Course Objectives

The objective of the course is to introduce you to empirical research in finance and accounting, with a focus on empirical corporate finance. Corporate finance is largely a non-experimental field with lots of data. The nature, scope, and detail of available data continue to expand rapidly. These data are used to test theories and to generate empirical facts that constitute a basis for further theories. In this class, you will discover and work with some of the main datasets used in empirical research and apply some of the main methods used to analyze them.

The overall approach in this class is to read and understand (selected) prior empirical work and replicate or extend some of these studies. The topics have been selected to make you work with specific datasets and methods. The primary expertise necessary is the understanding of how to use or manipulate STATA or SAS. You will need to appreciate the methods, approaches, and intuition of econometrics including and beyond a first graduate level of econometrics. I will cover some of the underlying approaches in class but our objectives will be different from those of an econometric course. Rather than a formal derivation of the underlying assumptions and tests, we will assess why something works the way it does.

Deliverables - Empirical exercises

You will have two exercise sets to do using Stata (or SAS). They are designed to get you up and running with financial datasets and methods. There is a lot of work going into extracting databases and matching datasets. You should treat this as a permanent lifelong investment and the costs will seem more bearable. You will have to extract data from the relevant source, run the assigned tests, and answer to question I will specify. Individual effort is necessary. Further information will follow, after registration. The course is equivalent to 3ECTS, and students need to succeed in all two exercises to pass the course (and get the credits if needed).
Schedule-Program

We will meet on May 15, May 16 and May 17 for five hours each day (3 hours in the morning and 2 hours in the afternoon). The room is TBD. Here is the program (subject to very small adjustments):

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Topics and deliverables</th>
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</thead>
<tbody>
<tr>
<td>Wednesday, May 15</td>
<td>Morning Introduction and identification/causality</td>
</tr>
<tr>
<td></td>
<td>Afternoon Panel data estimations + Estimation of standard</td>
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<td>errors The Research Process</td>
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<tr>
<td>Thursday, May 16</td>
<td>Exercise 1 (panel data) due</td>
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<td></td>
<td>Morning Instrumental Variables</td>
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<td>Afternoon Difference-in-Differences</td>
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<td></td>
<td>Evening Group dinner</td>
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<tr>
<td>Friday, May 17</td>
<td>Morning Matching Methods</td>
</tr>
<tr>
<td></td>
<td>Afternoon Regression Discontinuity Design</td>
</tr>
</tbody>
</table>

Exercise 2 (diff-in-diff) due on Friday 24.5.2019

Textbooks


- Wooldridge, Jeffrey M., 2002, Econometrics Analysis of Cross-Section and Panel Data, MIT Press, MA. (This has a more formal treatment of the materials).

Course outline and Readings

All chapters and articles marked with an * should be carefully read in advance (I might add other papers later depending on interest and speed).

Identification and Causality

- *AP*, chapter 2
- *Roberts and Whited (2012), section 2
- *Bowen, Fresard, and Taillard (2015)
- Morck and Yeung (2011)
- Leamer (2010)

Panel Data: Fixed effects and Standard Errors Estimation

- *CT#1*, chapters 21 and 22
- *CT#2*, chapter 8
- *Petersen (2009)
- *HCF*, chapters 4 and 12
- Coles and Li (2012)
- Bertrand and Schoar (2003)
- Gormley and Matsa (2014)

Instrumental Variables

- *CT#1*, chapter 4
- *CT#2*, chapters 6 and 9.2
- *AP*, chapter 4
- *Roberts and Whited (2012), section 3
- *Chaney, Sraer, and Thesmar (2012)
- *Paravisini, Rappoport, Schnabl, and Wolfenzon (2014)
- Angrist and Krueger (2001)
- Bennedsen, Nielsen, Perez-Gonzalez, and Wolfenzon (2007)

Difference-in-Differences

- *AP*, chapter 5, Section 2
- *Roberts and Whited (2012), section 4
- *Giroud (2013)
- Leary (2009)
Matching Methods (Wednesday)

- ECF, chapter 2
- *Roberts and Whited (2012), section 6
- *Almeida, Campello, Laranjeira, and Weisbenner (2012)
- Fresard and Valta (2014)

Regression Discontinuity Design

- *Roberts and Whited (2012), section 5
- *Malenko and Shen (2015)
- Chava and Roberts (2008)
Bibliography


