

Summary of ChatGPT and Corporate Policies

working paper

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1) What are the research questions ?

- Can ChatGPT understand and extract corporate investment policy information from earnings conference calls?
- Does such information have further implications on asset prices and returns?

2) Why are the research questions interesting?

- Corporate policies are important, but not yet be fully incorporated into prices.
- Manager convey such info in earnings calls, which are hard to analyze extensively.
- ChatGPT is particularly well-suited for analyzing conference calls.

3) What is the paper's contribution?

- Contribute to literature on the investment-q relation.
 - Prior studies: weak empirical relation between Tobin's q and investment.
 - Extend: ChatGPT provides new information for corporate investment opportunities that complements Tobin's q.
- Contribute to literature on managerial and firm expectations.
 - Prior studies: Surveys help to obtain agents' beliefs and expectations.
 - Extend: Provide a new set of tools and data for researchers.
- Provides a step forward for textual analysis.
 - Prior studies: Utilized textual analysis to extract sentiment, political risk.....
 - Extend: ChatGPT extract information about future corporate policies.

4) What hypotheses are tested in the paper?

- Hypotheses
 - Survey Investment and ChatGPT Score are positively related.
 - ChatGPT Investment Score positively associated with corporate future investment, short-term returns, the change in analyst forecast, and negatively associated with long-term returns.
- The logic of hypotheses
 - ChatGPT score captures managerial forecasts about corporate policies.
 - ChatGPT Investment Score provides firms' growth opportunities info, which is beyond information in common variables.

5) Sample

- Public companies' conference call transcripts, which provide substantial soft information about corporate policies.

6) What difficulties arise in drawing inferences from the empirical work?

- If the info conveyed by different chunks is inconsistent, averaging them might let ChatGPT Investment Score does not accurately reflect corporate policies.

7) Describe at least one publishable and feasible extension of this research.

- Using ChatGPT to analyze conference calls sentiment(or ChatGPT Investment Score) to predict executive stock sales(a signal of future stock performance).