

# Chong Shu

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## 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
  - 2<sup>nd</sup> 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, 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

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. Trefftz 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**

This paper documents the evolving proxy advisory industry, proxy advisors' influences, and their incentives. Using an innovative method, I identify investors' subscriptions 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 maximization and can decrease underlying firms' 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