

<b>ESCOLA BRASILEIRA DE ADMINISTRAÇÃO PÚBLICA E DE EMPRESAS – EBAPE/FGV</b> <b>MSc &amp; PhD in Administration</b>
<b>Course: Advanced Corporate Finance</b>
<b>June 26 - July 14, 2023 – 30 hours</b>
<b>Professor: Murillo Campello, E-mail: campello@cornell.edu</b>
<b>Classes from 9:00 am to 12:00 am / Room PBL 009</b>
<b>Course term: 2<sup>nd</sup> Quarter 2023</b>

## **SYLLABUS**

<b>INTRODUCTION AND GOAL</b>
This is a MSc/PhD level class covering modern empirical work. Specifically, 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.
<b>TOPICS</b>
<ol style="list-style-type: none"> <li>1. Introduction</li> <li>2. Endogeneity</li> <li>3. D &amp; DID &amp; DIDID estimators</li> <li>4. Matching estimators</li> <li>5. IV &amp; LATE estimators</li> <li>6. RDD estimators</li> <li>7. Presentation of research</li> </ol>
<b>METHOD</b>
<ul style="list-style-type: none"> <li>• Lectures and in-class discussion</li> <li>• Homework assignments</li> <li>• Referee report</li> <li>• Paper presentation/discussion</li> </ul>
<b>LANGUAGE</b>
The course will be taught in English.
<b>ASSESSMENT</b>
<p>Students will be evaluated on a number of activities and will be graded according to standard practice used at FGV (A—D). There will be hands-on data home works, one referee report assignment, and one presentation/discussion of papers in circulation. I will describe these items in detail next.</p> <ul style="list-style-type: none"> <li>- Regular class participation: 20%</li> </ul> <p>All students are expected to have read prior to class all the papers scheduled for discussion that day.</p>

Students need to come to the classroom with their minds on the material being discussed. Just “showing up” for class **does not** count for class participation.

- Referee report, homework assignments, other tasks: 50%  
I will give specific guidelines regarding homework assignments during the course. These will be data-oriented, hands-on tasks. On the referee report, I am looking for the students to mature on the art of writing reports. The report will be on a paper that I have actually reviewed for a top journal, so the students can later compare their assessment with that which decided the fate of the paper at the journal. Referee reports are individual work, but other assignments may be done in pairs (fostering a sense of collaboration/co-authorship).
- Paper presentation/discussion in the “mini AFAs” (last day of classes): 30%  
One class will be dedicated to emulating an American Finance Association session-like setting where students will present and discuss papers as if they were professors at a research school. Papers will be chosen among the “hottest/newest” WPs in circulation. Some students will present (i.e., defend) the papers as if they were their own work, while others will discuss (i.e., critique) the papers. Presentations and discussions will be tightly timed and they will have to be professional. This is practice for the type of “ideas competition” you will see in the real world of academia. I put together list of working papers in circulation that have received attention (and fit the course’s theme) which I want you to consider for our presenting/discussing exercise. Each student should request to either present or discuss one paper in the list. Selection will be primarily made on a first-come/first-served basis, but I might fine-tune the assignment as I see fit. Your goal is to present yourself as a good presenter/debater of ideas. As I grade your performance, I’ll pay particular attention to items like the how comfortable you are with your presentation, the quality of your slides and how you “sync with” (go through) your slides, ability to make your point within the assigned time, seriousness/motivation of your performance, ability to criticize/refute others. You will be asked to choose one paper from a list later provided (after we have an account of the number of students in the course).

<b>A</b>	very good: pass with credit
<b>B</b>	good: pass with credit
<b>C</b>	satisfactory: pass with credit
<b>D</b>	fail: no credit

*Grade equivalence:*

- **A** – Very Good (10,0 to 9,10); **B** – Good (9,0 to 8,0); **C** – Regular (7,9 to 6,0); **D** – Insufficient (5,9 to 0)
- *Minimum attendance: 75%*

## CALENDAR

Class #1 (June 26)	Course Introduction / Assignment #1 due date / Empirical Methods I [Endogeneity]
Class #2 (June 27)	Empirical Methods II [D & DID Estimators]
Class #3 (June 29)	Empirical Methods II [DID & DIDID Estimators]
Class #4 (July 3)	Empirical Methods III [IV & LATE Estimators]
Class #5 (July 4)	Empirical Methods IV [Matching Estimators]
Class #6 (July 5)	In-Class Discussion and Preparation time for Assignment #2
Class #7 (July 7)	Empirical Methods V [RDD Estimators] / Assignment #2 due date
Class #8 (July 11)	Time for class Make Up
Class #9 (July 12)	Time for class Make Up / Preparation time for “Mini AFAs” and Referee Report
Class #10 (July 19)	<i>Via Zoom</i> Mini AFAs / Referee Report due on July 19

## READINGS

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.

### **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.

Amore, M. and M. Bennedsen, 2013, "The Value of Political Connections in a Low-Corruption Environment," *Journal of Financial Economics* 110, 387-402.

(\*) 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 than 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.

Card, D. and A. Krueger, 1994, "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review* 84, 772-793.

Currie, J., H. Kleven, and E. Zwiars, 2020, "Technology and Big Data Are Changing Economics: Mining Text to Track Methods," NBER WP 26715.

Grullon, G., S. Michenaud, and J. Weston, 2015, "The Real Effects of Short Selling Constraints," *Review of Financial Studies* 28, 1737-1767.

Heckman, J., Lalonde, R., Smith, J., 1999, Handbook of Labor Economics, Vol. 3, O. Ashenfelter, and D. Card, eds. Elsevier North-Holland, Amsterdam.

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.

(\*) Mullainathan, S. and J. Spiess, 2017, "Machine Learning: An Applied Econometric Approach," *Journal of Economic Perspectives* 31, 87-106.

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.

Trezevant, R., 1992, "Debt Financing and Tax Status: Tests of the Substitution Effect and the Tax Exhaustion Hypothesis Using Firms' Responses to the Economic Recovery Tax Act of 1981," *Journal of Finance* 47, 1557-1568.

Wooldridge, J. M., 2002, Econometric Analysis of Cross Section and Panel Data, MIT Press. Cambridge, Mass. (Chapters 6, 10, and 18.)

### **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.

Abadie, A. and G. Imbens, 2002, "Simple and Bias-Corrected Matching Estimators for Average Treatment Effects," Working Paper.

(\*) 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.

- Becker, S. and A. Ichino, 2002, "Estimation of Average Treatment Effects Based on Propensity Scores," *Stata Journal* 2, 358-377.
- (\*) 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. Gao, J. Qiu, and Y. Zhang, 2018, "Bankruptcy and The Cost of Organized Labor: Evidence from Union Elections," *Review of Financial Studies* 31, 980-1013.
- (\*) 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.
- (\*) Campello, M., T. Ladika, and R. Matta, 2019, "Renegotiation Frictions and Financial Distress Resolution: Evidence from CDS Spreads," forthcoming, *Review of Finance*.
- 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.
- Dehejia, R. and S. Wahba, 2002, "Propensity Score Matching Methods for Non-Experimental Causal Studies," *Review of Economics and Statistics* 84, 151-161.
- (\*) 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., 2004, "Nonparametric Estimation of Average Treatment Effects under Exogeneity: A Review," *Review of Economics and Statistics* 86, 4-29.
- (\*) 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.
- (\*) Popdada, 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.
- Welch, I., 2013, “A Critique of Recent Quantitative and Deep-Structure Modeling in Capital Structure Research and Beyond,” *Critical Finance Review* 2, 131-172.

#### **PROFESSOR’S SHORT BIO**

Professor Campello is an internationally recognized scholar of financial economics. Campello’s papers have dealt with issues such as the impact of market imperfections on companies, the limits of the firm, product markets, corporate capital structure, monetary policy transmission, financial crises, econometrics, and more. His work has been cited by prominent policy authorities such as the Federal Reserve chairman, mentioned in Congressional hearings, described in the “Economic Report of the President,” and used to advise the U.S. Supreme Court. His recent work on the financial crisis has been widely featured in the financial press (Financial Times, Reuters, The Wall Street Journal), books, and academic outlets. Campello has published extensively in leading finance journals and has served as an associate editor at The Review of Financial Studies, The Journal of Financial and Quantitative Analysis, The Journal of Corporate Finance, and The International Review of Finance. He is currently the Managing Editor of The Journal of Financial Intermediation. He received the bi-annual “Rising Star” award in 2010 and has been named “Distinguished Referee” by The Review of Financial Studies twice for his referee work on behalf of the journal. His papers were nominated twice for the distinguished Brattle Prize of the Journal of Finance, and received the Goldman Sachs Best Paper award by The Review of Finance. Professor Campello is a Research Associate of the National Bureau of Economic Research. He earned his PhD in finance from the University of Illinois in 2000, a MS in business administration from the Pontifical Catholic University of Rio de Janeiro in 1995, and a BS. in economics from the Federal University of Rio de Janeiro in 1991.