

Charles University in Prague

Faculty of Social Sciences
Institute of Economic Studies



MASTER'S THESIS

**Executive Compensation in Firms Producing
Addictive Goods**

Author: **Bc. Michael Janský**

Supervisor: **Jiří Novák, M.Sc., Ph.D.**

Academic Year: **2014/2015**

Abstract

This thesis investigates executive compensation, turnover and migration patterns in firms that produce addictive goods (tobacco, alcohol, and gambling). Previous research has identified costs associated with the production of harmful goods specific to these industries. Consistent with this stream of research, I find increased executive compensation in tobacco, alcohol, and gambling firms. This finding seems to be driven by industry specific characteristics, rather than by executives' traits or by the 'traditional' determinants of executive compensation. Executive migration patterns and the effect of job change on compensation indicate that the higher compensation is not caused by executives' attributes well suited for these firms' specific needs, by executives' contribution to value-creating activities, or by other executive-specific characteristics. Rather, the higher compensation seems to reflect a payment to executives for having to bear society's aversion to or displeasure with these harmful goods, and those who produce them.

JEL Classification

D71, G34, J63, M12

Keywords

executive compensation, sin firms, social norms, executive turnover, outside directorships

Author's e-mail

jansky.michael@gmail.com

Supervisor's e-mail

jiri.novak@fsv.cuni.cz