 2004. The

variations in their observed trade openness are therefore not so much related to country-specific policy decisions, rather to natural factors (esp. size, position, level of development).

- Similarly, because of the specific development of the countries in the 1990s and early 2000s, one can speculate to what extent the differences in the KOF subindex for financial globalisation for this particular sample rather reflect differences in the setup of privatisation policies (the role of sales to foreign owners) and in the progress of financial reforms. At the same time, with relatively little additional effort, it would have been possible to use e.g. EBRD transition indicators and test whether such a relationship can matter.

In other words, because of choosing this specific sample but not testing additional specifications that would go deeper, we cannot be sure whether some of the co-movements identified by the author do not actually hide rather different relationships than the ones outlined by the author. Thinking about these kinds of problems and testing for their presence would have constituted a real robustness check (or sensitivity analysis) that would have made the results much more solid.

The econometric specification used in the paper is (logically in this case) not derived from any microfounded model. Similar (a bit ad hoc) specifications are not unusual in this kind of papers. Still, some discussion of possible alternative specifications (e.g. to log or not to log) might have been relevant. Also, the selection of the particular education attainment variable (although the focus on the secondary education and higher is probably correct) is not explained.

Last but not least, let me briefly discuss the language quality and organisation/structure of the thesis. On the one hand, I must acknowledge that the author uses appropriate language without disturbing grammar or terminology-related errors. On the other hand, the text can definitely be described as wordy – in quite a few cases (discussion on globalisation, discussion of results, conclusions), the author does not really try to be concise. Instead, unnecessary issues are discussed (e.g. the fact that a version of estimates with robust standard errors led to the same regression coefficients); the author also describes results for models that were previously rejected (random effects) or relatively simple facts/results are reminded repeatedly. I really feel that with a little bit of streamlining and editing, it would have been possible to make the text more concise and readable, and the additional space could have been used for deeper analysis. I appreciate that the author shared the do-file and data.

Final conclusion:

The author definitely proved to be capable of independent research work. There is some lack of willingness to try to go deeper which, together with the relatively simple econometric specification and small sample, make the econometric part a bit closer to a bachelor's level paper than to a master's level. All in all, the thesis is defendable and deserves a decent grade.

Specific questions you would like addressing at the oral defence (_at least 2 questions_):

1. Why were Bulgaria and Croatia not included in your sample? And what were the reasons for not using data from years before 2004?

2. What is the typical effect of heteroskedasticity on estimates of regression coefficients (and standard errors)? Are the estimated coefficients biased?

3. Why did you select the education variable, which includes "at least upper secondary education"? In your opinion, would it make sense to try to focus on tertiary education only?

4. In your opinion, would it make sense to analyse the role of the economic structure of the countries? Is there a chance that countries with a higher initial role of a particular industry (or of manufacturing as a whole) might have a different form of the relationship between openness and inequality?