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T. Beau Page

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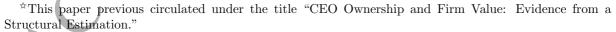
CEO Attributes, Compensation, and Firm Value: Evidence from a Structural Estimation $^{\bigstar, \bigstar \bigstar}$

T. Beau Page^{a,*}

^aA.B. Freeman School of Business, Tulane University

Abstract

I present and estimate a dynamic model of chief executive officer (CEO) compensation and effort provision. I find that variation in CEO attributes explains the majority of variation in compensation (equity and total) but little of the variation in firm value. The primary drivers of cross-sectional compensation are risk aversion and influence on the board. Additionally, I estimate the magnitude of CEO agency issues. Removing CEO influence increases shareholder value in the typical firm by 1.74%, making CEOs risk neutral increases shareholder value by 16.12%, and removing all agency frictions increases shareholder value by 28.99%. *Keywords:* CEO Compensation, Dynamic Principal-Agent Model, Structural Estimation *JEL classification*: G32, G34, J33.



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*Corresponding author. Address: Goldring/Woldenberg Hall 7 McAlister Dr., New Orleans, LA 70118-5645 Phone: (504) 862-8029 E-mail: tpage1@tulane.edu Download English Version:

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