

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Vladyslav Ovcharenko</b>
<b>Advisor:</b>	<b>Prof. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>The Effect of Financial Crisis on Wealth Inequality</b>

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

*Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Short summary**

The thesis aims to examine the impact of financial crises on wealth inequality. For this purpose, it uses data for 119 countries in the years 2000-2019. The shares of 1% and 10% of the richest layers of the population in total wealth are used as indicators from which wealth inequality is assessed. In addition to the conclusions for the entire sample of countries, the division into financially developed and developing countries is also applied. With the use of the fixed effects model, it is found that one cannot unambiguously confirm the association of financial crises with an increase in wealth inequality.

### **Contribution**

Mainstream approach to the analysis of economic inequality understands this phenomenon as income inequality, which is extensively analysed using the Gini coefficient. In this regard, the author innovatively focuses on monitoring wealth inequality as reflected in the shares of 1% and 10% of the richest layers of the population. This makes sense, because if the concentration of wealth in the possession of the richest people increases, less must logically fall to the less well-off. Nevertheless, the thesis would benefit from the detailed comparison of the pros and cons of indicators of income inequality on the one hand and the author's preferred wealth inequality on the other, bearing in mind that less wealthy people are less involved in the ownership of financial instruments and financial wealth often suffers from unrealized capital gains and losses.

### **Methods**

The focus of the work is in econometrics. In this regard, the author demonstrates erudition in the handling of large data sources and knowledge of the applied econometric techniques with their advantages and limitations. The financial crisis is modelled as a binary quantity that manifests itself in various forms such as banking crises, currency crises, debt crises and twin crises. However, I did not find a table that would assign individual countries from the studied sample to the above-mentioned types of crises. Is it really possible to reach relevant conclusions regarding the effects on wealth inequality without knowing what type of crisis this or that country was or was not affected by? It is also not clear what attributes the author uses for individual crises, which can manifest themselves in different countries in different shapes and with different intensity.

The thesis also takes into account that the effects of financial crises on wealth inequality are heavily influenced by many non-crisis factors such as tax policies, economic freedom, globalization, depth of or access to financial markets. They are handled as control variables, approximated by some proxy variable. It is clear that the large number of these soft indicators must be reflected in great caution in the interpretation of the obtained results.

### **Literature**

The literature review is well done. With reference to scholar authorities in the field, it summarizes the factors that have a fundamental impact on wealth inequality, as well as the transmission mechanisms by which these factors influence wealth inequality. In this review, the author seeks inspiration for the choice of variables of his econometric model.

### **Manuscript form**

The thesis is written in good English. Graphs and tables complement the written text in a clear way.

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## Overall evaluation

In my view, the thesis fulfills the requirements for a master's thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for the defense and suggest a grade B. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

## Suggested questions for the discussion during the defense

In the final part of the thesis the author draws attention to the limitations that complicate the study of wealth inequality (lack of data, methodological difficulties in estimating inequality, dynamic nature of inequality). What are the ways to mitigate these restrictions?

The Gini coefficient could also be used to describe wealth inequality. Wouldn't that be a more representative approach than focusing only on the shares of the richest layers of society?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	21
<i>Methods</i> (max. 30 points)	23
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>84</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:** *prof. Oldřich Dědek*

**DATE OF EVALUATION:**

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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.*

**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.*

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

**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.*

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F