

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Michal Paulus</b>
<b>Advisor:</b>	<b>Doc. Ing. Pavel Mertlík CSc.</b>
<b>Title of the thesis:</b>	<b>The Financial Instability Hypothesis of Hyman P. Minsky and Its Application to the Current Financial Crisis</b>

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

One can hardly find a topic related to history of economic thought, which is as actual as one presented in the work. Author manages to discuss the topic using broad range of relevant literature while keeping the work well informative and readable. He has demonstrated more than satisfactory ability to work with sources, as well as to think critically while evaluating recent crisis using given theory. Therefore I rate his work as Excellent.

What follows only a gentle feedback to several minor issues:

- Use of 4+ level chapter hierarchy was perhaps unnecessary, and made the first part of work less readable. The story telling element – traditionally strong point of post-keynesian theory - can disappear when topics that *are* closely related are divided by formal structure and discussed separately. If deep formal structure is preferred by author (which is not uncommon in the field), then more stress on logical linkages in theory might be fruitful, as these are strong part of post-keynesian theory.
- Several times (p25,p37,p38) author discusses rationality some of agents behaviour. From context it seems that some narrow sort of bounded and not very forward looking rationality is meant. It might be worth a footnote to shortly state what type of rationality is meant.
- On p37 author states that AIG safety margins did not decrease, they were wrongly set from the beginning. Arguably this might not be fully true in case of systemic failure risk discussion. Until AIG was not heavily exposed, the margins needed not to be high, as the risk of AIG (with well diversified portfolio) was minor. Only as exposition to one particular market grew (with each financial insurance sold) its risk increased more than proportionally, thus the margins should have been adjusted. Then perhaps the original Minsky hypothesis describes AIG's behavior quite well.
- The main (non-descriptive) contribution of the work which is contained in 3 b ii) and in conclusion might have been covered more broadly, relative to the first descriptive part.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>90</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** *PhDr. Ing. Jiří Skuhrovec*

**DATE OF EVALUATION:** 10.6.2010

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*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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě