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

5. "Proxy Advice Industry and Its Growing Influence " 2020
4. "A Theory of the Proxy Advice Market when Investors Have Social Goals" 2020
   – with John G. Matsusaka
   – Media: The Columbia Law School Blue Sky Blog, "Why Proxy Advice Might Be Slanted"
3. "Rational Reticence: the Curse of Shareholder Voting Power in Uncontested Elections" 2019
2. "Endogenous Risk-Exposure and Systemic Instability" 2019
   - Revise & Resubmit at the ***Review of Financial Studies***
1. "Banking Competition Revisited: Shadow Banks v.s. Commercial Banks" 2017

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

3rd Dauphine Finance Ph.D. Workshop	June 2020
8th Warwick Economics PhD Conference	*(Postponed)*
6th Annual Conference on Network Science and Economics (Chicago Booth)	*(Postponed)*
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
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
Western Economic Association Annual Conference	June 2017

Media Coverage

The Columbia Law School (CLS) Blue Sky Blog – ”Why Proxy Advice Might Be Slanted” April 30, 2020

Industry Experience

AQR Capital Management, LLC (Greenwich, Connecticut)

Ph.D summer internship — June 2018 - August 2018

Academic Honors

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

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

Reference

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

Proxy Advice Industry and Its Growing Influence
This paper documents the evolving proxy advice industry and proxy advisors' growing influence. Using an innovative method, I identify mutual funds' purchases of proxy advice from either ISS or Glass Lewis. As of 2017, ISS controls 63% of the market for mutual funds in the U.S. and Glass Lewis controls 28% of the market. Compared with Glass Lewis, ISS's customers have fewer ballots to vote, less likely to provide institutional funds, and have ideologies that are less governance-oriented but more socially-oriented. ISS's one-size-fits-all recommendation has a strong and growing influence over its customers' votes. From 2006 to 2017, the share of ISS's customers who robo-vote grow from 12% to 23%. The growing influence of ISS is manifested in director elections, say-on-pay proposals, and other shareholder-sponsored proposals.

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.

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 first show that there exists a network risk-taking externality: connected banks' choices of risk exposure are strategically complementary. Banks in financial networks, particularly densely connected ones, endogenously expose to greater risks. Furthermore, due to this externality, connected banks choose to correlate their risk exposure, aggravating the systemic fragility. The deposit insurance scheme is crucial to this risk-taking externality. For policy implications, I show that (i) a network-adjusted capital regulation, (ii) a transparency policy, or (iii) a government bailout can alleviate the risk-taking externality and hence reduce banks' equilibrium risk exposure.

Last updated: May. 2020