

Til: Programrådet
Fra: Torje Hegna, emneansvarlig i ECON4245
Sak: Sak 12/2022
Sak: Endringer i emnet ECON4245 - Corporate Governance
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Endringer i emnet ECON4245 - Corporate Governance fra høsten 2022

Corporate Governance-faget har endret seg en del fra det som har vært pensum i tidligere semester i ECON4245. Hovedsakelig har faget beveget seg fra å være et mer teoretisk fag til å bli et mer empirisk rettet fag, og endringene jeg vil gjøre gjenspeiler dette. Jeg vil bruke et par forelesninger på de teoretiske modellene som ligger til grunn i faget og som har vært fokuset i faget så langt. Deretter vil jeg trekke på mer moderne forskning på Corporate Governance, inkludert empirisk forskning på de mest sentrale temaene. Til slutt vil jeg sette ekstra fokus på Corporate Governance og bærekraft (sustainability). Dette er viktig temaet som får stadig mer oppmerksomhet både generelt og innenfor Corporate Governance-faget. Disse endringene vil gjøre studentene bedre rustet til å gå inn i jobber både i og utenfor academia med en oppdatert og nyttig kompetanse på Corporate Governance.

Kort oppsummering av ønskede endringer:

- (1) Endre tittel til: "Corporate Governance and Sustainability"
- (2) Innføre obligatorisk oppgave i form av innlevere X/10 seminarsett før seminarene
- (3) Endre eksamen til hjemmeeksamen over for eksempel 48 timer.
- (4) Endre kursbeskrivelse (inkl. mulig formelt krav om ECON3150/ECON4150)
- (5) Endre pensum (fjerne boka og erstatte med en rekke artikler)



Under følger foreslåtte endringer i detalj.**(1) Endring i kurstittel:**

Endre fra «Corporate Governance» til «Corporate Governance and Sustainability».

(2) Innføre obligatorisk oppgave

Jeg vil innføre en obligatorisk oppgave i form av obligatoriske innleveringer i forkant av seminarene. Dette vet jeg er blitt gjort ved blant annet bachelor-emner i andre fagretninger og jeg har selv hatt en uformell variant av dette i PhD-faget ECON5300 som fungerte godt.

Jeg foreslår at, for eksempel, at studentene må levere inn en besvarelse på 1-2 A4-sider (formelt for eksempel 500-800 ord) bestående av spørsmål / beskrivelse / analyse av en forskningsartikkel på pensum. Dette må gjøres i forkant av hvert seminar. For å få godkjent den obligatoriske aktiviteten må for eksempel 7/10 innleveringer bli godkjent.

Ideen er å tvinge studentene til å forberede seg og gjøre seg kjent med artiklene som skal diskuteres under seminarene, slik at det kan bli en bredere diskusjon i seminarene.

(3) Endring i eksamensform:

Endre eksamen til en hjemmeeksamen hvor de får for eksempel 48 timer på seg.

(4) Endring i kursbeskrivelsen (inkl. formelle krav):

Jeg foreslår å endre kursbeskrivelse, inkludert et formelt krav om at studentene har tatt ECON3150 / ECON4150 eller tilsvarende. Hvis ikke dette er mulig vil jeg i det minste legge til en sterk anbefaling om at studentene har tatt ECON3150 / ECON4150, og at hvis studenter ikke har tatt ECON3150 / ECON4150 eller tilsvarende oppfordres de til ikke å ta dette faget.

Course content

The study of corporate governance is about the relationship between firms' management, board of directors and investors, and how these relationships affect how firms operate and perform. This course puts particular emphasis on the relationship between corporate governance mechanisms and long-term sustainability for the firm and the broader economy.

The first part of the course introduces fundamental principles of corporate governance, including the incentive problems in situations with asymmetric information. These issues are studied using the principal-agent models from contract theory. The course then proceeds to focus on recent empirical research on corporate governance, with a particular focus on sustainability and ESG (environmental, social and governance) issues. This includes topics on CEO pay, gender balance in the board room, and climate change.

The course combines fundamental theoretical models and recent empirical research with a practical approach to discuss topics that are widely debated both in academia, the private sector and the public sector.

Learning outcome

Knowledge

You should know

- how asymmetric information between management, boards and owners affect firm efficiency through principal-agent problems, including moral hazard and adverse selection situations.
- the empirical literature on how the principal-agent problems are affected by the structure of the board, ownership structure and management compensation.
- the empirical literature on how corporate governance relates to various ESG (environmental, social and governance) issues.

Skills

You should be able to

- formulate problems related to corporate governance and to use contract theoretic models to analyse such problems
- read, understand and assess the empirical methods used in the corporate governance literature
- read, understand and assess the empirical results in the corporate governance literature
- understand and the assess arguments appearing in the debate relating to the corporate governance and ESG issues

Competence

You should

- be able to read and understand project reports and journal articles that make use of the concepts and methods that are introduced in the course

- be able to make use of the course content in your own academic work, for example in analyses that are part of the master's thesis

Prerequisites

Formal prerequisite knowledge

- ECON3150 – Introductory Econometrics / ECON4150 – Introductory Econometrics

You must also fulfil one of these prerequisites:

- Bachelor's degree in Economics, or equivalent.
- ECON3220 – Microeconomics 3 / ECON4220 – Microeconomics 3,

Recommended previous knowledge

- The course builds on fundamental principles in corporate finance. Students who have not taken a course in finance, such as ECON2500 – Investering og Finansiering or ECON4510 – Finance Theory, are expected to familiarize themselves with the fundamental principles in corporate finance, such as the capital asset pricing model (CAPM) and the dividend discount model (DDM).

(5) Endring i pensum

Jeg vil fjerne pensumboka som nå brukes og erstatte det med en rekke artikler. Under følger et utkast til hvilke artikler det er snakk om, men jeg må ta et forbehold om at dette kan endre seg. Si gjerne ifra om når eventuell siste frist for utskifting av artikler er.

Noen av artiklene kommer fra artikkelen-kompendiet «The Handbook of the Economics og Corporate Governance» (Hermalin and Weisbach, 2017). Mange av artiklene her er også brukt i et empirisk kurs i Corporate Governance fra UNSW (FINS5581 Course Outlines | Empirical Corporate Governance | UNSW Business School)

Merk at seminaroppgavene vil dreie seg om å lese, forstå og diskutere en del av disse artiklene, og det vil ikke forventes at studentene kjenner alle artiklene godt. Det er også en del av disse artiklene som er større litteraturoversikter, og i mange av disse vil det kunne bli kun deler av artiklene som er på pensum.

Artikler på pensum:

- Shleifer, A. and W. Vishny, 1997, A Survey of Corporate Governance, *Journal of Finance* 52, 737-783.
- Fama, E. 1980. Agency Problems and the Theory of the Firm, *Journal of Political Economy* 88(2): 288-307.
- Fama, E., and M. Jensen, 1983, Separation of Ownership and Control, *Journal of Law and Economics* 26, 301-325.
- Hermalin, B. E., 2017, Aspects of the Economics of Organization with Application to Corporate Governance, Chapter 2 in Benjamin E. Hermalin and Michael S. Weisbach (eds.), *Handbook of the Economics of Corporate Governance*, Elsevier: Amsterdam, 17-91
- Atanasov, V. and B. Black, 2016, Shock-Based Causal Inference in Corporate Finance and Accounting Research, *Critical Finance Review*, 5: 207–304
- Appel, I., T. Gormley and D. Keim, 2020, Identification Using Russell 1000/2000 Index Assignments: A Discussion of Methodologies, *Critical Finance Review*, Forthcoming.
- Bertrand, M. and S. Mullainathan, 2003, Enjoying the Quiet Life? Corporate Governance and Managerial Preferences, *Journal of Political Economy*, 111, 1043-1075.
- Dasgupta, A. V. Fos and Z. Sautner, 2020, Institutional Investors and Corporate Governance, ECGI Working Paper.
- Lewellen, Jonathan and Katharina Lewellen, 2021. Institutional investors and corporate governance: the incentive to be engaged, *Journal of Finance*, forthcoming.
- Chen, T., H. Dong and C. Lin, 2020, Institutional Shareholders and Corporate Social Responsibility, *Journal of Financial Economics*, 135(2), 483–504.
- Bena, J. and I. Wang, 2021, Mutual Fund Disagreement and Firm Value: Passive vs. Active Voice, UBC Working Paper.
- Schmalz, M. (2021): Recent Studies on Common Ownership, Firm Behavior, and Market Outcomes
- Miguel Antón, Florian Ederer, Mireia Giné & Martin Schmalz, Common Ownership, Competition, and Top Management Incentives
- Madison Condon, Externalities and the Common Owner, 95 WASH. L. REV. 1 (2020).
- Jun-Koo Kang, Juan Luo & Hyun Seung Na, Are Institutional Investors with Multiple Blockholdings Effective Monitors?, 128 J. FIN. ECON. 576 (2018).

Adams, R., B. Hermalen and M. Weisbach, 2010, The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey, *Journal of Economic Literature*, 48(1), 58-1

Guo, L., and R. Masulis, 2015, Board structure and monitoring: New evidence from CEO turnovers

Ellis, J., L. Guo, and S. Mobbs, 2020, How does forced CEO turnover experience affect directors?

Bebchuk, L. A., and A. Cohen. 2005. The costs of entrenched boards. *Journal of Financial Economics* 78: 409–33.

Edmans, A., X. Gabaix and D. Jenter, 2017, Executive Compensation: A Survey of Theory and Evidence, Chapter 7 in Benjamin E. Hermalin and Michael S. Weisbach (eds.), *Handbook of the Economics of Corporate Governance*, Elsevier: Amsterdam, 383-539,

Edmans, A., T. Gosling and D. Jenter, 2021, CEO Compensation: Evidence from the Field, ECGI Working Paper.

Cziraki, P., D. Jenter, 2021, The Market for CEOs, CESifo Working Paper.

Duchin, R. and D. Sosyura, 2021, Remotely Productive: The Economics of Long Distance CEOs, Boston College Working Paper.

COVID-19 and the value of CEOs. Gomez and Mironov

Eckbo, B. Espen. Knut Nygaard and Karin S. Thorburn, 2021, Valuation Effects of Norway's Board Gender-Quota Revisited, *Management Science*, forthcoming.

Eckbo, B. Espen. Knut Nygaard and Karin S. Thorburn, 2022, Does Mandatory Board Gender-Balancing Reduce Firm Value?

Hwang, Shivdasani and Simintzi 2021: Mandating Women on Boards: Evidence from the United States, Kenan Institute of Private Enterprise Research Paper No. 18-34

Kuzmina and Melentyeva (2021): Gender diversity in corporate boards: Evidence from quota-implied discontinuities

Greene, D., Intintoli, V. J., & Kahle, K. M. (2020). Do board gender quotas affect firm value? Evidence from California Senate Bill No. 826. *Journal of Corporate Finance*, 60, [101526]. <https://doi.org/10.1016/j.jcorpfin.2019.101526>

NBIM Global voting guidelines

Shive, S., and M. Forster, 2020, Corporate governance and pollution externalities of public and private firms. *The Review of Financial Studies*, 33(3), 1296-1330.

De Haas, R. and A. Popov, 2021, Finance and Green Growth. European Central Bank working paper.

Berg, F., J. Koelbel and R. Rigobon, 2019, Aggregate Confusion: The Divergence of ESG ratings. MIT Working Paper.

Brandon, R., S. Glossner, P. Krueger, P. Matos and T. Steffen, 2021, Do Responsible Investors Invest Responsibly? University of Virginia Working Paper.

Mesonnier J.-S. and B. Nguyen, 2021, Showing Off Cleaner Hands: Mandatory Climate-Related Disclosure by Financial Institutions and the Financing of Fossil Energy, Banque of France Working Paper.

Flammer, C., 2021, Corporate Green Bonds. *Journal of Financial Economics*, forthcoming.

Shi, Y., J. Wu and Y. Zhang, 2021, Corporate Social Responsibility in Supply Chain: Green or Greenwashing? Working Paper

Forslag til vedtak:

Programrådet vedtar endringene som er foreslått. Endringene vil tre i kraft fra høsten 2022.