Contact Details:
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Class Overview:
This course provides a comprehensive overview of the methods used by empirical corporate finance researchers. Our goal is to familiarize you with existing and new techniques to produce research in empirical corporate finance. The A term course will be organized around methods. The B term course will be organized around topics. We aim to provide an overview of the empirical research in most major corporate finance topics including: financial constraints and investment; corporate governance; finance and development; financial crises; capital structure and financial contracting; among others. The course is designed for Ph.D. students interested in corporate finance. It will be based on academic articles in finance and economics.

Course Requirements and Grading:
Course requirements for A term include: (1) regular attendance, participation, and preparing reading responses for class [20%], (2) research prospectus [10%] (3) referee report [30%], and (4) a midterm, which is an exercise in analysis and replication of a recent corporate finance paper [40%].
Course requirements for B term include: (1) regular attendance, participation, and preparing reading responses for class [20%], (2) homework assignments [20%] (3) referee report [20%], and (4) a final research project [40%].

Research Project:
At the end of the semester, the final deliverable will be an extended abstract for an original research project. You will be expected to propose a feasible empirical corporate finance research project including a research question and hypothesis, motivation section, and literature review. The extended abstract should draw upon the tools covered in class and include a detailed description of the econometric techniques required to answer the proposed question. You will also be required to work with some data to provide summary statistics. Your final
write-up should include a plan for how to obtain the full data required to carry out the full study. Students will present their projects in the last class session.

Text Books and Resources:

There are two relevant textbooks:

  (This book is required reading. We will cover most of the book during the first several lectures.)
  (This book will be used for select topics and is a recommended reference)

The following survey paper is an essential guide for the corporate finance empiricist:


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A TERM: EMPIRICAL METHODS

Lecture 1 - Introduction

Inference Problem in Corporate Finance; Course Content; Agnostic Regression; Basics of Causal Regressions; Applications; Financial Constraints and Investment

References


Lecture 2 - Causal Regressions: Differences-in-Differences

Basics Difference-In-Differences; General Framework; Checking Internal Validity; Application: Anti-takeover Laws

References


Lecture 3 - Causal Regressions: Discontinuities and Event Studies
+ Guest Speaker (Johannes Stroebel, NYU)

Regression Discontinuity Design in Corporate Finance; Event Studies

References


Lecture 4 - Instrumental Variables

Two-stage Least Squares; Finding an Instrumental Variable; Application; Investment-Cash Flow Sensitivity; Wald Estimator

References


**Lecture 5 - Constructing a Paper and Matching Methods**

+ **Guest Speaker (Daniel Wolfenzon, Columbia)**

Personal experience and advice on constructing a paper. Matching.

**References**


**Lecture 6 - Constructing a Paper and Randomized Controlled Trials**

Personal experience and advice on constructing a paper. Randomized Controlled Trials (RCTs).

**References**

B TERM: APPLICATIONS

Lecture 7 - Applications: Finance, Growth, and Development

References


Lecture 8 - Applications: Financial Crisis

References


**Lecture 9 - Peer Effects Estimation + Externalities**  
+ Guest Speaker (Andres Liberman, NYU)

References


**Lecture 10 - Applications: Financial Contracting and CEOs**

References

Lecture 11 - Corporate Governance and Capital Structure

References


Lecture 12 - Student Presentations

Students present their research proposals