

# MASTER'S THESIS REPORT

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

<b>Thesis title:</b>	Unraveling the 2019 Lebanese Financial Crisis: Analyzing the Applicability of Hyman Minsky's Financial Instability Hypothesis
<b>Student's name:</b>	Jason El Murr
<b>... name:</b>	Mgr. Michal Paulus

Criteria	Maximum	Points
Contribution and argument (originality, justifiable research question and hypotheses, argumentation)	25	15
Theoretical framework (situating research into the existing knowledge)	25	15
Methodology (methods and data relevant to the research question and appropriately used)	20	15
Referencing to sources	15	15
Formal aspects (structure, logical coherence, layout, tables, figures)	10	9
Presentation (language, style, cohesion)	5	5
<b>Total</b>	<b>100</b>	<b>74</b>

**Plagiarism-check (URKUND) match score** (if the plagiarism-check (URKUND) match score is above 15%, the reviewer has to include his/her assessment of the originality of the reviewed thesis in his/her review):

URKUND gives overall similarity 28%, but the thesis is original. Similarities are mostly in the data and naming of their origin; whenever the similarity is longer, the author marks it as a citation.

**Reviewer's commentary according to the above criteria** (min. 1,800 characters including spaces when recommending a passing grade, min. 2,500 characters including spaces when recommending a failing grade):

This title of this master thesis brings our attention to the development in Lebanon's financial sector in the last decade but the author realizes that it is impossible to understand current situation without knowing the historical roots and the broader context. I have appreciated the chapters 1.3 "A Brief History of Lebanon" and 1.4 "The Situation in Hand" where the author goes as far back as after the Great War and describes the difficult regional context current Lebanon is coping with.

Chapter 1 is the literature review, has 5 subchapters and the first four can really be taken as a literature survey. I have mentioned 1.3 and 1.4 already; sub chapters 1.1 and 1.2 survey financial crises in general and Minsky's Financial Instability Hypothesis. I think that the first chapter is more than a literature survey; each subchapter could be easily changed into an interesting essay on its topic.

Subchapter 1.5 is about hypotheses and contribution and in my opinion does not fit into a chapter on literature review. This subchapter starts like this: "The applicability of Minsky's FIH to the Lebanese financial crisis can be analyzed by checking whether there was a trend indicating that the Lebanese economy was on a path toward its current state of meltdown. One way of examining the latter, is by trying to identify whether a Minsky Moment

occurred in 2019. As elaborated previously, the goal of the FIH is to highlight that periods of economic stability promote risk taking and financial speculation which ultimately leads to severe financial instability (Behlul, 2011 ; Vercelli, 2011).“. I do not agree with this; in my opinion, there surely had been a trend indicating the unhappy end but I think that there are more natural explanations like the state of political institutions in Lebanon and the regional instability. Development of the financial sector in Lebanon was not – again in my opinion – the cause, it was one of the impacts of the institutional arrangement and regional instability. Once the problems in the financial sector started, they were so linked with the developments in the rest of the economy that it is surely possible to find similar development as if it all started by a Minski moment. To make my opinion clearer: I think that Minski starts with the behavior in the financial sector and then describes what it can cause both in the financial sector and in the real economy. In Lebanon, the current melt-down did not primarily start because of the behavior in the financial sector. But, after the loss of Lebanon’s credibility among international investors and the inability of the political center to cope with that, the variables that the author follows in his thesis started to behave as with a Minski moment. Just one comment ought to be added: the situation has been so complicated that even a very able political center could have failed.

Methodology is described in Chapter 2. A case study is not a good methodological tool for clarifying the doubts raised in the previous paragraph. A more thorough econometrical analysis would have to be done to get a better answer. But: if we start with the author’s opinion, a case study can surely be used as an illustration.

Chapters 3, 4 and 5 summarize the case study and are an interesting reading. Potential political suggestions go in the right direction.

**Proposed grade: C**

**Suggested questions for the defence:** I suggest to discuss what I wrote in the previous text about the subchapter 1.5 and about the methodology.

**I recommend the thesis for the final defence.**

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Signature

**Overall grading scheme at the Faculty of Social Sciences, Charles University:**

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