FINA 866- Empirical Corporate Finance
Spring 2018

Instructor: Yongqiang Chu  Time: T 9:00 – 11:30
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Course Pages:
1. http://blackboard.sc.edu
2. http://sites.google.com/site/yongqiangchu

Office Hours: Catch me whenever you can

Main References:
- Michael Roberts and Toni Whited, *Endogeneity in Corporate Finance*

Objectives: This course seeks to achieve four equally important goals. First, it is intended to expose students to key papers in the latest empirical corporate finance literature. The focus of the course is on empirical work and econometrics, but some theory will be reviewed. Second, the course is designed to strengthen students' ability to dissect, digest, and critique academic research. Third, the course is intended to introduce students to a variety of cross-sectional econometric techniques that have belatedly made their way into the empirical corporate finance literature. Finally, it gives students an opportunity to improve their presentation skills through repeated practice and constructive feedback. Each of these skills plays a crucial role in a successful academic career.

Course Requirements
- Presentations
  Each student will be responsible for paper presentations in class, which should last about 20 minutes. Students are expected to use Powerpoint or similar presentation software (e.g. Beamer) for their presentations. Presenters should also email me their presentation slides. Students who are not presenting anything on a presentation day should write a maximum one-page, double-spaced critique of one of the papers assigned for that day, highlighting the biggest flaw or flaws in the analysis. These will be collected at the start of the class.

- Participation
  Papers not listed for presentations and discussions will be taught by me. You are expected to read these papers as well as the papers scheduled for presentations before coming to class. To make this class work, everyone has to work through every assigned reading before class. Registered Students: The first time I discover you did not work through an assigned paper, I will issue you a warning. The second time, and every time thereafter, that I discover you did not work through an assigned paper before class, I will deduct one third of a grade from your final grade. Auditing students: The first time I discover you did not work through the assigned papers, I will issue you a warning. The second time, I will withdraw your auditing privilege.
• Homework

I may assign several homeworks throughout the semester. Some of these homeworks will require you to work on real data and implement the methods learned in class.

• Final Paper

The final paper is designed to guide students through the research process. Students are to conduct an empirical study (meaning it involves working with data) either alone or with a partner (no groups of three!!). You may use any software with which you are familiar, except Eviews or any other point-and-click based package. I prefer that you use Matlab, SAS, Fortran, or Stata. You may use other softwares, however, I may not be able to help you as I may not be familiar with those softwares. Students are encouraged to read ahead when generating ideas for the paper. The paper should be an extension or critique of one of the papers on the reading list. Warning: Please be aware that empirical research can be very time consuming and often takes much longer than expected. When choosing a topic, keep the time frame in mind and to try not to over-reach. (Students are not expected to submit publishable papers!) The final paper will have two components:

1. A five-page (double-spaced) written proposal, due at the end of the sixth week of class. The proposal should include: A cover page with the title of the proposed project and the student(s)’ name(s) and contact information (not included in the 5-page limit). A discussion of the research objectives and a literature review placing the study in context. This section should convey to the reader why the study is interesting and important. A discussion of the anticipated results will be helpful here. A clear and detailed description of the intended research methods and data. A list of references (not included in the 5-page limit). I strongly encourage students to discuss ideas with me (and with each other) before choosing a specific topic and writing up the formal proposal.

2. A polished, academic-style paper including:
   – a title page
   – an abstract
   – an introduction with motivation and intuition
   – a brief literature review (can be integrated into other parts of the paper)
   – a discussion of the data
   – methodology
   – empirical model
   – the results
   – a conclusion

The paper is due on the last day of class. Grades for the research project will be based on the quality of the written work. Clarity will be rewarded, and grammar counts, as do originality and quality of execution.

3. A 25 minute presentation of your work on the last day of class.

Tentative Course Outline:

• January 16, Setting the Stage
   – Chapters 1 and 2, MHE
   – Chapter 1, Wooldridge
   – Chapter 1, Hansen


* January 23, Regression Basics

– Chapter 3, MHE

– Chapters 2, 3, 4, Wooldridge

– Chapters 2, 3, 4, Hansen


* January 30, Regression Details

– Hansen, Chapter 14


• February 6, Instrumental Variables
  – MHE, Chapter 4
  – Hansen, Chapter 11
  – Wooldridge, Chapter 5
  – Roberts and Whited

• February 13, Difference-in-Differences
  – MHE, Chapter 5
  – Roberts and Whited
  – Chu, Y. Collateral, Ease of Repossession, and Leases: Evidence from Anti-Recharacterization Laws, Working Paper, University of South Carolina

• February 20, Regression Discontinuity Design
  – MHE, Chapter 6
  – Roberts and Whited
  – Keys, Benjamin, Ranmoy Mukherjee, Amit Seru, and Vikrant Vig, 2010, Did securitization lead to lax screening? Evidence from subprime loans, Quarterly Journal of Economics 125
• February 27, Classical Corporate Finance Theories


• March 6, Creditors

- Chu, Yongqiang "Shareholder-creditor conflict and payout policy: Evidence from Mergers between shareholders and lenders”, Forthcoming, Review of Financial Studies
- Chu, Yongqiang, 2017, Debt Renegotiation and Debt Overhang: Evidence from Lender Mergers. Working Paper, University of South Carolina

• March 20, Shareholders


• March 27, Competitors


**April 3, Suppliers and Customers**

- Chu, Yongqiang, Xuan Tian, and Wenyu Wang. (2017) "Learning from customers: Corporate innovation along the supply chain." Forthcoming, Management Science


**April 10, Labor and Employees**


**April 17, Student Presentation**

**April 24, Student Presentation**