

EXPERTISE FOR THE DISSERTATION THESIS

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TOPIC : The Relationship Between Changes in Income Tax Rates and the Motivation to Work

Objective and suitability of the selected topic of the dissertation thesis :

The above mentioned thesis is nowadays topical, since all over the world tax rate has different results on net income and consequently through the cost of leisure on quality of life.

Doctorand decided to solve particular topical problem the analysis of prominent theoretical scientific works and their confrontation with real life.

The key issue of the dissertation work is :

If the government increases the income tax rate then net income went down or not. This direct economic effect has two forms : the income effect and the substitution effect. Doctorand extended this problem about the psychological effect that can increase or decrease the motivation to work.

Research objective

Determine if the impact of income taxes on the motivation to work varies between workers at low and high wage rates.

Important part of this work provides theory development the two new theories, the Hierarchy of Pecuniary Needs and the Differing Utility of Leisure.

Regarding methodology I must appreciate that doctorand applied huge professional literature. Worthful aspect is in application of multiple regression analysis. Doctorand used appropriate time series from statistical data that are published by Statistical office.

Adopted literature is representative and can be a good guidance for all person interested in this topic.

Methodology and data:

/Application /Doctorand tested the theory, data was gathered for 15 OECD countries for the period 1960-2010. This included data on income tax rates, hours worked, income levels, and several other variables that are believed to

influence the relationship between income taxes and hours worked. A first differences panel data econometric model was used in empirical tests to assess whether the changes in hours worked as a response to changes in tax rates, was different for high and low wage workers.

Results and practical usefulness of the dissertation thesis.

The results of **this research stream will also help policymakers in setting tax policy**, to understand better the potential impacts on the labour force. Increasing tax rates can result in less tax revenue if workers decrease their hours worked to more than offset the effects of the tax increase. The potential even exists that tax revenue can increase when tax rates are decreased due to increased output by labourers.

The primary contributions of this work come from the new theories developed, the simulation model developed to demonstrate the theories, and the opportunities for future research presented by the adjusted results.

It was clear that the **theory needed to be retested, and/or revised and new tests performed. Simple retesting would be difficult, due to the limited tax rate data available.**

Question No 1 : How can you overcome this problem ?

As doctorand ascertained one of the main policy implications of the results is that if governments consider labour supply responses and their effect on economic productivity, then they should definitely rely on labour income taxes (fiscal policy) and the differing utility of leisure (societal preferences) as well as institutional factors.

An increase in income tax rates would cause workers to increase the number of hours worked, and a decrease in income tax rates would cause workers to decrease the number of hours worked.

Very useful was the application of conclusion for several selected countries.

Recommendation :

It is important in future research to examine periods of economic growth and contraction, breaking the sample down into **smaller time periods**, and **reclassifying workers into high and low wage groups** as they change at different rates over time.

Question No 2 :

Can you conceive your image how to reduce time periods ?

In groups of high wage workers, changes in hours worked would be negatively correlated with changes in tax rates. An increase in income tax rates would cause workers to decrease the number of hours worked, and a decrease in income tax rates would cause workers to increase the number of hours worked.

The dependent variable in the model is the change in average hours worked. The only two variables in the model that are significant are the constant term and the coefficient on the change in average annual income.

This lack of significance of the tests could be overcome with dummy variables.

Question No 3 Have you some explanation regarding the contents of dummy variables in your model ?

Important conclusion of this work :

An increase in income tax rates would cause workers to increase the number of hours worked, and a decrease in income tax rates would cause workers to decrease the number of hours worked. Oppositely, in groups of high wage workers, changes in hours worked would be negatively correlated with changes in tax rates. An increase in income tax rates would cause workers to decrease the number of hours worked, and a decrease in income tax rates would cause workers to increase the number of hours worked.

Formal aspect of thesis satisfy the requirements of dissertation work.

The language employed is adequate and economic terminology are correctly used.

Publication activities were oriented on fiscal policy with application on Azerbaijan economy. Some of them were published in outstanding professional journals.

Conclusion:


Doctorand in his doctoral thesis proved good knowledge of studied problems.

His work represents particularly topical problem within the framework autor's recommendation for his country.

On the ground of my total consideration I recommend the present dissertation work for defence.

In Zlín,

May, 15th 2018



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