

Corporate Governance Seminar (Graduate Level)

Instructor: Changmin Lee
Homepage: <http://changmin74.com/>
E-Mail: changmin74@yahoo.co.kr
Office Hour: By appointment

Course Description:

Most of the productive capacity of the global economy is owned within the corporate form. How do those who supply risk capital to these enterprises (and others who make investments in them) receive reasonable assurance that the enterprises in which their savings are invested will be operated soundly? Currently, finance fields shed lights on corporate governance to minimize the agency cost in the firm. This course will provide materials to enable students to fashion answers to these and related questions. While we will acknowledge the ways in which markets themselves provide certain assurances to investors, we will also focus on internal mechanisms and legal infrastructure.

Required Text:

Published Papers in Journals at Finance and Economics Field. You can find papers in the list at Google.

Prerequisites:

Students are expected to have proper knowledge on basic economics and finance.

Grades:

Grades are based on

1. Attendance (10%)
2. Presentation (20%)
3. Term Paper (30%)
4. Final Exam (40%)

There will be some extra credits in this class.

Extra Credits:

Students are encouraged to join discussions and debate for each topic and the extra credits will be given based on your participation.

Tentative Course Outline:

Please note that this is a tentative outline. **This outline is subject to change, which would be announced in class.**

Part I. Class Overview

1 Week

Class Introduction
Overview of Corporate Governance

Part II. Internal Governance

A. Corporate Ownership and Control

2 Week: Corporate Ownership and Control-Introduction and Debate

Hyoung-Goo Kang, Hong Chong Cho, Changmin Lee, "A Debate on Corporate Governance of Family Firm and Business Group", *International Studies Review*, 12(2), 2011, Pages 33-53 (See PPT at <http://changmin74.com/> → Teaching → G Index Provision)

3-4 Week: Corporate Ownership and Control-Theory and Empirical Evidence

La P., Rafael, F. Lopez-de-Silanes, and A. Shleifer. 1999. Corporate ownership around the world. *Journal of Finance* 54: 471-517.

Shleifer, A. and R. Vishny. 1986. Large Shareholders and Corporate Control. *Journal of Political Economy* 94: 461-488.

5 Week: Family Firm

Anderson, R. and D. M. Reeb. 2003. Founding family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance* 58: 1301-1329.

Pérez-González, F. 2006. Inherited Control and Firm Performance. *American Economic Review* 96(5): 1559-1588.

[Other References for Ownership and Control]

Korea Business Group Cases

Bae, K. H., J. K. Kang, and J.-M. Kim. 2002. Tunneling or Value Added? Evidence from Mergers by Korean Business Groups. *Journal of Finance* 57(6): 2695-2740.

Baek, J. S., J. K. Kang, and I. Lee. 2006. Business Groups and Tunneling: Evidence from Private Securities Offerings by Korean Chaebols. *Journal of Finance* 61(5): 2415-2449.

6 Week: Term Paper Presentations

B. Boards of Directors

7 Week: Boards of Directors-Theory and Empirical Evidence

Hermalin, Benjamin E. and Michael S. Weisbach. "Endogenously Chosen Boards of Directors and Their Monitoring of the CEO." *The American Economic Review* 88.1 (1998): 96-118.

Linck, James S. Jeffrey M. Netter and Tina Yang. "The determinants of board Structure." *Journal of Financial Economics* 87.2 (2008): 308-328.

8 Week: Boards of Directors-Case Study

HyounG-Goo Kang and Changmin Lee, "Analysis of the Boards in U.S. Firms", *Journal of British and American Studies*, Volume 25, 2011, Pages 283-311

[Other References for Boards of Directors]

Current Trends in U.S. Boards

Linck, James S., Jeffrey M. Netter, and Tina Yang "The Effects and Unintended Consequences of the Sarbanes-Oxley Act on the Supply and Demand for Directors." *Review of Financial Studies* 22.8 (2009): 3287-3328.

Boards in Europe

Klaus J. Hopt, Patrick C. Leyens, "Board Models in Europe: Recent Developments of Internal Corporate Governance Structure in Germany, the United Kingdom, France, and Italy" *ECGI*, 2004

C. CEO Pay

9 Week: CEO Pay-Theory and Empirical Evidence

Bebchuk, Lucian Arye and Jesse M. Fried. 2003. Executive Compensations as an Agency Problem. *Journal of Economic Perspectives* 17:71.92.

Gabaix, Xavier and Augustin Landier. 2008. Why Has CEO Pay Increased So Much?. *Quarterly Journal of Economics* 123:49.100.

10 Week: Term Paper Presentations

11 Week: Executive Team Pay-Theory and Empirical Evidence

Lucian A. Bebchuk, K.J. Martijn Cremers, and Urs C. Peyer. The CEO pay slice. Journal of financial economics, Vol. 102, 2011, Page 199-221

Part III. External Governance

A. Law, Bylaw, and Regulations

12 Week: Law and Governance

La P., Rafael, F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny. 1998. Law and Finance. Journal of Political Economy 106: 1113-1155. (See PPT at <http://changmin74.com/> → Teaching → Law and Finance)

La P., Rafael, F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny. 2002. Investor protection and corporate valuation. Journal of Finance 57: 1147-1170.

13 Week: Law and Governance-G Index

Paul Gompers, Joy Ishii and Andrew Metrick, Corporate Governance and Equity Prices, The Quarterly Journal of Economics (2003) 118 (1): 107-156. (See PPT at <http://changmin74.com/> → Teaching)

B. Merge and Acquisition

14 Week

Bengt Holmstrom and Steven N. Kaplan, Corporate Governance and Merger Activity in the United States: Making Sense of the 1980s and 1990s, The Journal of Economic Perspectives, Vol. 15, No. 2 (Spring, 2001), pp. 121-144

The Final Exam