

IE Business School
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EDUCATION

UNIVERSITY OF CHICAGO, GRADUATE SCHOOL OF BUSINESS Chicago, IL
Ph.D. in Finance, March 2008
• Dissertation: “Economics of SPEs “Spacemen”: Tax Evasion, Stealing, Corporate Governance and Capital Structure. Evidence from Russia”
Committee: Gary Becker, Atif Mian, Per Stromberg, and Luigi Zingales

MBA August 2007

NEW ECONOMIC SCHOOL Moscow, Russia
M.A. in Economics, *summa cum laude*, GPA 4.0, ranked first among 74 students July 2003

NOVOSIBIRSK STATE UNIVERSITY Novosibirsk, Russia
B.A. in Economics, *summa cum laude*, GPA 4.0, ranked first among 120 students June 2000

ACADEMIC EXPERIENCE

IE BUSINESS SCHOOL Madrid, Spain
Professor of Finance March 2014 – present
Assistant Professor of Finance September 2009 – February 2014
• Courses taught: “Financial Management”, “Corporate Finance”, “Financial Markets” (Master in Management, International MBA)

UNIVERSIDAD TORCUATO DI TELLA Buenos Aires, Argentina
Visiting Professor May 2015 - July 2015
• Courses taught: Cases in Financial Management (Master in Finance)

NEW ECONOMIC SCHOOL Moscow, Russia
Visiting Professor January 2007 - June 2007
• Courses taught: Cases in Financial Management (Master in Finance, Master in Economics)
Visiting Researcher May 2013 - June 2013

INSEAD Fontainebleau, France
Visiting Researcher May 2012 - June 2012

RESEARCH INTERESTS

- Corporate finance, corruption, international accounting, and corporate governance.

PUBLISHED PAPERS

- Corruption in Procurement and the Political Cycle in Tunneling: Evidence from Financial Transactions Data (with Ekaterina Zhuravskaya), 2016, *American Economic Journal: Economic Policy* 8(2), 1–37.
- Should One Hire a Corrupt CEO in a Corrupt Country, 2015, *Journal of Financial Economics* 117(1), 29–42.
- Investment Horizon, Risk, and Compensation in the Banking Industry (with Gilad Livne and Garen Markarian), 2013. *Journal of Banking and Finance* 37, 3669–3680.
- Taxes, Theft, and Firm Performance, 2013. *Journal of Finance* 68, 1441–1472. Winner of the Brattle Group Prize

PUBLICATIONS IN NON PEER-REVIEWED JOURNALS

- Whites begin and win, 2012. *Harvard Business Review*, Russian Edition. June-July

WORKING PAPERS

- **Auditors and Corporate Theft: Evidence from Russia, 2013. (with Suraj Srinivasan)** presented at the XXI Finance Forum in Segovia (Spain).

We examine the relationship between auditing and corporate theft in a large sample of private and publicly listed companies in Russia. We create a measure of theft of company funds by identifying transfers of money from our sample companies to shell entities created for the purpose of facilitating fraudulent transactions. We find a positive role for auditors in limiting theft of corporate resources. We find that companies that are audited divert less to fraudulent entities and firms audited by Big 4 audit firms divert even less. These effects remain after controlling for the decision of the firm to get audited. Big 4 audit firms receive more audit and non-audit fees when their clients transfer more money to fraudulent entities. We cannot distinguish if the excess fees are a form of price protection by the Big 4 auditors when they take on risky clients or represent payments for not constraining their client's fraudulent transfers. Finally, we find that firms that are audited by the Big 4 benefit from lower cost of capital which provides a motivation for clients to choose Big 4 auditors even if such auditors constrain diversion of corporate resources for private benefit. Overall, these findings suggest a beneficial role for auditors especially the Big 4 firms in lowering corporate theft and improving cost of capital even in a country with low litigation risk for auditors and with low quality institutions devoted to investor protection.

- **Tax Enforcement, Corporate Governance, and Income Diversion: Evidence after Putin's election in 2000, 2016. (with Juan Pedro Gomez)** Presented at the 2016 American Finance Association meetings at San Francisco.

Using a direct estimate of income diversion for 156 firms from 1999 through 2004, we show that an increase in tax enforcement following the election of Vladimir Putin in 2000 is associated with a decrease in the appropriation of private rents by insiders in those firms investigated for tax evasion. We also find evidence consistent with a simultaneous spillover effect: the largest non-government controlled companies in Russia decrease income diversion even though they were not explicitly targeted as tax evaders. This effect is significant both economically and statistically after controlling for changes in firm-level corporate governance and it cannot be explained by trends in the general improvement of corporate governance in Russia during our sample period

- **The Effect of Media on Voters: A Field Experiment at the Moscow Mayoral Elections, 2014. (with Alexandra Petrachkova)**

This paper studies the effect of negative campaigning on the 2013 Moscow mayoral election. A newspaper criticizing the incumbent mayor was distributed near the entrances of 20 randomly selected metro stations during the 4 weeks prior to the election date. We find that the incumbent mayor received 1.48% fewer votes at voting stations located near the points of newspaper distribution. We estimate that the cost of our campaign was \$4.01 per vote. The costs of positive campaigns of the most successful opposition candidates were Melnikov – \$6.74 per vote, Mitrokhin – \$22.59 per vote, and Navalny – \$6.55 per vote. We document evidence that weekend distribution has an effect on votes that is 2.4 times greater than workday distribution. Finally, we find that evening distribution is approximately two times more effective than morning distribution.

- **Bad Corruption, Good Corruption and Growth, 2005.**

This paper analyzes the effect of corruption on economic growth in 141 countries from 1996 to 2004. In accordance with previous research, I find that bad corruption, or corruption which is associated with poor institutions, has a negative effect on GDP growth. However, residual corruption, or corruption which is uncorrelated with other governance characteristics is positively related to GDP growth in countries with poor institutions. An analysis of financial data from more than 9000 companies in 51 countries delivers similar results: residual corruption is positively correlated with capital accumulation and productivity growth in developing countries. These empirical findings are consistent with the theory that corruption helps in overcoming inefficient barriers.

- **Political Influence and Economic Development: Empirical Evidence from Emerging Markets, 2004. (with Marcus Opp)**

The main hypothesis of the paper is that involvement of politicians in economic life as measured by political influence on stock markets is associated with worse economic performance. The stock market measures are based on the analysis of outlier events and distinguish between several sources of risk (“Political, Economic, World market, Other”). The hypothesis is supported by our empirical results, which indicate that political influence is the most important explanatory variable for various dimensions of economic development. We provide evidence, that this result is robust to controlling for other important country characteristics. Moreover our results indicate that our stock market based measures are highly correlated with indices of corruption, property rights and country risk. This suggests the practical usefulness of our approach.

• **Small Business Environment and Investment Climate, 2003.**

This paper considers a game between a regional governor and an outside investor taking into account the interactions in the regional labor market. The investor wants to invest in a large company in the region. The investment raises labor productivity, so the investor wants to fire excess workers. Redundant workers can try to open small firms or become unemployed. If the level of small business environment is high then almost all fired workers can open small firms and the governor welcomes investment. But if the level of small business environment is low, the investor has to pay the region for raising unemployment or to maintain the excess employment; in both cases investment is discouraged. The effects of small business environment on the governor’s attitude to investors may outweigh the upward pressure on wages due to booming small business that reduces investors’ profits

WORK IN PROGRESS

• **The Heterogeneous Impact of Market Competition on Corruption Evidence from Moscow Firms. (with Juan Santalo)**

In this study we estimate the impact of market structure on corruption practices of Moscow firms. Since there is a double causality problem because corruption practices can substantially decrease competition we use as an instrument the market structure in the equivalent US industries. This allows us to disentangle average the impact of competition on corruption from the impact of corruption on competition. However the impact of competition in the marketplace on corruption practices is not homogeneous across firms. Using the Propensity to Corrupt Measure (PTC) developed by Mironov (2014) we also investigate how competition affects differently the corruption attitude of firm management. More specifically we will investigate whether the increase in competition increases the standard deviation of PTC of firms operating in a given industry. Moreover we should be able to identify the characteristics of those companies that have higher PTC in more competitive industries.

• **Do Firms Choose Financial Leverage Optimally? (with Garen Markarian)**

First, we develop a model which predicts the stock price movements in different industries as a function of firm leverage. Our model predicts an optimal capital structure based on firm and industry level characteristics. Next, we test our optimal model using empirical data from US based companies. Our findings reveal significant underleverage for a majority of US firms across a variety of industries, which in turn negatively affects firm expected share price performance.

• **Cap the Bonuses: Executive Compensation and Risk-shifting. (with Andrei Kovrijnykh)**

We build a model of optimal compensation under no restriction. The model analyzes interaction of three players: equity holders, manager, and bank. Equity holders own production technology and have some capital. Manager has no capital but has an ability to run the technology. Bank has unlimited supply of capital and no access to the technology. We show that in equilibrium manager is going to pursue risk-shifting behavior, i.e. invest in projects with negative NPV and high risk. To mitigate this issue bank is going to restrict capital supply which leads to underinvestment problem. We show that the government can partially solve the underinvestment problem and restrict risk shifting behavior by introducing restrictions on compensation schemes. We also show that government intervention leads to social welfare improvement.

• **Corrupt Managers, Corrupt Officials, and Business Development: Evidence from Russian Administrative Data. (with Sergey Braguinsky and Sergey Mityakov)**

Using the approach to measure Propensity to Corrupt developed by Mironov (2014) and earnings transparency measure developed by Braguinsky and Mityakov (2013) we estimate corruption attitude of government officials in different districts of Moscow. Then, we estimate managerial PTC for a large sample of private firms. Using these metrics, we test the following hypothesis:

H1: Firm growth and government corruption are negatively related.

H2: Competition and government corruption are negatively related.

H3: Firm creation and government corruption are negatively related.

H4: Interaction of entrepreneur corruption and government corruption are positively related to firm performance.

• **How the US Can Save Billions on Government Health Spending? Subsidized Insurance vs. State Medicine.**

I build a model which analyzes two different policies of accessing poor people to health care. The first policy is to pay for medical insurance at private hospitals. The second policy is to introduce state health care system, so poor people can use state system and other people use private system. I show that under certain (reasonable) conditions, state medicine leads to lower taxes and higher economic welfare. This effect is particular strong in countries with high corruption and/or tax evasion.

• **Cross-country Corruption Attitude: Evidence from Real Estate Deeds in Buenos Aires.**

Following the Fisman and Miguel (2007) idea, I estimate corruption attitude of people from different countries using the data of real estate deeds from the city of Buenos Aires. In Argentina typically there are two prices: the first one is the price of the deed (escritura), the second one is the real price of the transaction. The second price can be inferred from the apartment advertisement in major newspapers (Clarín, La Nación). In 1990-2010 a lot of foreigners bought many apartments in Buenos Aires. Thus the difference between the real price and the deed price allows to infer corruption attitude in a given country. I also can track each foreigner and estimate how many years it is necessary for a foreigner to become an “Argentinean”, i.e. start evading taxes like locals. In addition, this approach to measure tax evasion (the primary reason for this price difference is tax evasion) allows to estimate the effects of different policies introduced by the government in the last 20 years.

SELECTED SEMINARS AND CONFERENCES

• **2016**

AFA annual meeting in San Francisco, IE Business School

• **2015**

IE Business School, Universidad Torcuato Di Tella, Universidad de San Andres

• **2014**

AEA/ASSA annual meeting in Philadelphia, Boston College, IE Business School, CEMFI

• **2013**

AFA annual meeting in San Diego, IE Business School, New Economic School, Universidad Torcuato Di Tella, Universidad de San Andres, London School of Economics.

• **2012**

AFA annual meeting in Chicago, IE Business School, INSEAD, Universidad Torcuato Di Tella, Universidad de San Andres, NBER Political Economy Meetings, Norwegian School of Economics, the 4th Transatlantic Workshop on the Economics of Crime at Erasmus School of Economics.

• **2011**

IE Business School, Universidad Torcuato Di Tella, University of Piraeus

• **2009**

IE Business School, INSEAD, Said Business School (Oxford), Bocconi, Chicago Booth (Accounting department)

• **2008**

Chicago Booth

NON-ACADEMIC EXPERIENCE

PROMSVYAZCAPITAL

Moscow, Russia

Direct investments fund. Assets under management around \$10 billion

Investment Director

December 2006 - February 2008

- Developed the investment strategy. Managed the M&A process

ZEPPELIN & K

Novosibirsk, Russia

Development of software-products for accounting, operations and management controlling.

CEO

December 1999 - August 2001

- Established the company, in less than 1 year Zeppelin became one the leading business software developers in Novosibirsk

LANGUAGES

Russian	Mother tongue
English	Fluent
Spanish	Fluent