

Syllabus

CORPORATE GOVERNANCE

- **Instructor:** Álmos Telegdy (Tel: 327-3234, telegdya@ceu.hu, office hours: Tuesday 16.30-17.30 and by appointment)
- **Credits:** 2 (4 ECTS)
- **Term:** 2017-2018
- **Course level:** MA/MSc
- **Prerequisites:** Economics MA: Core Microeconomics, Core Econometrics, Economic Policy MA: Core Microeconomics; Data Analysis for Economic Policy

Course description

Corporate governance refers to the mechanisms that solve two principal-agent (PA) problems, which are present in large corporations where ownership of residual cash flow and control are in different hands. One such PA problem arises between the owners of capital and managers, and another between the small, dispersed owners and large, concentrated blockholders of the firm. The objective of the course is to present the main questions and answers related to corporate governance, the theories describing them and the empirical work.

The topics discussed are the following:

- Costs and benefits of concentrated ownership
- Legal protection of small shareholders
- The market for corporate control
- Family-owned firms
- State-owned enterprises
- Sovereign Wealth Funds
- Boards of directors
- Managerial compensation

Learning outcomes

Ability to understand the key mechanisms of corporate governance, the policies influencing them and the empirical methods used in this subject.

Reading list

No textbook for this course is available. As in many graduate courses, we will be studying a number of scientific articles from the list below.

Assessment

Students have to pass a final exam.

Course schedule and materials for each session

1. Introduction (0.5 lecture)

Becht, Marco, Patrick Bolton, and Ailsa Röell (2003), "Corporate Governance and Control." In: Handbook of the Economics of Finance (Constantinides, Harris, and Stulz eds.), Amsterdam: Elsevier, sections 1-4.

2. Costs and benefits of block ownership (4.5 lectures)

Bertrand, Marianne, Sendhil Mullainthan (2003), "Enjoying the Quiet Life? Corporate Governance and Managerial Preferences." *Journal of Political Economy* 111(5), 1043-1075.

Dyck, Alexander, Luigi Zingales (2009), "Control Premiums and the Effectiveness of Corporate Governance Systems." In: *Global Corporate Governance* (D. Chew and S. Gillan eds.), New York: Columbian Business School Publisher.

Edmans, Alex (2014), "Blockholders and Corporate Governance." *Annual Review of Financial Economics* 6, 23-50.

Foley, C. Fritz, Robin Greenwood (2010), "The Evolution of Corporate Ownership after IPO: The Impact of Investor Protection." *Review of Financial Studies* 23(3), 1231-1260.

Grossman, Sanford J., Oliver Hart (1980), "Takeover bids, the Free-Rider Problem, and the Theory of the Corporation." *The Bell Journal of Economics*, 11(1), 42-64.

Iliev, Peter, Karl V. Lins, Darius P. Miller, Lukas Roth (2015), "Shareholder Voting, and Corporate Governance Around the World." *Review of Financial Studies* 28(8), 446-485.

Porta, Rafael, Florencio Lopez-De-Silanes, Andrei Shleifer (1999), "Corporate Ownership Around the World." *The Journal of Finance* 54(2), 471-517.

Aminadav, Gur, Elias Papaioannou (2016), "Corporate Control Around the World." NBER Working Paper No. 23010.

La Porta, Rafael, Florencio Lopez-De-Silanes, Andrei Shleifer (1998), "Law and Finance." *Journal of Political Economy* 106(6), 1113-1155.

3. Boards of directors and managerial compensation (4 lectures)

Renée, Benjamin E. Hermalin, Michael S. Weisbach (2010), "The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey." *Journal of Economic Literature* 48(1), 58-107.

Bebchuk, Lucian, Yaniv Grinstein, Urs Peyer (2010), "Lucky CEOs and Lucky Directors." *The Journal of Finance* 65(6), 2363-2401.

Cornelli, Francesca, Zbigniew Korminek, Alexander Ljungqvist (2013), "Monitoring Managers: Does it Matter?" *Journal of Finance* 68(2), 431-481.

Coles, Jeffrey L., Naveen D. Daniel, Lalitha Naveen (2008), "Boards: Does One Size Fit All?" *Journal of Financial Economics* 87, 329-356.

Frydman, Carola, Raven E. Saks (2010), "Executive Compensation: A New View from a Long-Term Perspective, 1936-2005." *Review of Financial Studies* 23, 2099-2138.

Hu, Yifan, and Xianming Zhou (2008), "The Performance Effect of Managerial Ownership: Evidence from China." *Journal of Banking and Finance* 32, 2099-2110.

Murphy, Kevin J., Ján Zábajník (2004), "CEO Pay and Appointments: A Market-Based Explanation for Recent Trends." *American Economic Review* 94, 192-196.

4. Departure from profit maximization: family- and state-owned firms (3 lectures)

Bortolotti, Bernardo, Veljko Fotak, William Megginson (2015), "The Sovereign Wealth Fund Discount: Evidence from Public Equity Investments." *Review of Financial Studies* 28 2993-3035.

Brown, David J., John S. Earle, Álmos Telegdy (2016), "Where does Privatization Work? Understanding the Heterogeneity in Estimated Firm Performance Effects." *Journal of Corporate Finance* 41, 329-362.

Hart, Oliver, Andrei Shleifer, Robert Vishny, (1997), "The Proper Scope of Government: Theory and an Application to Prisons." *The Quarterly Journal of Economics* 112(4), 1127-1161.

Shleifer, Andrei (1998), "State versus Private Ownership." *Journal of Economic Perspectives* 12(4), 133-150.

Sraer, David, David Thesmar (2007), "Performance and Behavior of Family Firms: Evidence from the French Stock Market." *Journal of the European Economic Association* 5(4), 709-751.