Chong Shu

Marshall School of Business	Email:	chongshu@marshall.usc.edu
University of Southern California	Homepage:	http://chong-shu.com
Los Angeles, CA 90089-1422	Phone:	(213) 258-9705

Fields of Interest

Corporate Finance, Corporate Governance & Financial Intermediation (theoretical and empirical)

Education

University of Southern California

Ph.D. Finance (expected 2021)	2017-
M.A. & Ph.D. studies (transferred) Economics	2014-2017
B.S. Mathematics/Economics	2010-2014

Magna Cum Laude, Honors in Economics

Working Papers (abstracts attached at the end)

4. "The Proxy Advisory Industry: Influencing and Being Influenced," October 2020 (Job Market Paper)
   - Media Coverage: Forbes, Morning Consult
   - Blog Post: Columbia Law School Blue Sky Blog
   - Presentations: CIRF-CFRI Conference, USC Marshall
3. "Endogenous Risk-Exposure and Systemic Instability," July 2020
   - 2nd Round Revise & Resubmit at the ***Review of Financial Studies***
   - Best Paper Prize at ***2020 European Finance Association Doctoral Tutorial***
   - Presentations: Cleveland Fed Conference on Financial Stability, FDIC Annual Bank Research Conference, Warwick Economics Ph.D. Conference, Northern Finance Association, Young Economists Symposium, European Finance Association Doctoral Tutorial, Dauphine Finance Ph.D. Workshop, Office of Finance Research Ph.D. Symposium, CIRANO-Walton Workshop on Networks, China International Risk Forum, Financial Management Association, North American Summer Meeting of the Econometric Society, Trans-Atlantic Doctoral Conference, USC Marshall
2. "A Theory of Proxy Advice when Investors Have Social Goals," October 2020, submitted
   - Coauthor: John G. Matsusaka
   - Blog Post: Columbia Law School Blue Sky Blog
   - Presentations: University of Cambridge, FOM Conference, USC Marshall
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
ITP 301 (Undergraduate): Interactive Web Development	Spring 2013
ITP 300 (Undergraduate): Database Development	Fall 2012

Presentations

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

(* indicates presentations by co-authors)

Media Coverage

News Mention

Forbes
Morning Consult

Substantive Blog Posts

3. "The Competitive Landscape of the Proxy Advice Market," CLS Blue Sky Blog: Columbia Law School's Blog on Corporations and the Capital Markets. June 25, 2020
2. "Why Proxy Advice Might Be Slanted," with John G. Matsusaka, CLS Blue Sky Blog: Columbia Law School's Blog on Corporations and the Capital Markets. April 30, 2020
1. "Endogenous Risk-Exposure and Systemic Instability," Nanyang Business School Forum on Risk Management and Insurance. December 25, 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, LaTeX

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

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

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

Michael Magill, Professor of Economics, Department of Economics, University of Southern California, magill@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
Mutual funds rely on recommendations from proxy advisors when voting in corporate elections. Proxy advisors' influence has been a source of controversy, but it is difficult to study because information linking funds to their advisors is not publicly available. A key innovation of this paper is to show how fund-advisor links can be inferred from previously unnoticed features of a fund's SEC filings. Using this method to infer links, I establish several novel facts about the proxy advisory industry. During 2007-2017, the market share of the two largest proxy advisory firms has declined slightly from 96.5 percent to 91 percent, with Institutional Shareholder Services (ISS) controlling 63 percent of the market and Glass Lewis 28 percent in the most recent year. A large fraction of ISS customers appear to have robo-voted – followed ISS's recommendations in over 99.9 percent of contentious proposals – rising from 5 percent in 2007 to 23 percent in 2017, while almost none of Glass Lewis' customers have robo-voted. Negative recommendations from ISS or Glass Lewis reduce their customers' votes by over 20 percent in director elections and say-on-pay proposals. Finally, proxy advisors cater to investors' preferences, adjusting their recommendations to align with fund preferences independent of whether those adjustments lead to recommendations that maximize firm value.

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.

A Theory of Proxy Advice when Investors have Social Goals – with John G. Matsusaka
This paper studies the conditions under which the proxy advice market helps and hinders corporate governance. A key assumption is that investors are heterogeneous, with some focusing only on returns while others also have nonpecuniary goals, such as environmental sustainability and protection of human rights. Proxy advisory firms compete for business by choosing a scale of production, price, and "slant" of advice. Heterogeneous demand creates pressure for the market to offer an array of advice, but there is a countervailing force: when demand is sufficiently large, suppliers adopt a "platform" technology and consolidate into a natural monopoly. Under conditions that seem empirically relevant, the platform monopolist slants its advice toward the preferences of investors with non-value-maximizing goals, thereby

steering corporate elections away from value maximization. We characterize the conditions under which the proxy advice market succeeds and fails, discuss policy reforms that would help it succeed, and develop 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.

Last updated: Nov. 2020