

What further measures could be implemented in securities regulation to ensure that the self-interested rational choices of the agent coincide with the wishes of the principal?

Project Evaluation

When I submitted by Project Title Form, I was pleased with my choice because I thought it was the most interesting subject and there seemed to be quite a lot of relevant material on web-sites like Wikipedia. However my teacher warned me that I was unlikely to get a good grade if I just focused on a few “easy wins”, so I started looking up some books and academic journals and realised that the research task was going to be a lot more difficult than I previously thought. For a while after that, I regretted not choosing one of the easier titles, but the more I researched the subject, the more interested I became.

I was very lucky that one of my first in-depth searches led me to Professor John Kay’s “Review of UK Equity Markets and Long-Term Decision Making”, which he wrote for the UK Government in 2012. This got me on to his earlier book, “The Long and Short of It”, which I read too. Professor Kay showed me there are two sides to this problem. Everyone thinks the agent (the company’s management) must be at fault and the principal (the shareholder) deserves better treatment. But I discovered that few of today’s shareholders take any interest in the running of their companies at all, so who can blame the management if they fail to consult them properly?

This forced me to change my whole writing plan. I had to insert a new section which dealt with the problem of how to keep shareholders “involved” with their companies and I also had to make room for this topic in my Introduction, which made it rather longer than I intended. I also found that I had space left only to examine two alternatives to share options in my “Solutions” section, because I knew I had to leave room for my evaluation at the end, where I questioned whether it was good for society to give shareholders greater control. In fact, I found the biggest problem writing the Report was keeping within the 4,000 word limit – before I started I thought it would be really difficult writing so much!

Now that I have finished the Report, there are a few things I would do better if I still had the time. First of all, I wish I had been able to use some UK companies in my examples. The trouble is that most of the commentary on the Internet relates to American companies, and this was what I had to use. Secondly, I think my Executive Summary and Conclusion were both a bit too short and that’s because I got too involved in explaining Moral Hazard. Overall, however, I am pleased with the result, especially my evaluation, which I think offered a different “take” on the subject. I also think that my list of References is good because it covers a wide range of different authors and includes books, academic journals and news web-sites – not just Wikipedia.

496 words