

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Michael Janský</b>
<b>Advisor:</b>	<b>Jiří Novák, M.Sc., Ph.D.</b>
<b>Title of the thesis:</b>	<b>Executive Compensation in Firms Producing Addictive Goods</b>

## **OVERALL ASSESSMENT** (provided in English):

*The thesis discusses the executive compensation in firms producing addictive goods. The culprit for the research serves the observation that the executive of "sin" firms, as the author names them, have generally more generous compensation packages compared to its peers from other industries. This finding remains robust even after controlling for an extended list of possible factors that could influence the difference. Therefore, the author ventures to offer as a possible explanation for the difference in compensation, the fact that these executives work in industries which generally have a tainted reputation with the public, due to the largely harmful, albeit legal, products and services that they offer.*

*The research is structured in a very good manner and is well written. The introduction and motivation part are in particular useful in understanding the complete background of the research and the aim of the paper which makes reading and assessing the thesis rather easy. The data and methodological part are very extensive, detailed and transparent with regard to the data sources and the methods employed in arriving at the results. The results are extensively discussed and looked at from different angles, refuting one by one several hypotheses which could provide an explanation for the premiums in the executive pay for the sin industries. This leaves the author with the sole alternative explanation for the premium – the "stigma" due to their activity.*

*Generally, the "stigma" explanation for the premium in the sin industries seems rather plausible and fits well with the previous findings in the literature. The only aspect which weakens somewhat the story is that most of the evidence produced is indirect. Therefore, one way to strengthen this hypothesis is to find a way to directly link the "stigma" with the executives' pay. My intuition would suggest that the financial industry executives could face similar type of "stigma", given the rather extensive debate emerged during the crisis related to the executives' compensation packages in this industry. In short, I would suggest that the author builds some sort of "stigma" index, using Google trend or similar tools to aggregate either the positive or negative news or reports from the industry. This could be further complemented by statistics on the number of lawsuits different industries face. My intuition is that at least the tobacco industry faces much more lawsuits than the other industries in the economy. Certainly aggregating this type of information is not an easy task, but would add solidly to strengthening the core message of the paper.*

*On a side note, the manuscript form could be improved by placing the large tables in the annex rather than in the body of the paper, and some of the results, at least those that are repeating, could be presented in a more constrained way – showing just the coefficients of interest rather than the full list of variables.*

*Overall I recommend the paper for defense and suggest grade "1", (vyborne).*

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

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	20
Methods (max. 30 points)	28
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	18

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<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>96</b>
<b>GRADE</b>	<i>(1 – 2 – 3 – 4)</i>	<b>1</b>

**NAME OF THE REFEREE:** *Adrian Babin*

**DATE OF EVALUATION:** *05/02/2015*

**Referee Signature**