

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Buybacks to Bailouts: Firm Behavior and Implications for Financial Instability
Author of the thesis:	Kevin Peter Curran
Referee (incl. titles):	Prof. Oldřich Dědek

Comments of the referee on the thesis highlights and shortcomings (following the five numbered aspects of your assessment indicated below).

1) Theoretical background:

There are many terms for financial instability that are used in the economic literature - bubble, irrational exuberance, boom-bust behavior, excessive turbulence and more. The key and innovative term for this diploma thesis is Minsky's term destabilizing stability. The idea is clear - long periods of stability can evoke patterns of behaviour of market players that sow the seeds of future instability, often ending in taxpayer-funded rescue programs. This topic is dealt with in a number of forms. It is particularly widely debated among central bankers, for whom the issue of financial stability is becoming no less important than traditional care for price stability.

2) Contribution:

The author of the diploma thesis does not stick to theorizing on the topic of destabilizing stability but applies the described phenomenon to share repurchases. It shows how, at first glance, the common technique of corporate finance, which distributes cash to shareholders through share repurchases, can easily become a source of financial instability if it begins to be carried out excessively and for other than declared purposes (signalling fundamental undervaluation of the stock, distribution of idle cash to shareholders, etc.). The author considers the debt-financed share repurchase to be an almost inexcusable act.

3) Methods:

The author shows that even standard acknowledgments can be handled in a nonstandard manner, suggesting that the reading will become unique experience. These expectations are not disappointed. The strength of the research approach is a detailed explanation of the problem with the use of rich expressive skills, elegantly spiced with financial jargon. Theoretical exposition is then followed by case studies (Qualcomm, Boeing Corporation, General Electric). However, it is difficult for a reader unfamiliar with details of the American stock markets to assess the extent to which the described behaviour of the captains of American industry is apt. More econometric analysis would be beneficial to the greater persuasiveness of the conclusions of the thesis than just a few telling graphs. However, this evaluation does not compromise the high added value of the ideas presented in a brilliant way.

4) Literature:

The author demonstrates a broad perspective and communicates intensively with the relevant economic literature. With his expressive abilities, he can compete with the leading authorities of the economic community.

5) Manuscript form:

The diploma thesis has a clear and comprehensive structure. Research hypotheses are clearly formulated. The absence of page numbering can be considered the biggest challenge for the reader without reading device.

Box for the thesis supervisor only. Please characterize the progress in the working out of thesis (e.g., steady and gradual versus discontinuous and abrupt) and the level (intensity) of communication/cooperation with the author:

Suggested questions for the defence are:

Some commentators see symptoms of overheating in the current behaviour of stock markets. Do you agree with this evaluation? And if so, does share repurchases play a role in this?

Cash reaches shareholders in two alternative ways: share repurchases and dividend payments. On efficient markets, these two methods should be equivalent. On real markets, it need not be so. From the point of view of market instability, to what extent are the two methods similar or different?

I recommend the thesis for final defence.

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

CATEGORY	POINTS
<i>Theoretical background (max. 20 points)</i>	18
<i>Contribution (max. 20 points)</i>	20
<i>Methods (max. 20 points)</i>	17
<i>Literature (max. 20 points)</i>	20
<i>Manuscript form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	92
The proposed grade (A-B-C-D-E-F)	A

DATE OF EVALUATION: 20 May 2021

Prof. Oldrich Dedek
Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Quality standard
91 – 100	A	= outstanding (high honour)
81 – 90	B	= superior (honour)
71 – 80	C	= good
61 – 70	D	= satisfactory
51 – 60	E	= low pass at a margin of failure
0 – 50	F	= failing. The thesis is not recommended for defence.

The referee should give comments to the following requirements:

1) THEORETICAL BACKGROUND: Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant to this thesis topic? Were some important theoretical concepts **omitted**? Was the theory used in the thesis consistently **incorporated with the topic** and hypotheses tested? Has the author demonstrated a genuine **understanding** of the theories addressed?

Strong	Average	Weak	
20	15	< 10	points

2) CONTRIBUTION: Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and the ability to draw **conclusions** based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the **policy implications** well founded?

Strong	Average	Weak	
20	15	< 10	points

3) METHODS: Are the **hypotheses** for this study clearly stated, allowing their further **verification and testing**? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or **irrelevant detours** off the main body stated in the thesis proposal? More than 12 points signal an exceptional work, **which requires your explanation "why" it is so**.

Strong	Average	Weak	
20	15	< 10	points

4) LITERATURE REVIEW: The thesis demonstrates the author's full understanding and **command of recent literature**. The author **quotes** relevant literature in a **proper way** and works with a **representative bibliography**. (Remarks: references to Wikipedia, websites and newspaper articles are a sign of **poor research**. If they dominate, you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give a much better impression. Any sort of **plagiarism** disqualifies the thesis from admission to defence.)

Strong	Average	Weak	
20	15	< 10	points

5) MANUSCRIPT FORM: The thesis is **clear and well structured**. The author uses appropriate **language and style**, including the academic **format for quotations**, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**. The text is free from typos and easy to comprehend.

Strong	Average	Weak	
20	15	< 10	points

Remarks for the referees:

- 1) Download the thesis from the SIS. If you have no access to SIS, please ask the secretary of IPS (katerina.bubnova@fsv.cuni.cz, tel. 296 824 641) for sending you the thesis by e-mail.
- 2) Use the IEPS Thesis Report form only for your comments. **It is a standard at the FSV UK that the Referee's Report is at least 400 words.** In case you assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.
- 3) Retain your critical stance. You cannot confer more than 80 points upon a thesis that does not satisfy research standards in top European universities.
- 4) Upload the Report as PDF/A file into the SIS. Instructions on how to convert .DOCx to PDF/A): „Save as“ – select „PDF“ – check-in „Options or Možnosti“ that „PDF options“ tick „ISO 19005-1 compliant /kompatibilní s/ (PDF/A)“ – „Save“. If you have no access to SIS, please send the unsigned PDF file to the secretary of IPS (katerina.bubnova@fsv.cuni.cz).
- 5) Please deliver to the IPS Secretariat, Pekařská 16, 158 00 Praha 5- Nové Butovice, **two hand-signed originals**. Unfortunately, a photocopied report with signature does not suffice. Sorry.
- 6) Your Report will be remunerated, so we need also your account information (separate from this form).