This course surveys leading academic research in executive compensation and related areas of managerial incentives, such as stock ownership and the threat of dismissal. Course lectures will be held weekly, and the most important readings on each topic are starred (**). Evaluation will be based on a series of approximately six problem sets and referee reports due intermittently throughout the course.

1. Overview


2. Theory


3. **Pay-Performance Sensitivity**


M. Kahl, J. Liu, and F. Longstaff, “Paper millionaires: How valuable is stock to a


4. **Incentives from Ownership**


5. **Stock Options - Overview**

W. Guay, The sensitivity of CEO wealth to equity risk: An analysis of the magnitude and

** J. Core and W. Guay, “The use of equity grants to manage optimal equity incentive

J. Core and W. Guay, “Stock option plans for non-executive employees,” Journal of

6. Stock Options - Exercise, Cost and Valuation

** S. Huddart and M. Lang, “Employee stock option exercises: An empirical analysis,”

** J. Carpenter, “The exercise and valuation of executive stock options,” Journal of

B. Hall and K. Murphy, “Stock options for undiversified executives,” Journal of
Accounting and Economics 33, 3-42 (2002).

** D. Aboody, M. Barth, and R. Kasznik, “Firms’ voluntary recognition of stock-based

** J. Bettis, J. Bizjak, and M. Lemmon, “Exercise behavior, valuation, and the incentive

J. Bettis, J. Bizjak, J. Coles, and S. Kalpathy, “Stock option grants with performance-

E. Maug and D. Klein, “How do executives exercise stock options?” unpublished
manuscript (2008).

7. Stock Options - Impact on Investors

R. DeFusco, R. Johnson, and T. Zorn, “The effect of executive stock option plans on

D. Aboody, “Market valuation of employee stock options,” Journal of Accounting and

G. Fenn and N. Liang, “Corporate payout policy and managerial incentives,” Journal of

8. **Stock Options - Repricing and Reloading**


9. **Stock Options - Timing and Backdating**


10. **Insider Trading**


11. **Perquisites**


A. Andrews, S. Linn, and H. Yi, “Corporate governance and executive perquisites:


12. **CEO Turnover**


13. ** Founding Families


14. ** Compensation and M&A


15. **The Market for Directors**


16. **Interlocks, Tunneling, Celebrity and Private Benefits**


17. **Disclosure and Regulation**


18. **Compensation and the Crisis**


