THE NORWEGIAN SCHOOL OF ECONOMICS (NHH)
DEPARTMENT OF FINANCIAL ECONOMICS
EMPIRICAL RESEARCH IN CORPORATE Finance
PHD COURSE

Bergen, Norway, August 19-21 and 26-27, 2013

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COURSE DESCRIPTION: This intensive PhD course surveys important empirical regularities in corporate finance. There are four broad themes:

- (1) Performance econometrics and event studies: Event study design and portfolio performance evaluation procedures used to infer valuation impacts of corporate actions. Examples of performance estimation
- (2) Corporate funding policies and security design: What do funding policies imply for the horse-race between classical trade-off and pecking order theories? How does security design lower bankruptcy costs, and what constitute an optimal bankruptcy system?
- (3) Corporate takeovers: Valuation effects of takeover activity, sources of takeover gains, and empirical investigations of optimal bidding theories for competition preemption, the payment method (cash versus stock), bidder toeholds in the target.

TEXTBOOK: The course requires the following two volumes (available at NHH’s bookstore):


ADDITIONAL COURSE READINGS: A set of individual journal articles (specified below).

COURSE REQUIREMENTS: To receive full course credit, students must: (1) attend all class sessions and associated class writings and presentation (instructions to follow), and (2) submit a term paper due in the fall of 2013 (due date to be announced).
Each full course day consists of a lecture by Prof. Eckbo before lunch (9-12), followed by organized student course activities in the afternoon (13-16) which include course write-ups and class presentations (to be specified).

**Lecture 1: Monday 8/19**

**Performance Econometrics**
Risk factors and the “bad model” problem
Examples of portfolio performance estimation

**Lecture 2: Tuesday 8/20**

**Event Studies and Self-selection**
Event study design
Consistent estimation

**Lecture 3: Wednesday 8/21**

**Corporate Funding Policies**
Pecking order versus dynamic tradeoff theories
Bankruptcy and security design

**Lecture 4: Monday 8/26**

**Corporate Takeover Bidding**
Optimal bidding policies
Market power as a source of takeover gains

**Lecture 5: Tuesday 8/27**

**Corporate Governance and Incentives**
The international governance debate
Optimal versus actual compensation policies
LIST OF READINGS
(LINKS REFER TO ECKBO'S SSRN AUTHOR PAGE)


Lecture 1: Risk Factors and Performance Econometrics


Lecture 2: Event Studies and Self Selection

Kothari, S.P. and Jerold B. Warner, “Econometrics of Event Studies”, Ch. 1 (BEE-1)


Li, Kai and N.R. Prabhala, “Self Selection Models in Corporate Finance”, Ch. 2 (BEE-1).


Lecture 3: Corporate Funding Policies

Kalay, Avner and Michael Lemmon, “Dividend Policy”, Ch. 10 (BEE-2)

Graham, John R., “Taxes and Corporate Finance”, Ch. 11 (BEE-2)

Frank, Murray and Vidhan Goyal, “Tradeoff and Pecking Order Theories of Debt”, Ch. 12 (BEE-2).
Parsons, Chris and Sheridan Titman, “Capital Structure and Corporate Strategy”, Ch. 13 (BEE-2)


Eckbo, B. Espen, Øyvind Norli and Ronald W. Masulis, “Security Offerings”, Ch. 6 (BEE-1).

Ljungqvist, Alexander, 2005, "IPO Underpricing", Ch. 7 (BEE-1).


Lecture 4: Corporate Takeovers


Eckbo, B. Espen, Karin S. Thorburn, “Corporate Restructuring: Breakups and LBOs”, Ch. 16 (BEE-2)


Lecture 5: Corporate Governance and Incentives


Baker, Malcolm, Richard Ruback and Jeffrey Wurgler, “Behavioral Corporate Finance”, Ch. 4 (BEE-1)