

Conference on

The Role of Government Regulation in Corporate Finance

On October 10, 2009, **Alexei Ovtchinnikov**, Assistant Professor at Owen, organized a conference on the role of government regulation in corporate finance. The conference was sponsored by the FMRC, and its aim was to bring together leading researchers in economics, finance, financial accounting, law, and political science to debate the effect of government regulation on corporate finance issues and the corporate responses to these regulatory changes. Renewed interest in the role of regulation in corporate finance has been fueled by the Enron scandal of 2001 and, more recently, by the banking crisis and the bailout of AIG. These developments have led to renewed calls for increased government regulation of corporate governance, executive compensation, firm investment, and financing policies as well as more comprehensive regulation of financial intermediaries.



Conference Organizer, Alexei Ovtchinnikov

The conference consisted of four sessions, each with two or three academic papers. (Copies of all presented papers may be found at <http://www2.owen.vanderbilt.edu/fmrc/Conference/conferences-fall-2009.html>).

Two morning sessions focused on the role of government regulation for firm policies. In the first morning session, **Vojislav (Max) Maksimovic**, University of Maryland, presented a paper that documented that government corruption acts as a tax on firm innovation. **Simon Gervais**, Duke University, presented a paper that studied the role of the legal system in facilitating the interaction of investors and financial intermediaries in the retail financial markets. **Ross Levine**, Brown University, presented a paper that documented that bank deregulation had a positive impact on income distribution in the US by increasing

income in the lower part of the income distribution. In the second morning session, **Christian Lundblad**, University of North Carolina, and **Amit Seru**, University of Chicago, presented papers on the regulation of financial intermediaries.

Two afternoon sessions focused on the role of corporate lobbying on government regulation. **Alexei Ovtchinnikov**, Vanderbilt University, presented a paper that documented that firms that make political contributions earn higher stock returns. **Hui Chen**, University of Colorado, presented a paper where she similarly found that firms involved in corporate lobbying have better operating performance. **Eitan Goldman**, Indiana University, presented a paper where he found that politically connected firms receive more procurement contracts. Finally, **Felix Meschke**, University of Minnesota, presented a paper where he found that firms making political contributions are characterized by more serious agency problems. ■