

Topics in Empirical Finance

This version: (First official draft)

Course instructors

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Room:

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Further instructors will be asked to join the course, and may do so based on availability and interest

Location

Campus Munich

Application and registration procedure

Goal and target audience

TUM doctoral students, especially in the area of finance and accounting with a focus on empirical research.

Application/Registration process

Up to 20 students will be admitted to the course. Please hand-in your application simply by email to Lisa.Knauer@tum.de.

Course aims

What this course is

In this course, students will learn about interesting research in the three areas of empirical corporate finance. The intention is to devote each meeting to a different topic by covering several related papers. The goal is to not only understand the results of the paper but also the methodology and the way how the paper arrived at the result. Both the instructor and the students will present research papers in the class, which will then be critically discussed. Thus, this course is highly interactive, so students are expected to actively participate in classes.

What this course is not

This course is not a general introduction to empirical corporate finance but focuses on several selected topics. The course is also not a lecture in which participants passively listen to what the instructor tells them, but active class participation is a key element.

Course objectives

Knowledge Objectives

- Learn about interesting research on selected topics of empirical corporate finance.
- Learn about methodologies and research designs that have been used by those papers.
- Learn about potential future research ideas.

Skills Objectives

- Learn to critically assess papers in the area of empirical corporate finance.
- Learn to present research papers.
- Learn to discuss and critically assess research ideas.

Learning Objectives

- Students should be able to identify relevant research topics in the area of corporate finance.
- Students should be able to apply state-of-the-art empirical methods in their research.
- Students should be able to identify the most appropriate empirical methods for the research questions at hand.

Preliminary schedule

This schedule is preliminary and may be adjusted to the number of participants and other factors.

The course consists of several parts:

- 1) Kickoff session (1x):
 - a. the instructor introduces the course to the participants and
 - b. the instructor quickly summarized the research papers that will be discussed.
 - c. Duration: about one hour
 - d. After the kickoff session, students can state preferences for which paper they want to present, and the instructor will assign papers to students.
- 2) Paper sessions (3x):
 - a. In every session, the instructor presents one of his papers that is related to the specific topic and shares background information on how the research evolved over time, what the major obstacles and problems were, what the strengths/weaknesses of the paper are, and how the publication process went
 - b. About five student presentation of the papers on the reading list for the specific topic
 - c. The specific topics are shown in the "core readings" section.
 - d. Duration per session: about 6 hours
- 3) PhD research session
 - a. Students can present their research ideas to the instructor in one-to-one interaction.
 - b. The presentation can be done via slides or verbally.
 - c. The instructor will provide feedback on the students' research ideas.
 - d. Attendance for the PhD session is not mandatory.
 - e. Duration: about 3.5 hours (depending on demand)

Preliminary dates

- 1) Kickoff session:
 - a. Monday, May 22, 2023
- 2) Paper sessions:
 - a. Tuesday, June 13, 2023
 - b. Wednesday, June 14, 2023
 - c. Thursday, June 15, 2023
- 3) PhD research session:
 - a. Will be arranged during the course, dependent on demand.

Core readings

The research sessions cover selected topics in empirical corporate finance. Those topics include both classical topics that have been on the agenda of financial economists for decades and topics that are related to more recent developments. The selection of papers includes both published and well-established

papers as well as very recent works. The first paper in each session will be presented by the instructor.

Topic 1: The role of employees for firms' financing decisions

- Chen Lin, Thomas Schmid, Yuhai Xuan (2018), [Employee Representation and Financial Leverage](#), *Journal of Financial Economics* 127, 303–324.
- Simon Jäger, Benjamin Schoefer, and Jörg Heining (2021), [Labor in the Boardroom](#), *Quarterly Journal of Economics* 136, 669–725.
- Holger M. Mueller, Paige P. Ouimet, and Elena Siminzi (2017), [Within-Firm Pay Inequality](#), *Review of Financial Studies* 30, 3605–3635.
- Jennifer Brown and David A. Matsa (2016), [Boarding a Sinking Ship? An Investigation of Job Applications to Distressed Firms](#), *Journal of Finance* 71, 507–550.
- E. Han Kim and Paige Ouimet (2014), [Broad-Based Employee Stock Ownership: Motives and Outcomes](#), *Journal of Finance* 69, 1273–1319.

Topic 2: The role of flexibility for firms' financing

- Sebastian Reinartz and Thomas Schmid (2018), [Production Flexibility, Product Markets, and Capital Structure Decisions](#), *Review of Financial Studies* 29, 1501–1548.
- Olga Kuzmina (2022), [Employment Flexibility and Capital Structure](#): Evidence from a Natural Experiment, *Management Science*, forthcoming.
- Francesco D'Acunto, Ryan Liu, Carolin Pflueger, and Michael Weber (2018), [Flexible Prices and Leverage](#), *Journal of Financial Economics* 129, 46–68.
- Rüdiger Fahlenbrach, Kevin Rageth, René M. Stulz (2021): [How Valuable Is Financial Flexibility when Revenue Stops? Evidence from the COVID-19 Crisis](#), *Review of Financial Studies* 34, 5474–5521.
- Gerad Hoberg, Gordon Phillips, and Nagpurnanand Prabhala (2014): [Product Market Threats, Payouts, and Financial Flexibility](#), *Journal of Finance* 69, 293–324.

Topic 3: ESG: measurement and consequences

- Roni Michaely, Thomas Schmid, and Menghan Wang (2023), ES Pay and Firms' Environmental and Social Conduct, *Working Paper*.
- Florian Berg, Kornelia Fabinski, and Zacharias Sautner (2021), [Is History Repeating Itself? The \(Un\)Predictable Past of ESG Ratings](#), *Working Paper*.
- Florian Berg, Julian F Kölbl, and Roberto Rigobon (2022), [Aggregate Confusion: The Divergence of ESG Ratings](#), *Review of Finance* 26, 1315–1344.
- Philipp Krueger, Zacharias Sautner, and Laura T Starks (2020): [The Importance of Climate Risks for Institutional Investors](#), *Review of Financial Studies* 33, 1067–1111.
- Samuel Hartzmark and Abigail Sussman (2019), [Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows](#), *Journal of Finance* 74, 2789–2837.

Course procedures

General remarks

- Students have to register
- Participation in the kickoff session and the paper sessions is mandatory.
- Class participation is critical to the success of the class and to your learning experience.
- Come prepared for class. You should read at least two papers per session in advance.
- Every student has to present one paper.

Some remarks about the presentation:

- Please make sure that your presentation covers the paper's methodology, sample, motivation, and results. Also make sure that you are able to answer questions about these aspects.
- In addition to presenting the paper, you should also think about its strengths and weaknesses and critically assess it. Some dimensions you can think about:
 - o What would you have done differently?
 - o What do you find convincing/unconvincing?
 - o Do you consider the research question to be important or not?
 - o Is the empirical strategy suitable for the aims of the paper?
 - o How strong/weak is the identification?
- Your presentation should be clearly structured and well prepared.
- Prepare for about 30 minutes presentation on each paper, followed by an in-class discussion.

Assessment

The assessment will be based on the in-class participation and the performance in the presentation.

Workload

21 ECTS contact hours with a total workload of 90 hours (3 ECTS)