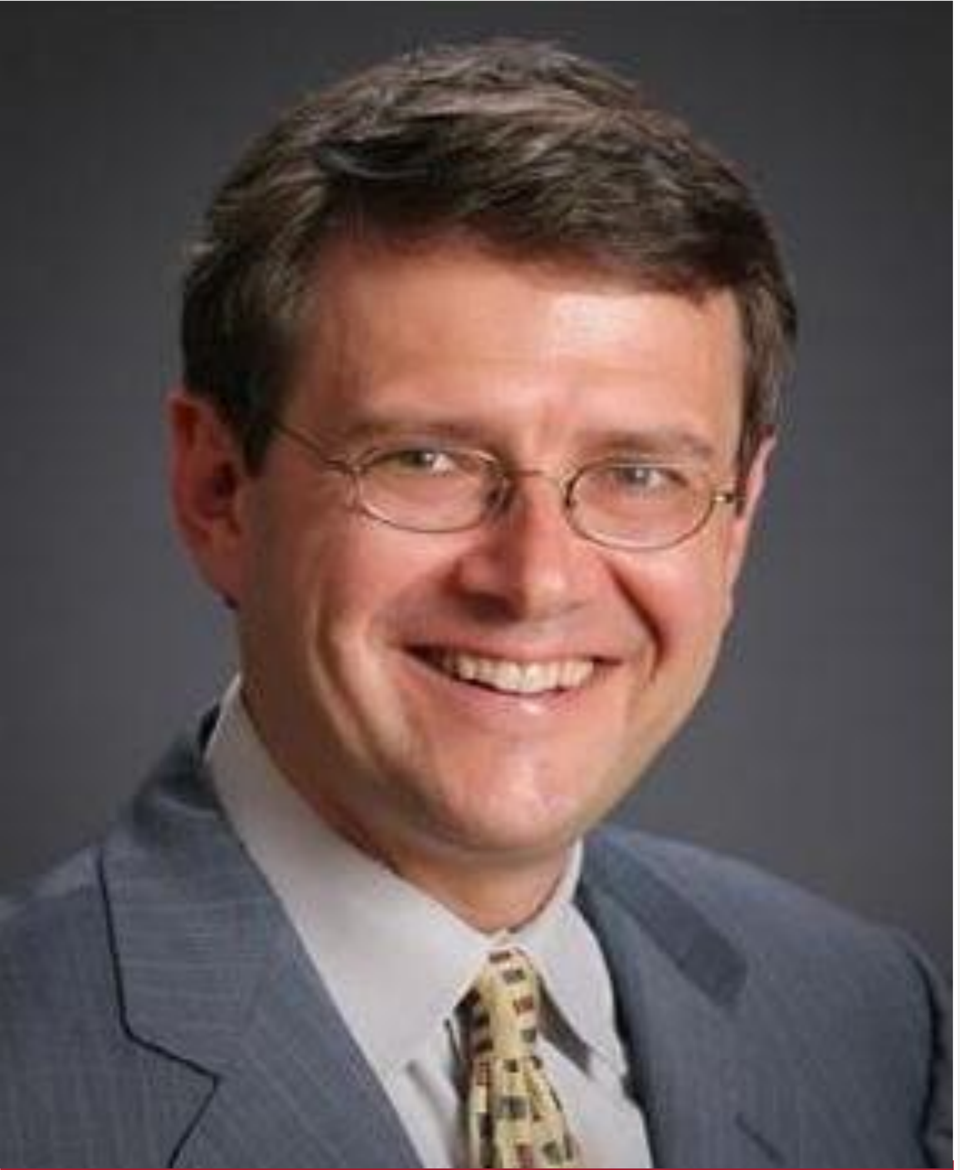
Scan QR code for website: *audio guidance:*



Andrei Shleifer

John L. Loeb Professor of Economics

Harvard University

Employment

1991 - Present	John L. Loeb Professor of Economics, ***Harvard University***
1989 - 1990	Professor of Finance and Business Economics, ***The University of Chicago***
1987 - 1989	Assistant Professor of Finance and Business Economics, ***The University of Chicago***
1986 - 1987	Assistant Professor of Economics, ***Princeton University***

Other Affiliations

1986 - Present	Faculty Research Fellow and Research Associate, ***National Bureau of Economic Research***
1988 - Present	Associate and Advisory Editor, ***Journal of Financial Economics***
2003 - 2008	Editor, ***Journal of Economic Perspectives***
1994 - 2003	Principal, ***LSV Asset Management***
1991 - 1997	Advisor, ***Government of Russia***
1988 - 1991	Associate Editor, ***Journal of Finance***

Education

1986	Ph.D., ***MIT***
Thesis Title	"The Business Cycle and The Stock Market"
1982	A.B., Math, ***Harvard University***

Awards *(Selected)*

2012	Leontief Medal
2004	CES Prize and Munich Lectures
1999	Brattle Prize of the *Journal of Finance* for Distinguished paper
1999	John Bates Clark Medal
1995	Roger F. Murray Award of the Q-Group
1989 - 1994	Presidential Young Investigator Award

Research Interests

Corporate governance

Contribution

- Investors put money in a firm in order to generate return. Thus, the fundamental question of corporate governance is: How to assure financiers that they get a return on their financial investment?
- The two essential elements of successful corporate governance are **legal protection** and **concentrated ownership**. In underdeveloped financial markets, firms often fail to attract external finance and would have to rely on **internal finance**.

Application

- Shleifer demonstrated the weights of the three elements in the world's major markets

	Legal Protection	Concentrated Ownership	Internal Finance
United States	■■■■■	■■■□□	■□□□□
Japan	■■■□□	■■■■■	■■□□□
Britain	■■■■■	■■■□□	■□□□□
Germany	■■■□□	■■■■■	■□□□□
Less developed markets	■□□□□	■■□□□	■■■■□

Financial markets

Contribution

- **Shleifer model of noise trading**: Arbitragers can lose money due to noise traders (impulsive and irrational traders). If there are large number of noise traders and they have enough capital to move the stock price, the stock will move away from its fundamental price. As a result, arbitragers might lose and only noise trader might win.

Application

Arbitrage Traders
"Smart Guys"

Noise Traders
"Dumb Guys"

MARKET

FUNDEMENTAL VALUE

Invest based on **fundamentals** – earnings, balance sheet, DCF, …

"MOMENTUM" VALUE

Invest based on price trends, charts, hunches. They are "momentum" players. Or sometimes just random players.

FUNDAMENTAL (VALUE) PRICE

Noise traders distort the market price, shifting away from the fundamental value price. As a result, rational arbitrage traders might lose and noise trader might win

CURRENT MARKET PRICE

Transition economy

Contribution

- Transition Economy describes the process of a certain economy developing from communism into capitalism. Normal controversies of Transition Economy usually surround the country's choice of **Shock Therapy** or **Progressive Reform**.
- Shleifer argues that an essential part of transition to capitalism is the transition of government.

Application

COMPARISON BETWEEN REFORMS IN **RUSSIA** & **POLAND**

Industrial economies before the reform:
Near-collapse of the governance
Launched **Shock Therapy**

POLAND	RUSSIA
Small business: larger self-decision power	Regulators: exert high power
Citizens highly relied on government's protection	Government failed basic market-supporting functions

POLAND
Grew by 7%

RUSSIA
Caught in Stagnation