B9329-001: Empirical Corporate Finance (PhD)
Fall 2018

Syllabus

Instructor: Professor Xavier Giroud

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Office: Uris 806

Class time: Thursdays, 8:00am – 11:15am
Location: Uris 329

1. Course Description

This course provides an introduction to empirical research in corporate finance, with an emphasis on the application of cross-sectional and panel data econometric techniques for causal inference. The objective of this course is threefold:

- First, this course will provide participants with a toolbox and working knowledge of the empirical methods used in corporate finance. This is an applied course, not a theory course. Accordingly, I will teach you how to use each tool properly, not how to derive its asymptotic properties.

- Second, participants will become familiar with the literature in empirical corporate finance. The goal is to provide broad (but not comprehensive) coverage of the literature, identify recurrent themes, and outline potential areas of future research.

- Third, participants will learn to become sophisticated consumers and eventually producers of state-of-the-art empirical research in corporate finance that applies cross-sectional and panel data econometric techniques.
2. Course Structure

The course is structured in two parts. The first part (classes 2-4) will focus on the empirical methods used in corporate finance research—with an emphasis on i) instrumental variables (IV), ii) difference-in-differences (DID), and iii) regression discontinuity designs (RDD)—and illustrate these methods with examples from the corporate governance literature.

In the second part (classes 5-9), we will discuss the recent literature in several areas of corporate finance, building on the knowledge from the first part.

3. Course Requirements

Your grade for the course will consist of four components:

- Replication assignment (25%)
- In-class presentation (25%)
- Final exam (40%)
- Class participation (10%)

**Replication assignment.** Participants will replicate the results of an existing paper. You will be asked to download the necessary data, and conduct the econometric analysis to achieve similar results to the ones in the paper. The objective of this assignment is to learn how to use the tools covered in the first part of the course—it is one thing to learn about difference-in-differences estimation, yet it is another thing to actually estimate one. More details on this assignment will be posted on the course website.

**In-class presentation.** Each participant will present an academic article from the reading list. The purpose of this assignment is twofold: i) presentations are one key way people in academia will get to know (and assess) you, so it is a good idea to get some practice now; ii) this will help you better understand and think critically about the empirical tools discussed in the first part of the course.

**Final exam.** The final exam will be administered in the final class.

**Class participation.** Several academic articles will be assigned as “required readings.” Participants are expected to read these articles before class and be ready to contribute to the corresponding class discussion.
4. Course Outline and Reading List

This course is based on academic articles. Required readings are marked with a #. Note that I have assigned several of my own papers. This will allow me to share insights into i) the “making” of a paper (from the first draft to the published version) and ii) the reviewing process.

In addition, we will use the following two econometric references (the relevant chapters pertaining to each class are indicated in the reading list):


Class 1: Introduction to empirical corporate finance

Readings:

- Angrist and Pischke, Chapters 1 and 2.
- Roberts and Whited, Chapters 1 and 2.

Class 2: Corporate governance I

Method: Difference-in-differences (DID)

Readings:

Econometrics:

- Angrist and Pischke, Chapter 5.
- Roberts and Whited, Chapter 4.

**Class 3: Corporate governance (II)**

**Method: Regression Discontinuity Design (RDD)**

Readings:


Econometrics:

- Angrist and Pischke, Chapter 6.
- Roberts and Whited, Chapter 5.

**Class 4: Corporate governance (III)**

**Method: Instrumental variables**

Readings:

- # Bennedsen, Morten, Kasper M. Nielsen, Francisco Perez-Gonzalez, and Daniel Wolfenzon (2007), Inside the family firm: The role of families in succession decisions and performance.


Econometrics:

- Angrist and Pischke, Chapter 4.
- Roberts and Whited, Chapter 3.

**Class 5: Investment and internal capital markets**

Readings:


**Class 6: Labor and finance**

Readings:


**Class 7: The financial crisis (I)**

Readings:

**Class 8: The financial crisis (II) / Networks and corporate finance**

Readings:

*The financial crisis (II)*

*Networks and corporate finance*

Class 9: Private equity and venture capital / Taxation and corporate finance

Readings:

Private equity and venture capital


Taxation and corporate finance


5. Course schedule

<table>
<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Thursday Sep 6, 2018</td>
<td>Introduction to empirical corporate finance</td>
</tr>
<tr>
<td>2</td>
<td>Thursday Sep 13, 2018</td>
<td>Corporate governance (I) Method: Difference-in-differences (DID)</td>
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<tr>
<td>3</td>
<td>Thursday Sep 27, 2018</td>
<td>Corporate governance (II) Method: Regression discontinuity design (RDD)</td>
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<td>4</td>
<td>Thursday Oct 4, 2018</td>
<td>Corporate governance (III) Method: Instrumental variables</td>
</tr>
<tr>
<td>5</td>
<td>Thursday Oct 11, 2018</td>
<td>Investment and internal capital markets</td>
</tr>
<tr>
<td>6</td>
<td>Thursday Oct 25, 2018</td>
<td>Labor and finance</td>
</tr>
<tr>
<td>7</td>
<td>Thursday Nov 8, 2018</td>
<td>The financial crisis (I)</td>
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<tr>
<td>8</td>
<td>Thursday Nov 15, 2018</td>
<td>The financial crisis (II) / Networks</td>
</tr>
<tr>
<td>9</td>
<td>Thursday Nov 29, 2018</td>
<td>Private equity and venture capital / Taxation</td>
</tr>
<tr>
<td>10</td>
<td>Thursday Dec 6, 2018</td>
<td>Final exam</td>
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