# Chong Shu

USC Marshall School of Business
Finance and Business Economics Dept.
Los Angeles, CA 90089-1422

Email: chongshu@marshall.usc.edu
Homepage: http://chong-shu.com
Phone: (213) 258-9705

## 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," October 2020
   – Media Coverage: Forbes, The Columbia Law School Blue Sky Blog
3. "A Theory of Proxy Advice when Investors Have Social Goals," October 2020
   – Coauthor: John G. Matsusaka
   – Media Coverage: The Columbia Law School Blue Sky Blog
2. "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***
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
Morning Consult

### *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, 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

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. Trefftzs 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 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.

**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 heterogenous 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.

**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.

**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: Oct. 2020