

CORRUPTION IN CHINA

BY

Professor Bernard YEUNG

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Chairperson: Professor TAN Cheng Han

01ST OCTOBER 2015 (THURSDAY)

12.00 NOON – 1.30 PM

**LEE SHERIDAN CONFERENCE ROOM, LEVEL 1, EU TONG SEN BUILDING
FACULTY OF LAW, NUS (BUKIT TIMAH CAMPUS)**

ABSTRACT

Chinese share prices rose sharply on the Politburo's Dec. 4th 2012 announcement of its new Eightpoint Regulation, outlining new party policies against corruption. The announcement came surprisingly soon after a change in leadership; was surprisingly detailed and concrete; and presaged abrupt declines in sales of luxury items often used as bribes. The positive reaction is significantly larger in provinces with more advanced market reforms. The reaction is uniformly positive for state-owned enterprises, but heterogeneous across non-SOEs. Among the latter, the reaction is more positive in regions with more complete market reforms and for firms with lower entertainment and travel costs (ETC) [which is an indicator of bribery and/managerial on the job consumption}, higher prior productivity, greater external financing needs, and greater growth potential. Negative price reactions are evident for non-SOE firms with substantial entertainment and travel costs located in regions with less complete market reforms. We posit that limiting corruption cuts to the value of such non-SOEs by limiting their ability to "grease" bureaucratic gears. SOEs are well connected in any case, and their ETC may well be pure perks consumption by the officials running them at the time. Reforms that limit this boost the value of SOEs and presumably increase state revenues from their subsequent share sales. Overall, these results are consistent with investors believing the reforms to be meaningful, and to work to the advantage of more productive firms with less past investment in connections located in more market-friendly regions.

ABOUT THE SPEAKER



Professor Bernard Yeung is the Dean and Stephen Riady Distinguished Professor in Finance and Strategic Management at National University of Singapore (NUS) Business School since June 2008. Also, he is the founding President of the Asia Bureau of Finance and Economics Research. Before joining NUS, he was the Abraham Krasnoff Professor in Global Business, Economics and Management at New York University Stern School of Business and served as the Director of the NYU China House. Professor Yeung is a member of MAS's Financial Research Council and served in the Singapore Economic Strategy Committee (2009), the Management Advisory Committee of SPRING Singapore. He was on the board of the Intellectual Property of Singapore and the GMAC Board. He is an elected Fellow of the AIB and the recipient of the Irwin Outstanding Educator Award (2013) from the Academy of Management.

REGISTRATION

There is no registration fee for this seminar but seats are limited.

A light sandwich lunch will be provided on a first come first serve basis.

Closing Date: 28 September 2015, Monday

For enquiries, please contact Ms Finna Wong at clb@nus.edu.sg

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