Course: Finance 952, Empirical Corporate Finance
Website: https://fuqua.instructure.com/
Course dates: Wednesday 2:00 to 5:00 p.m. on Zoom unless otherwise noted

Lecture #1

Topic: Introduction to Empirical Corporate Finance

Key concepts: This course begins with an overview of the corporation. What is the goal of corporate finance? Among key corporate policies -- investment, financing, and payout -- which policies do executives explicitly choose and how do we know? Finally, what are big, recent trends in corporate finance? The discussion will then turn toward the motivation for causal identification, including three common violations (omitted variable bias, measurement error, and simultaneity bias). Finally, we will begin to explore natural experiments, which are commonly used to answer empirical corporate finance questions.

Required Reading

- Autor D., D. Dorn, L. Katz, C. Patterson, and J. Van Reenen, 2020, "The Fall of Labor Share and the Rise of Superstar Firms" *Quarterly Journal of Economics* 135, 645–709. https://doi.org/10.1093/qje/qjaa004
- Bénabou, R., and J. Tirole, 2010 "Individual and Corporate Social Responsibility", *Economica*, 77, 1–19. https://doi.org/10.1111/j.1468-0335.2009.00843.x
- Graham and Harvey, 2001, "The Theory and Practice of Corporate Finance: Evidence from the Field," *Journal of Financial Economics* 60, 187-243. https://doi.org/10.1016/S0304-405X(01)00044-7
- Roberts, M. and T. Whited, 2013, "Endogeneity in Empirical Corporate Finance", *Handbook of the Economics of Finance* 2A, 493-572. https://doi.org/10.1016/B978-0-44-453594-8.00007-0

Additional Reading

Applied econometrics

- Abadie, A., A. Diamond, and J. Hainmueller, 2010, "Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California's Tobacco Control Program, *Journal of the American Statistical Association* 105, 493-505. https://www.tandfonline.com/doi/pdf/10.1198/jasa.2009.ap08746

- Athey, S., and Imbens, G., 2017, "The State of Applied Econometrics: Causality and Policy Evaluation" *Journal of Economic Perspectives* 31, 3-32. https://doi.org/10.1257/jep.31.2.3
- Bertrand, M., E. Duflo, and S. Mullainathan, 2004, "How Much Should We Trust Differences-In-Differences Estimates?," *Quarterly Journal of Economics* 119, 249-275. https://doi.org/10.1162/003355304772839588
- Lewbel, A., 2019, "The Identification Zoo: Meanings of Identification in Econometrics" *Journal of Economic Literature* 57, 835-903. https://doi.org/10.1257/jel.20181361

Purpose of a corporation

- Bebchuk, L. and R. Tallarita, 2020, The Illusory Promise of Stakeholder Governance, *Cornell Law Review*. [https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3544978 (Links to an external site.)](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3544978)
- Friedman, M., 1970, The Social Responsibility of Business Is to Increase Its Profits, *New York Times Magazine*, September 13. PDF
- Strine, L., 2002, The Social Responsibility of Boards of Directors and Stockholders in Charge of Control Transactions: Is There Any 'There' There? *Southern California Law Review*, 75, 1169–1188. PDF

What is the residual CFO decision: investment, leverage, or payout?

- Lambrecht, B., Myers, S., 2017, "The Dynamics of Investment, Payout and Debt," *Review of Financial Studies* 30, 3759–3800. https://doi.org/10.1093/rfs/hhx081
- Strebulaev, I., 2007, "Do Tests of Capital Structure Mean What They Say?," *Journal of Finance* 62, 1747-1788. https://doi.org/10.1111/j.1540-6261.2007.01256.x

Big trends in corporate finance: superstar firms

- Barkai, S., 2020, "Declining Labor and Capital Shares" *Journal of Finance* 75, 2421-2463. https://doi.org/10.1111/jofi.12909
- DeLoecker, J., J. Eeckhout, and G. Unger, 2020, "The Rise of Market Power and Macroeconomic Implications" *Quarterly Journal of Economics* 135, 561–644, https://doi.org/10.1093/qje/qjz041
- Doidge, C., G. A. Karolyi, R. Stulz, 2017, "The U.S. Listing Gap," *Journal of Financial Economics* 123. 464-487. https://doi.org/10.1016/j.jfineco.2016.12.002

Lecture #2

Topic: Capital Structure and Taxes

Key concepts: There are many theories of capital structure and large body of empirical research testing these theories. The tax advantage of debt remains a key to understanding why corporate debt markets are the largest and deepest markets in the world. Some attention will also be paid to an expanding range of capital structure topics, including debt maturity, loan and covenant characteristics, collateral effects, and alternative financing sources such as leasing and credit lines.

Required Reading

- Faccio, M. and J. Xu, 2015, "Taxes and Capital Structure" *Journal of Financial and Quantitative Analysis* 50, 277-300.
- Graham, J., 2000, "How Big Are the Tax Benefits of Debt?," *Journal of Finance* 55, 1901-1941. https://doi.org/10.1111/0022-1082.00277
- van Binsbergen, J., J. Graham, and J. Yang, 2010, "The Costs of Debt", *Journal of Finance* 65, 2089-2136. https://doi.org/10.1111/j.1540-6261.2010.01611.x

Additional Reading

- Graham, J., and Leary, M., 2011, "A Review of Empirical Capital Structure Research and Directions for the Future" *Annual Review of Financial Economics* 3, 309-345. https://doi.org/10.1146/annurev-financial-102710-144821
- Graham, John R., 2003, "Taxes and Corporate Finance: A Review," *Review of Financial Studies* 16, 1074-1128. https://doi.org/10.1093/rfs/hhg033
- Heider, F. and A. Ljungqvist, 2015, "As Certain as Debt and Taxes: Estimating the Tax Sensitivity of Leverage from Exogenous State Tax Changes", *Journal of Financial Economics* 118, 684-712. https://doi.org/10.1016/j.jfineco.2015.01.004
- Miller, M. H., 1977, "Debt and Taxes," *Journal of Finance*, 32, 261-275. https://doi.org/10.1111/j.1540-6261.1977.tb03267.x
- Saretto, A., and H. Tookes, 2013, "Corporate Leverage, Debt Maturity, and Credit Supply: The Role of Credit Default Swaps," *Review of Financial Studies* 26, 1190–1247. https://doi.org/10.1093/rfs/hht007

Lecture #3

Topic: Investments

Key concepts: the efficiency of corporate investment decisions are influenced by problems of asymmetric information, agency costs, behavioral distortions, and feedback effects from financial markets. For example, external capital markets may not provide enough capital because of asymmetric information, thereby limiting investment. Asymmetric information also affects firms' decisions to pursue internal (innovation) vs. external (M&A) investment opportunities. Similarly, agency costs associated with ownership structure (private vs. public) and control (shareholder vs. manager) also help to explain the efficiency of investment. Finally, managers may rationally or irrationally respond to feedback from market prices.

Required Reading

- Bertrand, M., and S. Mullainathan, 2003, "Enjoying the quiet life? Corporate Governance and Managerial Preferences," *Journal of Political Economy* 111, 1043-75. https://doi.org/10.1086/376950
- Edmans, A., I. Goldstein, and W. Jiang, 2012, "The Real Effects of Financial Markets: The Impact of Prices on Takeovers" *Journal of Finance* 67, 933-971. https://doi.org/10.1111/j.1540-6261.2012.01738.x
- Giroud, X., 2013, "Proximity and Investment: Evidence from Plant-Level Data," *Quarterly Journal of Economics* 128, 861–915. https://doi.org/10.1093/qje/qjs073
- Malmendier, U., and G. Tate, 2005, "CEO Overconfidence and Investment" *Journal of Finance 60,* 2661-2700. https://onlinelibrary.wiley.com/doi/full/10.1111/j.1540-6261.2005.00813.x
- Rauh, Josh, 2006, "Investment and Financing Constraints: Evidence from the Funding of Corporate Pension Plans," *Journal of Finance* 61(1), 2006, 33-71 https://doi.org/10.1111/j.1540-6261.2006.00829.x
- Wardlaw, M., 2020, "Measuring Mutual Fund Flow Pressure as Shock to Stock Returns." *Journal of Finance* 75, 3221-3243. https://doi.org/10.1111/jofi.12962

Additional Readings

Acquisitions

- Bena, J., and K. Li, 2014, "Corporate Innovations and Mergers and Acquisitions." *Journal of Finance* 69, 1923-1960. https://doi.org/10.1111/jofi.12059
- Celikyurt, U., M. Sevilir, and A. Shivdasani, 2010, "Going Public to Acquire? The Acquisition Motive in IPOs," *Journal of Financial Economics* 96, 345-363. https://doi.org/10.1016/j.jfineco.2010.03.003
- Cuningham, C., Ederer, F., and S. Ma, 2020, "Killer Acquisitions" *Journal of Political Economy*, forthcoming. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3241707
- Ellison, G., E. Glaeser, and W. Kerr. 2010. "What Causes Industry Agglomeration? Evidence from Coagglomeration Patterns" *American Economic Review* 100, 1195-1213. https://www.aeaweb.org/articles?id=10.1257/aer.100.3.1195

Innovation

- Abrams, D., U. Akcigit, and J. Grennan, 2020, "Patent Value and Citations: Creative Destruction or Strategic Disruption?" https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2351809
- Acemoglu, D., and P. Restrepo. 2019. "Automation and New Tasks: How Technology Displaces and Reinstates Labor." *Journal of Economic Perspectives* 33, 3-30. https://www.aeaweb.org/articles?id=10.1257/jep.33.2.3
- Farre-Mensa, J., Hegde, D., and Ljungvist, A., 2020, "What Is a Patent Worth? Evidence from the U.S. Patent "Lottery" *Journal of Finance* 75, 639-682. https://doi.org/10.1111/jofi.12867

- Grennan, J., and R. Michaely, 2020, "Artificial Intelligence and High-Skilled Work: Evidence from Analysts" Working paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3681574
- Manso, G., 2011, "Motivating Innovation," *Journal of Finance* 66, 1823-1869. https://doi.org/10.1111/j.1540-6261.2011.01688.x

Investment and Firm Boundaries

- Enghin, A., A. Hortaçsu, M. Li, and C. Syverson, 2019, "How Wide Is the Firm Border?," *Quarterly Journal of Economics* 134, 1845–1882, https://doi.org/10.1093/qje/qjz026
- Rajan, R., Servaes, H. and Zingales, L. 2000, "The Cost of Diversity: The Diversification Discount and Inefficient Investment." *Journal of Finance* 55, 35-80. https://doi.org/10.1111/0022-1082.00200
- Seru, A., 2014, "Firm Boundaries Matter: Evidence from Conglomerates and R&D Activity" *Journal of Financial Economics* 111, 381-405. https://doi.org/10.1016/j.jfineco.2013.11.001
- Tate, G. and L. Yang, 2015, "The Bright Side of Corporate Diversification: Evidence from Internal Labor Markets," *Review of Financial Studies* 28, 2203-2249. https://doi.org/10.1093/rfs/hhv012

Investment and Markets

- Baker, M., J. Stein, and J. Wurgler, 2003, "When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms," *Quarterly Journal of Economics* 118, 969-1005. https://doi.org/10.1162/00335530360698478
- Bakke, T. and T. Whited, 2010, "Which Firms Follow the Market? An Analysis of Corporate Investment Decisions," *Review of Financial Studies* 23, 1941-1980. https://doi.org/10.1093/rfs/hhp115
- Chen, Q., I. Goldstein, W. Jiang, 2007, Price Informativeness and Investment Sensitivity to Stock Price, *Review of Financial Studies* 20, 619–650, https://doi.org/10.1093/rfs/hhl024

Investment Decisions (Public vs. Private)

- Asker, J., J. Farre-Mensa, and A. Ljungqvist, 2015, "Corporate Investment and Stock Market Listing: A Puzzle?," *Review of Financial Studies* 28, 342-390. https://doi.org/10.1093/rfs/hhu077
- Bernstein, Shai, 2015, "Does Going Public Affect Innovation?" *Journal of Finance* 70, 1365-1403. https://doi.org/10.1111/jofi.12275
- Gilje, E. and J. Taillard, 2016, "Do Private Firms Invest Differently than Public Firms? Taking Cues from the Natural Gas Industry" *Journal of Finance* 71, 1733-1778. https://doi.org/10.1111/jofi.12417

Lecture #4

Topic: Payout

Key concepts: Traditional payout decisions focus on dividend payments and repurchases made by firms from their retained earnings. Increasingly, however, payout is not financed by retained earnings and payout is taken to more broadly consider the choice of distributing cash to shareholders vs. other stakeholders. Of the traditional motives of why firms pay out (agency, signaling, and taxes), the cross-sectional empirical evidence is most persuasive in favor of agency considerations. Studies centered on the May 2003 dividend tax cut confirm that differences in the taxation of dividends and capital gains have only a second-order impact on setting payout policy. None of the three traditional explanations can account for secular changes in how payouts were made over the last 30 years, during which repurchases have replaced dividends as the prime vehicle for corporate payouts.

Required Reading

- Brav, A., J. Graham, C. Harvey, and R. Michaely, 2005, "Payout Policy in the 21st Century" Journal of Financial Economics 77, 483-527. https://doi.org/10.1016/j.jfineco.2004.07.004
- Farre-Mensa, J., R. Michaely and M. Schmalz, 2020, "Financing Payout," Working paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2535675
- Ma, Y., 2019, "Non-Financial Firms as Cross-Market Arbitrageurs", *Journal of Finance*, Vol. 74, 3041-3087. https://doi.org/10.1111/jofi.12837

Additional Readings

- Almeida, H., V. Fos, and M. Kronlund, 2016, "The Real Effects of Share Repurchases," *Journal of Financial Economics* 119, 168-185. https://doi.org/10.1016/j.jfineco.2015.08.008
- Dharmpala, D., Foley, C., and Forbes, K., 2011, "Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act." *Journal of Finance* 66, 753-787. https://doi.org/10.1111/j.1540-6261.2011.01651.x
- Grennan, J. 2019. "Dividend Payments as a Response to Peer Influence" Journal of Financial Economics 131, 549-570. https://doi.org/10.1016/j.jfineco.2018.01.012
- Hoberg, G., G. Phillips, and N. Prabhala, 2014, "Product Market Threats, Payout, and Financial Flexibility" *Journal of Finance*, 69, 293-324. https://doi.org/10.1111/jofi.12050
- Lambrecht, B., Myers, S., 2012, "A Lintner Model of Payout and Managerial Rents" *Journal of Finance* 67, 1761-1810. https://doi.org/10.1111/j.1540-6261.2012.01772.x
- Learly, M., R. Michaely, 2011, "Determinants of Dividend Smoothing: Empirical Evidence," *Review of Financial Studies* 24, 3197–3249. https://doi.org/10.1093/rfs/hhr072

Lecture #5

Topic: Corporate governance (1)

Key concepts: Corporate governance refers to the ways in which suppliers of capital seek to ensure that their capital is wisely managed. In many ways, corporate governance is the backbone of capitalism. Research in this area largely focuses on what defines strong governance, when does it matter, and what role does it play in how executives make decisions for the corporation. Today, we will introduce key aspects of governance and next class will focus on institutional activism.

Required Readings

- Azar, J., M. Schmalz, and I. Tecu, 2018. "Anticompetitive Effects of Common Ownership" *Journal of Finance* 73, 1513–1565. https://doi.org/10.1111/jofi.12698
- Cunat, V., Gine, M., and Guadalupe, M., 2020, "Price and Probability: Decomposing the Takeover Effects of Anti-Takeover Provisions" *Journal of Finance* 75, 2591-2629. https://doi.org/10.1111/jofi.12908
- Gompers, P., J. Ishii, and A. Metrick, 2003, "Corporate Governance and Equity Prices," *Quarterly Journal of Economics* 118, 107–156. https://doi.org/10.1162/00335530360535162

Additional Readings

Common Ownership

- Backus, M., Conlon, C., Sinkinson, M., 2020. "Common Ownership in America: 1980-2017" American Economics Journal: Microeconomics, forthcoming. https://chrisconlon.github.io/site/common_owner.pdf
- Bebchuk, L., A. Cohen, and S. Hirst, 2017, "The Agency Problems of Institutional Investors." Journal of Economic Perspectives 31, 89-102. https://www.aeaweb.org/articles?id=10.1257/jep.31.3.89
- Eldar, O., J. Grennan, and K. Waldock, 2020, "Common Ownership and Startup Growth." Working paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3406205
- Eldar, O., Grennan, J., 2021. "Common Ownership and Entrepreneurship" AEA Papers and Proceedings, https://www.aeaweb.org/articles?id=10.1257/pandp.20211120
- Gilje, E. P., Gormley, T. A., Levit, D., 2020. "Who's Paying Attention? Measuring Common Ownership and Its Impact on Managerial Incentives." Journal of Financial Economics 137, 152–178. https://doi.org/10.1016/j.jfineco.2019.12.006
- Lewellen, K., and M. Lowry, 2021, "Does Common Ownership Really Increase Firm Coordination?" Journal of Financial Economics, forthcoming. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3336343

When Does Governance Matter?

- Aggarwal, R., I. Erel, M. Ferreira, and P. Matos, 2011, "Does Governance Travel Around the World? Evidence from Institutional Investors, *Journal of Financial Economics* 100, 154-181. https://doi.org/10.1016/j.jfineco.2010.10.018
- Giroud, X., and H. Mueller, 2010, "Does Corporate Governance Matter in Competitive

- Industries?" *Journal of Financial Economics* 95, 312–331. https://www.sciencedirect.com/science/article/abs/pii/S0304405X09002293
- Iliev, P. and M. Lowry, 2015, "Are Mutual Funds Active Voters?," *Review of Financial Studies* 28, 446–485. https://doi.org/10.1093/rfs/hhu062
- Karpoff, J., and Wittry, M., 2018, "Institutional and Legal Context in Natural Experiments: The Case of State Antitakeover Laws." *Journal of Finance* 73, 657-714. https://doi.org/10.1111/jofi.12600
- Malenko, N. and Y. Shen, 2016, "The Role of Proxy Advisory Firms: Evidence from a Regression-Discontinuity Design," *Review of Financial Studies* 29, 3394-3427. https://doi.org/10.1093/rfs/hhw070
- McCahery, J., Z. Sautner, and L. Starks, 2016, "Behind the Scenes: The Corporate Governance Preferences of Institutional Investors." *Journal of Finance* 71, 2905-2932. https://doi.org/10.1111/jofi.12393

The Board of Directors

- Adams, R., B. Hermalin, and M. Weisbach, 2010. "The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey." *Journal of Economic Literature* 48, 58-107. https://www.aeaweb.org/articles?id=10.1257/jel.48.1.58
- Adams, R., and D. Ferreira, 2009, "Women in the Boardroom and their Impact on Governance and Performance," *Journal of Financial Economics* 94, 291-309. https://doi.org/10.1016/j.jfineco.2008.10.007
- Ahern, K. and A. Dittmar, 2012, "The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation," *Quarterly Journal of Economics* 127, 137-197. https://doi.org/10.1093/qje/qjr049
- Jäger, S., B. Schoefer, and J. Heining, Labor in the Boardroom, 2021, *Quarterly Journal of Economics*, forthcoming, https://doi.org/10.1093/qje/qjaa038

Lecture #6

Topic: Corporate governance (2)

Key concepts: This lecture explores the nature and characteristics of hedge fund activism, including the objectives, tactics, and choices of target companies. Hedge fund activism is controversial because of the belief that the value creation brought about by activist hedge funds is myopic nature and does not benefit long-term shareholders. Identification strategies consistent with a causal interpretation, however, generally support the view that hedge fund activism creates value for all shareholders by actively influencing management.

Required Reading

- Brav, A., W. Jiang, F. Partnoy, and R. Thomas, 2008, "Hedge Fund Activism, Corporate Governance, and Firm Performance," *Journal of Finance*, Vol. 63, 1729-1775. https://doi.org/10.1111/j.1540-6261.2008.01373.x

- Brav, A., W. Jiang, S. Ma, and X. Tian, 2018, “How Does Hedge Fund Activism Reshape Corporate Innovation?,” *Journal of Financial Economics* 130, 237-264. https://doi.org/10.1016/j.jfineco.2018.06.012
- Brav, A., W. Jiang, and H. Kim, 2015, “The Real Effects of Hedge Fund Activism: Productivity, Asset Allocation, and Labor Outcomes,” *Review of Financial Studies* 28, 2723–2769. https://doi.org/10.1093/rfs/hhv037

Additional Reading

- Brav, A., W. Jiang, and H. Kim, 2010, "Hedge Fund Activism: A Review," *Foundations and Trends in Finance* 4, 1-66. http://dx.doi.org/10.1561/0500000026
- Bebchuk, L, A. Brav, T. Keusch, and W. Jiang, 2020, "Dancing with the Activists," *Journal of Financial Economics* 137, 1-41. https://doi.org/10.1016/j.jfineco.2020.01.001
- Johnson, T. and N. Swem, 2021, "Reputation and Investor Activism: A Structural Approach," *Journal of Financial Economics* 139, 29-56. https://doi.org/10.1016/j.jfineco.2020.07.005
- Klein, A., and Zur, E., 2009, "Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors." *Journal of Finance* 64, 187-229. https://doi.org/10.1111/j.1540-6261.2008.01432.x

Lecture #7

Topic: Behavioral and Social Corporate Finance

Key concepts: Behavioral corporate finance examines the effect of managers’ biases, miscalibration, and nonstandard preferences on corporate decisions. Social corporate finance takes the view that managers and employees are likely rational, but make decisions in context. For example, peers, corporate culture, and social capital may change how information is transmitted and how expectations are formed.

Required Readings

- Fee, C. Hadlock, and J. Pierce, 2013, "Managers with and without Style: Evidence Using Exogenous Variation" *Review of Financial Studies* 26, 567-601. https://doi.org/10.1093/rfs/hhs131
- Graham, J., J. Grennan, C. Harvey, and S. Rajgopal, 2021, "Corporate Culture: Evidence from the Field" Working paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2805602
- Grennan, J., 2021, "A Corporate Culture Channel: How Increased Shareholder Governance Reduces Firm Value" https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2345384
- Shue, K., and Townsend, R., 2017, "How Do Quasi-Random Option Grants Affect CEO Risk-Taking?" *Journal of Finance* 72, 2551-2588. https://doi.org/10.1111/jofi.12545

- Sandvik, J., R. Saouma, N. Seegert, and C. Stanton, 2020, "Workplace Knowledge Flows," *Quarterly Journal of Economics* 135, 1635–1680. https://doi.org/10.1093/qje/qjaa013

Additional Readings

Behavioral Corporate Finance

- Baker, M., and J. Wurgler, 2013, "Chapter 5 - Behavioral Corporate Finance: An Updated Survey" *Handbook of the Economics of Finance* 2A, 357-424. https://doi.org/10.1016/B978-0-44-453594-8.00005-7

Corporate Culture and Social Capital

- Ahern, K., and D. Daminelli, and C. Fracassi, 2015, "Lost in Translation? The Effect of Cultural Values on Mergers Around the World." *Journal of Financial Economics* 117, 165-189. https://doi.org/10.1016/j.jfineco.2012.08.006
- Gorton, G., and A. Zentefis, 2020, "Corporate Culture as a Theory of the Firm." Working Paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3617705
- Guiso, L, Sapienza, P., and L. Zingales, "The Value of Corporate Culture" *Journal of Financial Economics* 117, 60-76. https://doi.org/10.1016/j.jfineco.2014.05.010
- Lins, K., H. Servaes, and A. Tamayo, 2017, "Social Capital, Trust, and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis" *Journal of Finance* 72, 1785-1824. https://doi.org/10.1111/jofi.12505

Executives and Managers

- Ben-David, I., J. Graham, C. Harvey, 2013, Managerial Miscalibration, *Quarterly Journal of Economics* 128, 1547-1584, https://doi.org/10.1093/qje/qjt023
- Bertrand, M. and Schoar, A., 2003, "Managing with Style: The Effect of Managers on Corporate Policy," *Quarterly Journal of Economics* 118, 1169-1208. https://doi.org/10.1162/003355303322552775
- Bloom, Nicholas, and John Van Reenen. 2010. "Why Do Management Practices Differ across Firms and Countries?" *Journal of Economic Perspectives* 24, 203-24.
- Lazear, E., K. Shaw, and C. Stanton, 2015, The Value of Bosses*, Journal of Labor Economics* 33:4, 823-861 https://www.journals.uchicago.edu/doi/abs/10.1086/681097
- Malmendier, U., and G. Tate, 2009, "Superstar CEOs," *Quarterly Journal of Economics* 124, 1593–1638, https://doi.org/10.1162/qjec.2009.124.4.1593

Inside the Corporation

- Akerlof, G., and R. Kranton. 2005. "Identity and the Economics of Organizations." *Journal of Economic Perspectives* 19, 9-32. https://pubs.aeaweb.org/doi/pdfplus/10.1257/0895330053147930
- Deming, D., 2017, "The Growing Importance of Social Skills in the Labor Market," Quarterly Journal of Economics 132, 1593–1640. https://doi.org/10.1093/qje/qjx022

- Hoffman, M., and S. Tadelis, 2021, "People Management Skills, Employee Attrition, and Manager Rewards: An Empirical Analysis," *Journal of Political Economy*, forthcoming. https://doi.org/10.1086/711409
- Lazear E., and K. Shaw, 2007, "Personnel Economics: The Economist's View of Human Resources," *Journal of Economic Perspectives* 21, 91–114.
- Li, D., L. Raymond, P. Bergman, 2021, "Hiring as Exploration," https://danielle-li.github.io/assets/docs/HiringAsExploration.pdf

Network and Peer Effects

- Barrot, J., and J. Sauvagnat, 2016, "Input specificity and the Propagation of Idiosyncratic Shocks in Production Networks." *Quarterly Journal of Economics* 131, 1543–1592. https://doi.org/10.1093/qje/qjw018
- Graham, B., 2015, "Methods of Identification in Social Networks," *Annual Review of Economics* 7, 465-485. https://doi.org/10.1146/annurev-economics-080614-115611
- Grennan, J., 2019, "Dividend Payments as a Response to Peer Influence." *Journal of Financial Economics* 131, 549-570. https://doi.org/10.1016/j.jfineco.2018.01.012
- Manski, C., Identification of Endogenous Social Effects: The Reflection Problem," *The Review of Economic Studies*, Volume 60, Issue 3, July 1993, Pages 531–542, https://doi.org/10.2307/2298123
- Shue, K., 2013, "Executive Networks and Firm Policies: Evidence from the Random Assignment of MBA Peers," *Review of Financial Studies* 26, 1401–1442, https://doi.org/10.1093/rfs/hht019

Lecture #8

Topics: Recent Advances in Applied Econometrics (AI, Big Data, ML, NLP)

Key concepts: In this session, we will examine how research can be augmented and improved with the use of advances in AI, big data, ML, and NLP. The focus will be broad and explorative of what is out there and help you think of ways to improve your research project rather than on the details of implementing specific approaches.

Required Readings:

- Athey, S., and G. Imbens, 2019, "Machine Learning Methods That Economists Should Know About." *Annual Review of Economics* 11, 685-725 https://doi.org/10.1146/annurev-economics-080217-053433
- Loughran, T., and B. McDonald, 2016, "Textual Analysis in Accounting and Finance: A Survey" *Journal of Accounting Research* 54, 1187-1230. https://doi.org/10.1111/1475-679X.12123
- Sendhil, M., and J. Spiess. 2017. "Machine Learning: An Applied Econometric Approach." *Journal of Economic Perspectives* 31, 87-106. https://www.aeaweb.org/articles?id=10.1257/jep.31.2.87

Additional Readings:

New approaches to the classics (Diff-in-diff, IV, RDD)

- Andrews, I., J. Stock, and L. Sun, 2019, "Weak Instruments in IV Regression: Theory and Practice" *Annual Review of Economics*, 11, 727-753. https://doi.org/10.1146/annurev-economics-080218-025643
- Conley, T., C. Hansen , and P. Rossi, 2012, "Plausibly Exogenous," *Review of Economics and Statistics* 94, 260-272. https://doi.org/10.1162/REST_a_00139
- Eckles et al., 2020, "Noise-Induced Randomization in Regression Discontinuity Designs" https://arxiv.org/abs/2004.09458
- Freyaldenhoven, S., C. Hansen, and J.. Shapiro. 2019. "Pre-event Trends in the Panel Event-Study Design." *American Economic Review* 109, 3307-38. https://www.aeaweb.org/articles?id=10.1257/aer.20180609
- Goldsmith-Pinkham, P., I. Sorkin, and H. Swift. 2020. "Bartik Instruments: What, When, Why, and How." *American Economic Review* 110, 2586-2624. https://www.aeaweb.org/articles?id=10.1257/aer.20181047
- Lee, D., J. McCrary, M. Moreira, J.Porter, 2020, "Valid t-ratio Inference for IV" Working paper https://arxiv.org/pdf/2010.05058.pdf
- Jiang, W., 2017, "Have Instrumental Variables Brought Us Closer to the Truth?" *Review of Corporate Finance Studies* 6, 127-140. https://doi.org/10.1093/rcfs/cfx015
- Kippersluis, H., and C. Rietveld, 2018, "Beyond Plausibly Exogenous," *Econometrics Journal* 21, 316–331, https://doi.org/10.1111/ectj.12113

Standard Errors and Fixed Effects

- Abadie, Al, S. Athey, G. Imbens, and J. Wooldridge, 2017 "When Should You Adjust Standard Errors for Clustering?" https://arxiv.org/abs/1710.02926
- Gormley, T., D. Matsa, 2014, "Common Errors: How to (and Not to) Control for Unobserved Heterogeneity," *Review of Financial Studies* 27, 617–661, https://doi.org/10.1093/rfs/hht047
- Petersen, M., 2009, "Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches," *Review of Financial Studies* 22, 435–480, https://doi.org/10.1093/rfs/hhn053

AI, Big Data, ML, NLP Applications

- Cong et al., 2020, "AlphaPortfolio: Direct Construction through Reinforcement Learning and Economically Interpretable AI." Working paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3554486
- Gentzkow, Matthew, Bryan T. Kelly, and Matt Taddy. Text as data. NBER Working Paper No. w23276. https://www.nber.org/papers/w23276
- Loughran, T, B. McDonald, 2011, "When Is a Liability Not a Liability? Textual Analysis, Dictionaries, and 10-Ks" Journal of Finance 66, 35-65 https://doi.org/10.1111/j.1540-6261.2010.01625.x

Lecture #9

Topics: Private Equity

Key concepts: In this session, we will discuss empirical studies of the private equity industry, considering both firms and transactions. We will consider issues of measurement and estimation as well as some of the contractual issues unique to the private equity industry.

Required Readings:

- Harris, R., T. Jenkinson and S. Kaplan, 2014. "Private Equity Performance: What do we know?" *Journal of Finance* 69, 1851-1882. https://doi.org/10.1111/jofi.12154
- Kaplan, S. and A. Schoar, 2005. "Private equity performance: returns, persistence and cash flows" *Journal of Finance* 60. https://doi.org/10.1111/j.1540-6261.2005.00780.x
- Metrick, A. and A. Yasuda, 2007. "The Economics of Private Equity Funds," *Review of Financial Studies* 23, 2303-2341. https://doi.org/10.1093/rfs/hhq020
- Robinson, D. and B. Sensoy, 2016. "Cyclicality, Performance Measurement, and Cash Flow Liquidity in Private Equity" *Journal of Financial Economics* 122, 521-543. https://doi.org/10.1016/j.jfineco.2016.09.008

Additional Readings

Estimation issues

- Joost, D., T. Lin, and L. Phalippou, 2012, "A New Method to Estimate Risk and Return of Non-traded assets from Cash Flows: The Case of Private Equity Funds," *Journal of Financial and Quantitative Analysis* 5: 511-535. https://doi.org/10.1017/S0022109012000221
- Korteweg, A. and M. Sorensen, 2010, "Risk and Return Characteristics of Venture Capital-Backed Entrepreneurial Companies," *Review of Financial Studies* 23, 3738-3772. https://doi.org/10.1093/rfs/hhq050
- Robinson, D., B. Sensoy, 2013, "Do Private Equity Fund Managers Earn Their Fees? Compensation, Ownership, and Cash Flow Performance," *Review of Financial Studies* 26, 2760–2797, https://doi.org/10.1093/rfs/hht055

Assessing Performance

- Lopez-di-Silanes, F., O. Gottschalg and L. Phalippou, 2013. "Giants at the Gate: Investment Returns and Diseconomies of Scale in Private Equity," *Journal of Financial and Quantitative Analysis*. https://doi.org/10.1017/S0022109015000113
- Phalippou, L. and O. Gottschalg, 2009. "The Performance of Private Equity Funds." *Review of Financial Studies*, 22, 1747-1776. http://hdl.handle.net/10.1093/rfs/hhn014

Contractual Issues and Compensation

- Robinson, D. and B. Sensoy, 2013. "Do Private Equity Managers Earn their Fees? Compensation, Ownership and Cash Flow Performance," *Review of Financial Studies*, November 2013, Vol. 26(11), 2760-2797.
- Geczy, C., Jeffers, J., Musto, D., and A. Tucker, 2021, Contracts with (Social) Benefits: The Implementation of Impact Investing, forthcoming *Journal of Financial Economics* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3159731
- Gompers, P., and J. Lerner, 1999. "An Analysis of Compensation in the U.S. Venture Capital Partnership." *Journal of Financial Economics* 51, 3-44. https://doi.org/10.1016/S0304-405X(98)00042-7

Other Issues

- Gupta, A., S. Howell, C. Yannelis, and A. Gupta, 2021, "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes" *Working paper*.
- Lerner, J., A. Schoar and W. Wongsunwai, 2007. "Smart Institutions, Foolish Choices: The Limited Partner Performance Puzzle." *Journal of Finance* 62. http://www.blackwell-synergy.com/doi/abs/10.1111/j.1540-6261.2007.01222.x
- Kaplan, S., and P. Stromberg. 2009. "Leveraged Buyouts and Private Equity." *Journal of Economic Perspectives* 23, 121–46. https://www.aeaweb.org/articles?id=10.1257/jep.23.1.121
- Stromberg, P., 2008. "The New Demography of Private Equity" sifr.org/pdfs/stromberg(demography2008).pdf

Lecture #10

Topics: Entrepreneurship

Key concepts: This class covers the empirics of entrepreneurial venture creation and considers the determinants of entrepreneurship associated with household behavior, financing constraints, and risk perceptions.

Required Readings:

- Hurst, E. and B. Pugsley, 2011, "What Do Small Businesses Do?" *Brookings Papers on Economic Activity*. https://www.brookings.edu/wp-content/uploads/2011/09/2011b_bpea_hurst.pdf
- Hurst, E. and A. Lusardi, 2004, "Liquidity Constraints, Household Wealth, and Entrepreneurship." *Journal of Political Economy* 112. https://doi.org/10.1086/381478

Additional Readings:

- Evans, D. and B. Jovanovic, 1989. "An Estimated Model of Entrepreneurial Choice Under Liquidity Constraints", *Journal of Political Economy* 97, 808-827. https://doi.org/10.1086/261629

- Moskowitz, Toby and A. Vissing-Jorgensen (2002) “The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle?” *American Economic Review* 94, 745-78. https://www.aeaweb.org/articles?id=10.1257/000282802603444452
- Howell, S., 2017, "Financing Innovation: Evidence from R&D Grants," *American Economic Review* 107, 1136-64. https://www.aeaweb.org/articles?id=10.1257/aer.20150808
- Kaplan, S., and P. Strömberg, 2003, “Financial Contracting Theory Meets the Real World: Evidence from Venture Capital Contracts,” *Review of Economic Studies* 70, 281–315. https://doi.org/10.1111/1467-937X.00245
- Lerner, J., and U. Malmendier. 2013. "With a Little Help from My (Random) Friends: Success and Failure in Post-Business School Entrepreneurship." *Review of Financial Studies* 26, 2411–2452. https://doi.org/10.1093/rfs/hht024

Lecture #11

Topics: Banking

Required Readings

- Drucker, S., and M. Puri, 2007, "Banks in Capital Markets" *Handbook in Empirical Corporate Finance*, 189-232.
- Petersen, M., and R. Rajan, 1994, “The Benefits of Lender Relationships: Evidence from Small Business Data,” *Journal of Finance* 49, 3-37.

Additional Readings:

- Berger, A., and G. Udell. 1995. "Relationship Lending and Lines of Credit in Small Firm Finance." *Journal of Business*, 68, 351-381.
- Diamond, D. 1991. "Monitoring and Reputation: The Choice Between Bank Loans and Directly Placed Debt." *Journal of Political Economy*, 99, 689-721.
- Drucker, S., and M. Puri, “On the Benefits of Concurrent Lending and Underwriting,” Journal of Finance, 2005, 60(6), 2763-2800.
- Fama, E. 1985. "What's Different About Banks?" *Journal of Monetary Economics*, 15, 29-39.
- Hellmann, T., L. Lindsey, and M. Puri “Building Relationships Early: Banks in Venture Capital,” *Review of Financial Studies*, 2008, 21(2), 513-541.
- Iyer, R. and M. Puri, 2012, “Understanding Bank Runs: The Importance of Depositor-Bank Relationships and Networks,” *American Economic Review*.
- Mehran, H. and R. Stulz, 2007, "The Economics of Conflicts of Interests in Financial Institutions," *Journal of Financial Economics* 85, 267-296.
- Puri, M., J. Rocholl and S. Steffen, 2011, “Global Retail Lending in the Aftermath of the U.S. Financial Crisis: Distinguishing Between Supply and Demand Effects,” *Journal of Financial Economics* 100, 556-578.