

# Chong Shu

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## Fields of Interest

Corporate Finance & Financial Intermediation (theoretical and empirical)

## Education

*University of Southern California*

Ph.D. Finance	2017-2021
M.A. & PhD (transferred) Economics	2014-2017
B.S. Mathematics/Economics	2010-2014
Magna Cum Laude, Honors in Economics	

## Working Papers

4. [“The Proxy Advisory Industry: Influencing and Being Influenced,”](#) September 2020
  - Media Coverage: Forbes, The Columbia Law School Blue Sky Blog
3. [“Endogenous Risk-Exposure and Systemic Instability,”](#) July 2020
  - Revised & Resubmitted to the *Review of Financial Studies*
  - Best Paper Prize at the *47th EFA Doctoral Tutorial*
2. [“A Theory of the Proxy Advice Market when Investors Have Social Goals,”](#) March 2020
  - Coauthor: John G. Matsusaka
  - Media Coverage: The Columbia Law School Blue Sky Blog
1. [“Rational Reticence: the Curse of Shareholder Voting Power in Uncontested Elections,”](#) January 2020

## Work In Progress

- Proxy Advice and Informed Voting, with John G. Matsusaka

## Teaching Experience

*Instructor*

BUAD 306 (undergraduate): Business Finance Summer 2019

*Teaching Assistant*

FBE 630 (Finance Ph.D. 1st-year core): Fundamentals of Corporate Finance Spring 2018

FBE 631a (Finance Ph.D. 2nd-year core): Advanced Corporate Finance	Fall 2017
ECON 580 (Graduate): Antitrust Economics and Competition Policy	Spring 2016
ECON 366 (Undergraduate): Urban Economics	Spring 2016
ECON 521 (Graduate): Open Economy Macroeconomics	Fall 2015
ECON 487 (Undergraduate): Resource and Environmental Economics	Fall 2015

## Presentations

2021 University of Cambridge Finance-CERF Seminar*	February 2021
2020 Econometric Society European Meetings (virtual)	December 2020
Cleveland Fed and OFR Conference on Financial Stability (virtual)	November 2020
8th Warwick Economics PhD Conference (virtual)	November 2020
Finance, Organizations and Markets (FOM) conference (virtual)	October 2020
Northern Finance Association (NFA) 32nd Annual Conference (virtual)	September 2020
CIRF & CFRI Joint Conference (virtual)	August 2020
University of Pennsylvania Young Economists Symposium (virtual)	August 2020
European Finance Association (EFA) Doctoral Tutorial (virtual)	August 2020
3rd Dauphine Finance Ph.D. Workshop (virtual)	June 2020
6th Annual Conference on Network Science and Economics (Chicago Booth)	(Postponed)
2019 2nd U.S. Treasury Department OFR PhD Symposium	October 2019
8th CIRANO-Sam M. Walton College of Business Workshop on Networks	October 2019
19th FDIC Annual Bank Research Conference	September 2019
2018 China International Risk Forum (Zhejiang University)	December 2018
Financial Management Association (FMA) Annual Meeting	October 2018
North American Summer Meeting of the Econometric Society (UC Davis)	June 2018
London Business School Trans-Atlantic Doctoral Conference	May 2018
AFA Annual Meeting Ph.D. Poster Session	January, 2018

(\* indicates presentations by co-authors)

## Media Coverage

### News Mention

[Forbes](#)

### Substantive Blog Posts

3. ["The Competitive Landscape of the Proxy Advice Market."](#) – The CLS Blue Sky Blog: Columbia Law School's Blog on Corporations and the Capital Markets. June, 2020
2. ["Why Proxy Advice Might Be Slanted."](#) – The CLS Blue Sky Blog: Columbia Law School's Blog on Corporations and the Capital Markets. April, 2020
1. ["Endogenous Risk-Exposure and Systemic Instability"](#) – Nanyang Business School Forum on Risk Management and Insurance. December, 2018

## Industry Experience

AQR Capital Management, LLC (Greenwich, Connecticut)

Ph.D summer internship

June 2018 - August 2018

## Academic Honors

47th EFA Doctoral Tutorial Best Paper Prize 2020

USC Graduate School Summer Research and Writing Grant 2020

USC Graduate School Travel Grant 2017

USC Marshall School Fellowship 2017-2021

USC Economic Department Best Second Year Papers 2016

USC Dornsife Institute for New Economic Thinking Fellowship 2016-2017

USC Dornsife College Graduate Merit Award 2014-2019

## Skills

Programming

Python, MATLAB, STATA, SQL, AWS, WRDS Cloud, PHP, HTML, CSS, JavaScript, L<sup>A</sup>T<sub>E</sub>X

Languages

Chinese (native), English (fluent)

## Professional Activities

### *Conference Organizing & Committee*

Program Committee for 7th Annual USC Marshall Ph.D. Conference in Finance Los Angeles, 2019

Co-Organizer for 6th Annual USC Marshall Ph.D. Conference in Finance Los Angeles, 2018

Program Committee for 2018 FMA Annual Meeting San Diego, 2018

Program Committee for 2018 FMA Applied Finance Conference New York, 2018

### *Discussion*

2018 LBS TADC, 2018 FMA, 2018, CIRF, 2020 YES, 2020 CIRF-CFRI

## Reference

John G. Matsusaka (Dissertation Chair), Charles F. Sexton Chair in American Enterprise, Marshall School of Business, University of Southern California, matsusak@usc.edu

Kanneth Ahern, Dean's Associate Professor in Business Administration, Marshall School of Business, University of Southern California, kenneth.ahern@marshall.usc.edu

Michael Magill, Professor of Economics, Department of Economics, University of Southern California, magill@usc.edu

Kevin Murphy, Kenneth L. Trefftz Chair in Finance & Department Chair, USC Marshall School of Business, University of Southern California, kjmurphy@usc.edu

João Ramos, Assistant Professor of Finance and Business Economics, Marshall School of Business, University of Southern California, Joao.Ramos@marshall.usc.edu

## Abstract

### **The Proxy Advisory Industry: Influencing and Being Influenced**

This paper examines the evolving proxy advice industry, proxy advisors' influences, and their incentives. Using an innovative method, I identify a panel of investors' purchases of proxy advice. During 2007-2017, the industry has become less concentrated. As of 2017, Institutional Shareholder Services (ISS) controls 63% of the market for mutual funds in the U.S., and Glass Lewis controls 28% of the market. Both ISS and Glass Lewis have strong influences and can respectively sway 21% and 22% of their customers' votes. Furthermore, I show that proxy advisors cater to investors' preferences. Such catering departs from value-maximizing and can decrease underlying firms' value.

### **A Theory of the Proxy Advice Market when Investors have Social Goals – with John G. Matsusaka**

This paper develops a theory of the proxy advice market when some investors have non-pecuniary goals such as environmental sustainability and protection of human rights. We develop a model in which advisory firms choose their production technologies and compete for the business of investors with heterogeneous preferences over returns and social goals. When the market for advice is small, the industry equilibrium consists of small "boutique" firms that provide customized advice to each investment fund, and voting outcomes reflect the distribution of investor preferences. When the market is large, the industry reduces to a single advisory firm using a platform technology, the firm's advice is slanted toward the preferences of funds with non-value-maximizing goals, and voting outcomes overrepresent the preferences of activist funds. We discuss normative principles for assessing proxy advice when value maximization is not the sole objective of investors.

### **Rational Apathy: The Curse of Shareholder Empowerment in Uncontested Board Elections**

In contrast to popular belief, this paper shows that there does not exist an unambiguous positive relationship between an unbiased shareholder's voting power and the quality of corporate governance. I utilize a 2010 NYSE policy change that increased shareholders' voting power in uncontested board elections, and, to establish the causality, I take advantage of the exogenous election cycles for director elections. I find that an increase in individual shareholder's voting power will worsen some measures of corporate governance (CEO's pay-performance sensitivity and probability of removing poison pills). I show that this is due to shareholders' decreased participation in both the sponsorship of governance proposals and active voting in annual meetings. I argue that the negative relationship between shareholders' voting power and their participation is due to a free-rider problem in the collective action.

### **Endogenous Risk-Exposure and Systemic Instability**

Most research on financial systemic stability assumes an economy in which banks are subject to exogenous shocks, but in practice, banks choose their exposure to risk. This paper studies the determinants of this endogenous risk exposure when banks are connected in a financial network. I show that there exists a network risk-taking externality. Banks in financial networks, particularly densely connected ones, endogenously expose to greater risks. Furthermore, they choose correlated risks, aggravating the systemic fragility. Banks, however, do have incentives to form networks to protect their charter values. The theory yields several novel perspectives on policy debates.

Last updated: Sep. 2020