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The Effects of Stock Market Listing on Firms' Growth, Governance, and Corporate Finance *was chaired by Andrew Ang, the Roger F. Murray Professor of Finance at Columbia Business School. The panelists included*

- *Presenter: Charles Calomiris, the Henry Kaufman Professor of Financial Institutions and academic director of the Jerome A. Chazen Institute of International Business at Columbia Business School, who stood in for scheduled presenter Fred Hu, managing director and co-head of China investment banking at Goldman Sachs (Asia) L.L.C.*
- *Discussant: Ailsa Roell, professor of international and public affairs at the School of International and Public Affairs of Columbia University*

Summary
With limited—and sometimes controversial—data available to judge the effects of stock market listing on Chinese firms, corporate governance and corporate finance, the future of corporate governance mechanisms for the country's economy is still under debate. Under a favorable future scenario for governance, traditional mechanisms such as stock market listing would lead to a maturity in effective monitoring of Chinese firms' growth. An equally likely scenario for the future is unfavorable—that traditional mechanisms like listing do not lead to pervasive disclosure or clear rules for listed firms.

Opposing Scenarios for the Future
In a favorable scenario for the future, Professor Ailsa Roell saw the mechanisms created by listing in other markets being created in China as well: effective monitoring and resource allocation, effective bank monitoring of both listed and nonlisted firms, effective disclosure and no government guarantee of equity investments. In this way, the public market would pervade the firm and ensure good corporate governance and management. Professor Charles Calomiris agreed: "A good scenario for the future would be a world in which effective monitoring and effective allocation would be present, and midlevel technocrats and managers were successful as those monitors."

Calomiris warned, however, that just as likely an outlook would be a scenario in which firm-listing led to neither increased corporate governance structures nor firm growth. "If there are no clear disclosure rules for listed firms, etc., there could easily be an environment marked by poor disclosure, lower growth and more." The scenario was covered in more detail by Roell, who outlined the less favorable scenario as one characterized by poor disclosure from firms, no clear set of closure rules for listed firms and no credible intermediaries to act as gatekeepers for good corporate governance, meaning other market monitors would prove ineffective or have their hands tied by government regulations. Under this scenario, the public stock market listing does not act as a catalyst for better corporate governance and firm management because the public disclosure mechanism of the structure is invalidated.

The impact of the international investor seems to be the key to achieving a bright future for the market. “International investors have a special pressure,” remarked Calomiris in response to the less favorable scenario for the Chinese market’s future. He pointed to the evidence of the positive impact on corporate governance and firm growth that can be seen in listed firms in Hong Kong. “It’s an international investor discipline story that you can see in Hong Kong. Their impact there is telling.” And while both sides concede that the current data on the impact of stock market listing may not be the most reliable, the optimism in the data and analysis shows hope for the future of China’s listed firms.

Calomiris concluded the panel with, “To summarize, this is quite a remarkable sample. And the source and variety of the sample is up for debate. But if Fred Hu’s assumptions and arguments are correct, it represents quite an opportunity.”

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