

Policies

Attendance While attendance is not specifically required, either in lecture or conference, you will only be able to earn points on exercises in a given week if you go to conference and can show that you have done them.

Conferences start in the third week and continue through the sixth week. The role of the TA is not to work through exercises; rather, he will let students present their solutions and try to answer questions, and might only help out when needed.

Cell Phones They must either be switched off during lecture and conferences, or put on speaker when ringing. Do not let your phone ring in class without answering – it's impolite to the caller and leaves us all with a terrible impression of you.

Grading Assessment includes: 2-hour in-class midterm and 2-hour final exam (40% each), five weekly exercises (10%) and group project (10%). The midterm contains quantitative problems, the final discussion questions (including one on the Enron book).

Two exercises will be assigned each week in the first half of the course, starting from the second week. They can be attempted in groups (if you like) and do not have to be handed in. However, you will be asked to indicate at the beginning of conference whether you solved the exercises fully, partially or not at all. If you sign in, then you need to attend conference and may be asked to present your full or partial solution.

Each set of weekly exercises counts for 2% of your final grade. (If you indicate every time that you have fully solved every exercise, you will get 10 points in the end.) Intentional dishonesty, i.e. inability to produce your results, will trigger an automatic zero in participation for the entire course (you can get up to 90% after that).

In the second half of the course, after the midterm, there are no more weekly exercises. Instead, I will ask you to work on a group project, details to be announced. The project will involve a task that you need to solve together, and you will design an incentive system for your group that will hopefully ensure the task gets done. To this end, you get to distribute points among yourselves that will count toward your final grade, and everyone also gets rewarded for the group's overall performance. Overall, the project contributes 10% to your grade.

Readings

Required Kim, K.; Nofsinger, J.R.; Mohr, D.J. (2010). *Corporate Governance* (3e). Prentice Hall. ISBN: 978-0-136-09698-6.

McLean, B.; Elkind, P. (2004). *The Smartest Guys in the Room*. Portfolio. ISBN: 978-1-591-84053-4.

Reference Milgrom, P.; Roberts, J. (1992). *Economics, Organization and Management*. Prentice-Hall. ISBN: 978-0-132-24650-7.

A proper full-length textbook on the economics of corporate governance does not exist. Kim, Nofsinger & Mohr give a concise overview; theirs is an inexpensive little book that is well worth the time and money. Its emphasis is on the roles of the various institutions that CEOs interact with in practice, which relates primarily to the second half of the course. To get an in-depth look at the players and problems in a specific company, I ask you to read McLean and Elkind's account of the rise and fall of Enron. In addition, I will make lecture notes available that cover every topic comprehensively.

Corporate governance has links with principal-agent theory, organization theory and corporate finance, all of which we will encounter in the lectures. If you want to look at principal-agent theory in more detail, a good (though advanced) reference is Laffont and Martimort, *The Theory of Incentives: The Principal-Agent Model*. Tirole's *The Theory of Corporate Finance* offers the most up-to-date economic treatment of corporate finance, often delving into corporate governance issues, but this is again a technically demanding book. There are two insightful expositions of organization theory. Of these, Milgrom and Roberts is economics-oriented, while Brickley, Smith and Zimmerman, *Managerial Economics and Organizational Architecture*, balances economic and management perspectives.

Lecture Notes

Will be available on the course website after each topic block.

Lecture Schedule

Readings are not aligned with lecture content; you can pace yourself differently, as long as you complete the readings by the end of the term.

Week 1	<i>Wed 1/26</i>	Introduction to the Course	
	<i>Fri 1/28</i>	1.1 Contracts and Private Information	
Week 2	<i>Mon 1/31</i>	(1.1 cont'd)	KNM 1, ME 1-2
	<i>Wed 2/2</i>	1.2 Moral Hazard	
	<i>Fri 2/4</i>	(1.2 cont'd)	
Week 3	<i>Mon 2/7</i>	1.3 Risk-Bearing and Risk-Sharing	KNM 2, ME 3-4
	<i>Wed 2/9</i>	1.4 Incentives	
	<i>Fri 2/11</i>	(1.4 cont'd)	
Week 4	<i>Mon 2/14</i>	2.1 Employment	KNM 3, ME 5-6
	<i>Wed 2/16</i>	2.2 Pay	
	<i>Fri 2/18</i>	(2.2 cont'd)	

Week 5	<i>Mon 2/21</i>	Long weekend (no class)	
	<i>Wed 2/23</i>	2.3 Careers	
	<i>Fri 2/25</i>	2.4 Executive Monitoring and Compensation	
Week 6	<i>Mon 2/28</i>	(2.4 cont'd)	KNM 4, ME 7-8
	<i>Wed 3/2</i>	2.5 Leadership	
	<i>Fri 3/4</i>	Midterm Exam	
Week 7	<i>Mon 3/7</i>	3.1 Coordination and Efficiency	KNM 5, ME 9-10
	<i>Wed 3/9</i>	3.2 Transactions	
	<i>Fri 3/11</i>	(3.2 cont'd)	
Week 8	<i>Mon 3/14</i>	3.3 Information Flows, Complementarities and Strategic Objectives	KNM 6, ME 11-12
	<i>Wed 3/16</i>	(3.3 cont'd)	
	<i>Fri 3/18</i>	3.4 Organization Structure	
Week 9	<i>Mon 3/21</i>	(3.4 cont'd)	KNM 7, ME 13-14
	<i>Wed 3/23</i>	(3.4 cont'd)	
	<i>Fri 3/25</i>	3.5 Coordination through Prices	
Week 10	<i>Mon 4/4</i>	4.1 Financial Theory	KNM 8, ME 15-16
	<i>Wed 4/6</i>	(4.1 cont'd)	
	<i>Fri 4/8</i>	4.2 Trends and International Comparisons	
Week 11	<i>Mon 4/11</i>	4.3 Stakeholders and Their Conflicting Interests	KNM 9, ME 17-18
	<i>Wed 4/13</i>	4.4 Control	
	<i>Fri 4/15</i>	4.5 Monitoring	
Week 12	<i>Mon 4/18</i>	4.6 Takeovers	KNM 10, ME 19-20
	<i>Wed 4/20</i>	(4.6 cont'd)	
	<i>Fri 4/22</i>	4.7 Non-Corporate Forms of Ownership	
Week 13	<i>Mon 4/25</i>	5.1 Comparative Legal Environments	KNM 11, ME 21-22
	<i>Wed 4/27</i>	5.2 Shareholder vs. Stakeholder Interests	
Reading Period			
Final Exam (subject to change) <i>Thu 5/12 9:00 am</i>			