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| **PGR Course unit outline 2020/21** | | |
| **Unit code:** | **BMAN80711** | |
| **Title:** | **Empirical Corporate Finance** | |
| **Credit value:** | **15** | |
| **Semester:** | **2** | |
| **Course Coordinator**  **contact details:** | Prof. Murillo Campello | |
| **Other staff involved contact details:** | coordinator on campus Prof. Maria Marchica (AMBS 4.029, [maria.marchica@manchester.a.cuk](mailto:maria.marchica@manchester.a.cuk) ) | |
| **Pre-requisites**  **Co-requisites**  **Dependent course units**  **Restrictions** | This course is compulsory for all Finance and MBAR students. It is optional for Qualitative Accounting students. | |
| **Course unit overview** | | |
| This is a thorough PhD level class covering modern empirical work. | | |
| **Aims** | | |
| The course is designed to help students understand how to operationalize empirical research on topics that are central to corporate finance. The overarching goal is to expose students to “state-of-the-art” empirical research methods and prepare them to conduct their own work using new tools. All students with an interest in finance, economics, accounting, human resources, and related disciplines are welcome to take it.  In particular, this course is compulsory for all first year Finance and MBAR/Quantitative students. | | |
| **Objectives (Learning outcomes)** | | |
| On completion of this unit successful students will be able to operationalize empirical research on topics that are central to corporate finance, and more broadly, to apply “state-of-the-art” empirical research methods to their own studies that relate not only to corporate finance, but also to finance, accounting, and economics. | | |
| **Syllabus content** | | |
| The course will cover:  - Endogeneity and Basic Identification Strategies  - Difference Estimators  - LATE and Regression Discontinuity Design  - Matching Estimators | | |
| **Methods of delivery** | | |
| **Lectures** | | The course will take place in the third week of May. There will be three sessions of two hours and half each from Monday to Wednesday and one session of one hour and half on Thursday.  9  Attendance is compulsory in all lectures and will be monitored every day. |
| **Seminar/Tutorial/Workshop/Lab Hours** | |  |
| **Independent Study** | | 141 |
| **Total Study Hours** | | 150 |
| **Reading List** | | |
| There is no required textbook. Readings will be based on articles. Reading assignments will follow the sequence provided below. Papers anteceded by an asterisk (\*) are strongly recommended and covered during lectures. **Preparation before each class is absolutely required and so an active interaction during the classes**.  The readings are all available for free on the web (e.g., from JSTOR, SSRN, the journal’s website, or authors’ websites). Students themselves should locate listed articles.  **LIST OF TOPICS AND READING MATERIALS**  **Endogeneity, Basic Identification, and Difference Estimators: Lecture Notes I & II**  Ahern, K and A. Dittmar, 2012, “The Changing of the Boards: The Impact of Firm Valuation of Mandated Female Board Representation?” *Quarterly Journal of Economics* 125, 137-197.  (\*) Almeida, H. and M. Campello, 2007, “Financial Constraints, Asset Tangibility, and Corporate Investment,” *Review of Financial Studies* 20, 1429-1460.  (\*) Bertrand, M., E. Duflo, and S. Mullainathan, 2004, “How Much Should We Trust Differences-in-Differences Estimates?” *Quarterly Journal of Economics* 119*,* 249-275.  (\*) Bertrand, M. and S. Mullainathan, 2003, “Enjoying the Quiet Life? Corporate Governance and Managerial Preferences,” *Journal of Political Economy* 94, 991-1113.  Bertrand, M. and S. Mullainathan, 2004, “Are Emily and Greg More Employable that Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *American Economic Review* 94, 991-1013.  Bernstein, S., A. Kortweg, and K. Laws, 2015, “Attracting Early Stage Investors: Evidence from a Randomized Field Experiment,” *Journal of Finance*, forthcoming.  Besley, T. and A. Case, 2000, “Unnatural Experiments? Estimating the Incidence of Endogenous Policies,” *Economic Journal* 110, 672-694.  (\*) Blanchard, O., F. Lopez-de-Silanes, and A. Shleifer, 1994, “What do Firms do with Cash Windfalls?” *Journal of Financial Economics* 36, 337-360.  (\*) Butler, A. and J. Cornaggia, 2011, “Does Access to External Finance Improve Productivity? Evidence from a Natural Experiment,” *Journal of Financial Economics* 99, 184-203.  (\*) Campello, M. and J. Graham, 2013, “Do Stock Prices Influence Corporate Decisions? Evidence from the Technology Bubble,” *Journal of Financial Economics*, 107, 89-110.  (\*) Campello, M. and E. Giambona, 2013, “Real Assets and Capital Structure,” *Journal of Financial and Quantitative Analysis* 48, 1333-1370.  Grullon, G., S. Michenaud, and J. Weston, 2015, “The Real Effects of Short Selling Constraints,” *Review of Financial Studies* 28, 1737-1767.  Imbens, G., 2004, “Nonparametric Estimation of Average Treatment Effects under Exogeneity: A Review,’’ *Review of Economics and Statistics* 86, 4-29.  (\*) Jayaratne, J. and P. Strahan, 1996, “The Finance-Growth Nexus: Evidence from Bank Branch Deregulation,” *Quarterly Journal of Economics* 111, 639-670.  (\*) LaPorta, R, F. Lopez-De-Silanes, A. Shleifer, R. Vishny, 1997, “Legal Determinants of External Finance,” *Journal of Finance* 52, 1131-1150.  Rosenzweig, M. and K. Wolpin, 2000, “Natural `Natural Experiments' in Economics,” *Journal of Economic Literature* 38, 827-874.  (\*) Tang, T., 2009, “Information Asymmetry and Firms’ Credit Market Access: Evidence from Moody’s Credit Rating Format Refinement,’’ *Journal of Financial Economics* 93, 325-351.  **Empirical Methods (LATE, RDD & ME): Lecture Notes III, IV & V**  Abadie, A., D. Drukker, J. Herr, and G. Imbens, 2004, “Implementing matching estimators for average treatment effects in Stata,” *Stata Journal* 4, 290-311.  (\*) Almeida, H., M. Campello, B. Laranjeira, and S. Weisbenner, 2011, “Corporate Debt Maturity and the Real Effects of the 2007 Credit Crisis,” *Critical Finance Review* 1, 3-58.  (\*) Angrist, J., 1990, “Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administrative Records,” *American Economic Review* 80, 313-336.  Angrist, J. and A. Krueger, 2001, “Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments,’’ *Journal of Economic Perspectives* 15, 69-85.  Angrist, J. and V. Lavy, 1999, “Using Maimonides’ Rule To Estimate The Effect Of Class Size On Scholastic Achievement,” *Quarterly Journal of Economics* 114, 533-575  Bakke, T. and T. Whited, 2012, “Threshold Events and Identification: A Study of Cash Shortfalls,” *Journal of Finance* 61*,* 1113-1148.  (\*) Bennedsen, M., K. Nielsen, F. Pérez-González, and D. Wolfenzon, 2007, “Inside the Family Firm: The Role of Families in Succession Decisions and Performance,” *Quarterly Journal of Economics* 122, 647- 691.  (\*) Campello, M., J. Graham, and C. Harvey, 2010, “The Real Effects of Financial Constraints: Evidence from a Financial Crisis,” *Journal of Financial Economics* 97, 470-487.  Chava, S. and A. Purnanandam, 2011, “The Effect of Banking Crisis on Bank-Dependent Borrowers,” *Journal of Financial Economics* 99, 116-135.  (\*) Chernenko, S. and A. Sunderam, 2011, “The Real Consequences of Market Segmentation,” *Review of Financial Studies* 25, 2041-207.  (\*) Chava, S. and M. Roberts, 2008, “How does Financing Impact Investment? The Role of Debt Covenants,” *Journal of Finance* 63, 2085-2121  (\*) Cunat, V, M. Gine, and M. Guadalupe, 2012, “The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value,” *Journal of Finance* 67, 1943-1977.  Dehejia, R. and S. Wahba, 1999, “Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs,” *JASA* 94, 1053-1062.  (\*) DiNardo, J. and D. Lee, 2004, “Economic Impacts of New Unionization on Private Sector Employers: 1984-2001,” *Quarterly Journal of Economics* 119, 1383-1442.  Hahn, J, P., Todd, and W. van der Klaauw, 2001, “Identification and Estimation of Treatment Effects with a Regression-Discontinuity Design,” *Econometrica* 69, 201-209.  (\*) Iliev, P., 2010, “The Effect of SOX Section 404: Costs, Earnings Quality, and Stock Prices,” *Journal of Finance* 65, 1163-1196.  Imbens, G. and T. Lemieux, 2008, “Regression Discontinuity Designs: A Guide to Practice,” *Journal of Econometrics* 142, 615-635.  Lee, D. and T. Lemieux, 2010, “Regression Discontinuity Designs in Economics,” *Journal of Economic Literature* 48, 281-355.  (\*) Lee, D., 2008, “Randomized Experiments from Non-Random Selection in U.S. House Elections,” *Journal of Econometrics* 142, 675-697.  (\*) Malmendier, U. and G. Tate, 2009, “Superstar CEOs,” *Quarterly Journal of Economics* 124, 1593-1638*.*  (\*) Popdadak, J., 2014, “A Corporate Culture Channel: How Increased Shareholder Governance Reduces Firm Value,” Working Paper, Duke University  (\*) Rauh, J., 2006, “Investment and Financing Constraints: Evidence from the Funding of Corporate Pension Plans.” *Journal of Finance* 61*,* 33-71.  Rosembaum, P. and D. Rubin, 1983, “The Central Role of the Propensity Score in Observational Studies for Causal Effects,” *Biometrika* 70, 41-55.  Van der Klaauw, W., 2008, “Regression-Discontinuity Analysis: A Survey of Recent Developments in Economics,” *LABOUR* 22, 219-245. | | |
| **Assessment** | | |

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| **Mode of Assessment** | **Length required** | **Weighting within unit** |
| Students will prepare one term paper based on the ideas and techniques discussed in the course. Additional details about the grading administration will be provided by Prof. Maria Marchica and available in Blackboard. | 2,000 | 100% |
| **Resits**:  One term paper based on the ideas and techniques discussed in the course. | 2,000 | 100% |

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| **Feedback methods** |
| Feedback will be provided by student’s supervisors along with the final mark on the assessment.  Students may provide feedback on this course by writing an email to Prof. Maria Marchica. |