

Ph.D. Seminar in Creative Empirics Summer 2015

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Goals

This course aims to teach you what it takes to excel in empirical corporate finance. To do so, the course will pursue four equally important goals. First, it will expose you to key papers in the empirical corporate finance literature, broadly defined. Modern empirical work in corporate is sensitive to the underlying economics of a given situation, resulting in the need to think creatively about identification, endogeneity, and instruments. Thus, my second goal is to convince you that corporate finance does not have to be fluffy. Third, the course is designed to strengthen your ability to dissect, digest, and critique academic research. Finally, it gives you an opportunity to improve your presentation skills through repeated practice and constructive feedback. Each of these skills plays a crucial role in a successful academic career. We will not be focusing on the theory behind empirical methods. Instead, our focus will be on applications: matching the appropriate method(s) to a given research question for many of the major topic areas in corporate finance.

Course Materials

Readings for the course will consist primarily of articles from academic journals and working papers. Articles and papers are available electronically.

Course Requirements

With one exception (namely, session 1), each class will discuss two papers. In sessions 2 and 3, we will cover a total of four path-breaking papers which you will present seminar-style. In subsequent sessions, we will begin the class with a seminar-style presentation of paper #1, followed by a conference-style presentation of paper #2, and a conference-style discussion of paper #2. This means we will have a total of 10 presentation slots.

Each registered student will be responsible for **at least one seminar-style presentation, at least one conference-style presentation, and at least one conference-style discussion.** (Exact numbers depend on the final enrollment.) There is no exam. Instead, you are graded on your presentations **and** on your course participation. Every student must read and prepare every paper for every class, regardless of whether he or she is presenting.

Seminar-style presentations, denoted “S” in the schedule, will be 60 minutes long. They should include an comprehensive 10-minute literature review that situates the paper in the literature. The literature review should go well beyond what is contained in the paper itself. (For older papers, presenters should bring the literature review up to date.) Presenters should expect to be interrupted by questions from the audience during these presentations. Everyone is expected to have read the paper.

Conference-style presentations, denoted “C” in the schedule, will last 20 minutes (sharp!), and the corresponding discussions will last 10 minutes (both uninterrupted). Discussions (denoted “D” in the schedule) should begin with a very brief synopsis of the paper followed by comments, constructive criticisms, suggestions, and/or extensions. Everyone is expected to have read the paper.

Presenters of conference-style presentations are expected to “sell” the paper to the audience (as if it were their own work), not to criticize it. Discussants, in contrast, should carefully balance the merits of the paper with constructive criticism and suggestions for further work. If the initial presenter wishes to do so, we will give him or her the opportunity to also criticize the paper, albeit only *after* the discussion. Conference-style presentations and discussions are followed by a general discussion by the audience, so it is critical that everyone has read the paper and is in a position to critique it.

Presenters are expected to use Powerpoint or similar presentation software for their presentations whenever possible. All presenters and discussants are expected to bring a sufficient number of copies of their presentation on the day of the presentation for distribution to all course participants.

Grading

- Seminar presentation(s): X%
- Conference-style presentation(s): Y%
- Conference-style discussion(s): Z%
- General participation: 20%

At this point, X, Y, and Z are random variables. I will let you know the final numbers once I know how many assignments each student is given.

Session Schedule and Reading List

Class 1:	Friday	12 June	9-11:45 AM
Class 2:	Tuesday	16 June	9-11:45 AM
Class 3:	Friday	26 June	9-11:45 AM
Class 4:	Tuesday	25 Aug.	9-11:45 AM
Class 5:	Tuesday	01 Sept.	9-11:45 AM

Class 1 (Friday, 12 June): Introduction

For the first session, we will follow a different format.

Mini-lecture: Introduction to Identification

An excellent applied textbook, which anyone interested in doing empirical work should consider owning, is “Econometric Analysis of Cross Section and Panel Data” by Jeffrey M. Wooldridge (MIT Press).

A very useful how-to guide to modern econometrics is “Mostly Harmless Econometrics” by Angrist and Pischke (Princeton University Press).

The best book on how to write academic papers is “Economic Writing” by Deirdre McCloskey (Waveland).

Paper assignments

How to present in a seminar or at a conference. How to discuss a paper.

Class 2 (Tuesday 16 June): Endogeneity I

- S: Acemoglu, Daron, Simon Johnson, and James Robinson, 2001, The colonial origins of comparative development: An empirical investigation, *American Economic Review* 91, 1369-1401.
[[<http://elsa.berkeley.edu/~chad/ajr2001.pdf>]]
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- S: Levitt, Steven, 1996, The effect of prison population on crime rates: Evidence from prison overcrowding litigation, *Quarterly Journal of Economics* 111, 319-351.
[[Available on JStor.](#)]

Class 3 (Friday 26 June): Endogeneity II

- S: Currie, Janet, and Aaron Yelowitz, 2000, Are public housing projects good for kids?, *Journal of Public Economics* 75, 89-124.
[<http://gatton.uky.edu/Faculty/yelowitz/Yelowitz-jpube.pdf>]]
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- S: Hoxby, Caroline, 2000, The effect of class size on student achievement: New evidence from population variation, *Quarterly Journal of Economics* 115, 1239-1285.
[<http://www.trivium.com/sv/monografias/5/size.pdf>]]

Class 4 (Tuesday, 25 Aug.): Corporate Governance

- S: Bertrand, M., and S. Mullainathan, 2003, Enjoying the quiet life? Corporate governance and managerial preferences, *Journal of Political Economy* 111, 1043-1075.
[http://faculty.chicagobooth.edu/marianne.bertrand/research/quiet_life_jpe.pdf]]
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- C/D: Cunat, V., M. Guadalupe, and M. Gine, 2012, The vote is cast: The effect of corporate governance on shareholder value, *Journal of Finance* 67, 1943-1977.
[<http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6261.2012.01776.x/pdf>]]
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Required reading:

Imbens, G., and T. Lemieux, 2007, Regression discontinuity designs: A guide to practice, NBER technical working paper 337. [<http://www.nber.org/papers/t0337.pdf>]]

Class 5 (Tuesday, 1 Sept.): Labor & Finance

S: Agrawal, A., and D. Matsa, 2013, Labor unemployment risk and corporate financing decisions, *Journal of Financial Economics* 108.
[<http://www.sciencedirect.com/science/article/pii/S0304405X12002413>]

C/D: Matsa, D., 2010, Capital structure as a strategic variable: Evidence from collective bargaining, *Journal of Finance* 65, 1197–1232.
[<http://ssrn.com/abstract=933698>]