FIN 7345.501

TOPICS IN EMPIRICAL CORPORATE FINANCE

SPRING 2026

TUESDAY 7:00PM – 9:45PM, JSOM 13.501

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Course Web Page	via Elearning

Course Objectives- This course surveys the common methodologies used in empirical corporate finance research, with an emphasis on practical issues. It also examines many of the important topics in institutional investors, including both seminal papers and working papers on the cutting edge of the field. The course is designed to help you learn how to do empirical research in corporate finance via a two-pronged approach: (1) Lectures, readings, and course assignments will help you understand the intuition behind each econometric method. (2) Student presentations, referee reports, and literature reviews will help you become familiar with the most important papers in the literature.

I will not go through the proofs of theorems, and you will not be tested on them. This is an applied econometrics course with a focus on corporate finance: Understanding the intuition and the rationale for choosing and using empirical models is more important than learning the mechanical steps to derive the theorems.

Prerequisites- You should have taken at least a graduate-level course in introductory econometrics. In preparation for the class, you should also have done the following before the first day of class:

- Please buy the book and briefly take a look at "Mostly Harmless Econometrics" (http://www.mostlyharmlesseconometrics.com/) by Angrist and Pischke. It is a good applied econometrics textbook. I don't require that you understand every single concept in the book, as we will review the book in class during the semester, but I want you to be familiar with the content before the first day of class.
- You also should have access to python, SAS, Stata (version SE or better), and know how to use them before the beginning of the semester.
- Your computer (or remote server) should have at least 4Gb of RAM.
- You are also responsible to have a functioning access to the WRDS website at the beginning of the semester.

Reading Materials-

Required Textbook:

- Mostly Harmless Econometrics, by Joushua D. Angrist and Jorn-Steffen Pischke, Princeton University Press, ISBN-10: 0691120358

Suggested Textbooks:

- Econometric Analysis of Cross Section and Panel Data, by Jeffrey Wooldridge, Second Edition, 2010, MIT Press, ISBN-10: 0262232588

- Econometric Analysis, by William H. Greene, Seventh Edition, 2011, Prentice Hall, ISBN-13: 978-0131395381
- Handbook of Corporate Finance, Volumes 1 & 2: Empirical Corporate Finance by B. Espen Eckbo (Editor), First Edition, 2007, North Holland, ISBN-13: 978-0444508980 & 978-0444530905

Ideally, it would be good if the students are familiar with the Angrist and Pischke book before the beginning of the semester. The Wooldridge and Greene books are for your reference. They have a much more classical, rigorous, but less intuitive (in my opinion), approach to econometric analysis.

Class Attendance and Participation- Class attendance is required. If you cannot attend a class, please email me in advance. If you fail to attend three or more classes during the semester, I will ask you to take the class at a better time that is more convenient for you. The class will be more a joint discussion of corporate finance topics and econometric techniques, rather than a typical lecture-based class. Sometimes, I may assign students to act as the "point person" for each article (i.e., lead or be prepared to lead the discussion).

Coursework- There will be five graded components to the course, designed to help you actively participate and learn the material discussed in class, and prepare you for your research projects.

1. <u>Participation:</u> Class participation is a critical part of the course, and you will be graded on it. This includes reading all assigned papers, actively engaging in the discussion, asking pertinent questions, and answering questions correctly. Failure to do presentations or to be engaged in the discussions will result in a lower grade.
2. <u>Data Exercise:</u> You will be asked to download and get familiar with the data. These will be very basic empirical exercises, but helpful to teach you how to actually use these tools.
3. <u>Referee Reports:</u> In the second part of the course, you will be assigned a paper to read, review, and present a discussion in class. Sometimes you will also have to write a short referee report that will be graded.
4. <u>Research Proposal:</u> You will be asked to write an outline for a potential empirical paper in corporate finance. The research proposal is due the day of the final exam. I am not expecting that you write a full paper, but I would like to see that you thought about an interesting idea, and that you spent some time on how to develop it into a research project. The topic of the paper has to be on empirical corporate finance only if you are a finance PhD student. If you are not a finance PhD student, you can choose any empirical applied micro-economics topic (labor, accounting, marketing, ...), so that it can be a useful first step for your academic career. You cannot choose an idea that you have already used for other courses, or for other research papers. Your research proposal should include: (a) a detailed exposition of the research question. Make sure you spell out what your null and alternative hypotheses are, and what frictions (or theoretical models) would support your alternative hypothesis; (b) an overview of the literature on the topic, and your contribution (How is this different from what has already been done?); (c) a list of datasets you would need to test your hypothesis; (d) the empirical methodology that allows you to answer the research question (What is your identification strategy? Are all the observations iid? What other possible explanations could drive your results? How you can separate them from your main hypothesis?). Take this as an opportunity to receive some feedback on one of your early ideas for your dissertation. While you are not required to execute your idea, if you feel inclined to do so you will receive even more informative feedback.

Grading- You should not be too worried about your grade; instead, you should focus on learning the material covered in this course. Using these tools to write a solid job market paper and dissertation is far more important than your actual grade. When you're on the job market, no one will be interested in what grade you got in your PhD courses. You should view your grade in this course as a signal of where I think you stand in terms of your knowledge of the empirical corporate finance literature, and of your ability to apply the tools of this course in a research project. Your grade in the course will be determined as follows:

Assignment	Points
Participation	35
Referee Reports	25
Data Exercise	25
Research Proposal	15
	100

Grades are non-negotiable, but if you have a question about assigned grade, please ask. Make-up and extra-credit assignments are generally not possible. Your grade will be determined solely by the components listed above, and how your performance compares with all other students in the class. The average turn-around time for returning the graded HWs and reports back to students is one week.

Classroom Policies- Standard policies used in other courses apply to this class. I don't expect these to be an issue for PhD students:

- Attending class: The education experience for everyone suffers if participation or attendance for the class becomes a problem. Thus attendance is required. If you must miss a class, an examination, a work assignment, or a project, in order to observe religious holidays, you will be given an opportunity to complete the missed work within a reasonable timeframe after the absence.
- Using laptops, smartphones, and other wireless devices: There are often cases where learning is enhanced by the use of laptops and other devices in class. However, when students are surfing the web, responding to e-mails, instant messaging each other, and otherwise not devoting their full attention to the topic at hand, they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged.
- Arriving on time: On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- Turning in your assignments late: Individual extension of assignment deadlines could negatively alter the level-playing field within the classroom. Assignments turned in late will be discounted 30%.

Academic Dishonesty- I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on school's website. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

As specific guidance regarding collaboration for this course, you should consider the completion of the three individual problem sets to be an individual effort. It is OK to ask for help from others on the individual assignments if you get completely stuck or lost, however, you should develop your own answer and certainly not cut and paste the work of others. The two case assignments will be completed in pairs or groups of three. Group *preparation* for examinations is acceptable and encouraged.

The UT Dallas Syllabus Policies and Procedures can be reached at the following URL:
https://go.utdallas.edu/syllabus-policies

Tentative Schedule

The first part of the course will be focused on reviewing the most current econometric techniques used in corporate finance. In the second part of the course, we will discuss a topic on institutional investors each week. The dates and topics are tentative and might change during the semester.

Date	Class	Topic
1/20	1	Introduction
1/27	2	OLS – part 1
2/3	3	OLS – part 2
2/10	4	Causality
2/17	5	Panel Data
2/24	6	Instrumental Variables
3/3	7	DiD and Natural Experiments
3/10	8	Regression Discontinuity
3/24	9	Institutional Investors and Corporate Finance
3/31	10	Mutual Funds
4/7	11	Fund Flows, Liquidity, and Real Effects
4/14	12	ETFs: Arbitrage, Price Discovery & Systemic Risk
4/21	13	Hedge Funds, Activism, and Governance
4/28	14	Common Ownership and Product Market Competition
5/5	15	Big Data, AI, and Machine Learning in Asset Management

Reading List

Practical guides on how to write research papers and referee reports

- Berk, Harvey, and Hirshleifer - Preparing a referee report: Guidelines and perspectives.
- Ferson - Tips on writing a referee's report
- Cochrane (2005) - Writing tips for PhD students
- William Thomson, A Guide for the Young Economist, The MIT Press, 2001
- Referee guidelines for the Journal of Finance (V3)

IN-CLASS STUDENT PRESENTATION PAPERS

Below is the list of readings to be presented in class by students. All students are expected to read these papers. In the first (second) half of the course, we will have three (five) presentations per class.

OLS – part 1 (Non-Finance)

1. Angrist, Joshua D., 1990 "Lifetime earnings and the Vietnam era draft lottery: Evidence from Social Security administrative records," *American Economic Review* 80(3), 313-336.
2. Angrist, Joshua D. and Victor Lavy, 1999, "Using Maimonides' rule to estimate the effect of class size on scholastic achievement," *Quarterly Journal of Economics*, 533-575.
3. Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2001, "The colonial origins of comparative development: An empirical investigation," *American Economic Review* 91(5), 1369-1401.

OLS – part 2 (Finance)

4. Fazzari, Steven M., R. Glenn Hubbard and Bruce C. Petersen, 1988, "Financing Constraints and Corporate Investment," *Brookings Papers on Economic Activity*, 141-195.
5. Morck, Randal, Andrei Shleifer, and Robert Vishny, 1990, "The Stock Market and Investment: Is the Market a Sideshow?" *Brookings Papers on Economic Activity*, 157-215.
6. Opler, Timothy, Larry Pinkowitz, Rene Stulz, and Rohan Williamson, 1999, "The determinants and implications of corporate cash holdings," *Journal of Financial Economics* 52, 3-46.

Causality

7. Rajan, Raghuram G., and Luigi Zingales, 1998, "Financial dependence and growth," *American Economic Review*, 88(3), 559-586.
8. Matsa, David A., 2010 "Capital structure as a strategic variable: Evidence from collective bargaining," *Journal of Finance*, 65(3), 1197-1232.
9. Agarwal, Ashwini, and David A. Matsa, 2013, "Labor unemployment risk and corporate financing decision," *Journal of Financial Economics*, 108(2), pp. 449-470.

Panel Data

10. Khwaja, Asim Ijaz, and Atif Mian, 2008, "Tracing the Impact of Bank Liquidity Shocks: Evidence from an Emerging Market," *American Economic Review* 98(4), 1413-1442.
11. Paravisini, Daniel, Veronica Rappoport, Philipp Schnabl, and Daniel Wolfenzon, 2014, "Dissecting the effect of credit supply on trade: Evidence from matched credit-export data," *Review of Economic Studies*, 1-26.
12. Becker, Bo, Zoran Ivkovic, and Scott Weisbenner, 2011, "Local dividend clienteles," *Journal of Finance*, 66(2), 655-683.

Instrumental Variables

13. Gormley, Todd A., 2010, "The impact of foreign bank entry in emerging markets: evidence from India," *Journal of Financial Intermediation*, 19(1), 26-51.

14. Bennedsen, M., K Nielsen, F. Perez-Gonzalez, and D. Wolfenzon, 2007, Inside the family firm: The role of families in succession decisions and performance, *Quarterly Journal of Economics*, 122, 647-691.
15. Giroud, Xavier, Holger M. Mueller, Alex Stomper, and Arne Westerkamp, 2012, "Snow and leverage," *Review of Financial Studies*, 25, 680-710.

Natural Experiments

16. Bertrand, Marianne, and Sendhil Mullainathan, 2003 "Enjoying the quiet life? Corporate governance and managerial preferences," *Journal of Political Economy*, 111(5), 1043-75.
17. Hayes, Rachel M., Michael Lemmon, and Mingming Qiu, 2012, "Stock options and managerial incentives for risk taking: evidence from FAS 123R," *Journal of Financial Economics*, 105, 174-190.
18. Gormley, Todd A., and David Matsa, 2011, "Growing Out of Trouble? Corporate Responses to Liability Risk," *Review of Financial Studies*, 24(8), 2781-2821.

Regression Discontinuity

19. Malenko, Nadya, and Yao Shen, 2016, "The role of proxy advisory firms: Evidence from a regression-discontinuity design," *Review of Financial Studies*, 29(12) 3394-3427.
20. 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, 307-362.
21. Almeida, Heitor, Vyacheslav Fos, and Mathias Kronlund, 2016 "The Real Effects of Share Repurchases," *Journal of Financial Economics*, 119 (1), 168-185.

Institutional Investors and Corporate Finance

1. Gompers, Paul, Joy Ishii, and Andrew Metrick. "Corporate governance and equity prices." Quarterly Journal of Economics 118, no. 1 (2003): 107-156.
2. Aghion, Philippe, John Van Reenen, and Luigi Zingales. "Innovation and institutional ownership." American Economic Review 103, no. 1 (2013): 277-304.
3. Appel, Ian R., Todd A. Gormley, and Donald B. Keim. "Passive investors, not passive owners." Journal of Financial Economics 121, no. 1 (2016): 111-141.
4. McCahery, Joseph A., Zacharias Sautner, and Laura T. Starks. "Behind the scenes: The corporate governance preferences of institutional investors." The Journal of Finance 71, no. 6 (2016): 2905-2932.
5. Lewellen, Jonathan, and Katharina Lewellen. "Institutional investors and corporate governance: The incentive to be engaged." The Journal of Finance 77, no. 1 (2022): 213-264.
6. Dey, Aiyesha, Austin Starkweather, and Joshua T. White. "Proxy advisory firms and corporate shareholder engagement." The Review of Financial Studies 37, no. 12 (2024): 3877-3931.
7. Feldhütter, Peter, and Lasse Heje Pedersen. "Is capital structure irrelevant with ESG investors?." The Review of Financial Studies 38, no. 8 (2025): 2362-2385.
8. Antón, Miguel, Florian Ederer, Mireia Giné, and Guillermo Ramirez-Chiang. Common Ownership Around the World. No. w33965. National Bureau of Economic Research, 2025.

Mutual Funds

1. Carhart, Mark M. "On persistence in mutual fund performance." Journal of finance 52, no. 1 (1997): 57-82.
2. Berk, Jonathan B., and Richard C. Green. "Mutual fund flows and performance in rational markets." Journal of Political Economy 112, no. 6 (2004): 1269-1295.
3. Matvos, Gregor, and Michael Ostrovsky. "Heterogeneity and peer effects in mutual fund proxy voting." Journal of Financial Economics 98, no. 1 (2010): 90-112.
4. Iliev, Peter, and Michelle Lowry. "Are mutual funds active voters?." Review of Financial Studies 28, no. 2 (2015): 446-485.
5. Appel, Ian R., Todd A. Gormley, and Donald B. Keim. "Standing on the shoulders of giants: The effect of passive investors on activism." Review of Financial Studies 32, no. 7 (2019): 2720-2774.
6. Heath, Davidson, Daniele Macciocchi, Roni Michaely, and Matthew C. Ringgenberg. "Do index funds monitor?." Review of Financial Studies 35, no. 1 (2022): 91-131.
7. Bubb, Ryan, and Emiliano M. Catan. "The party structure of mutual funds." Review of Financial Studies 35, no. 6 (2022): 2839-2878.

Fund Flows, Liquidity, and Real Effects

1. Coval, Joshua, and Erik Stafford. "Asset fire sales (and purchases) in equity markets." Journal of Financial Economics 86, no. 2 (2007): 479-512.
2. Edmans, Alex, Itay Goldstein, and Wei Jiang. "The real effects of financial markets: The impact of prices on takeovers." Journal of Finance 67, no. 3 (2012): 933-971.
3. Lou, Dong. "A flow-based explanation for return predictability." Review of Financial Studies 25, no. 12 (2012): 3457-3489.
4. Hartzmark, Samuel M., and Abigail B. Sussman. "Do investors value sustainability? A natural experiment examining ranking and fund flows." Journal of Finance 74, no. 6 (2019): 2789-2837.
5. Falato, Antonio, Itay Goldstein, and Ali Hortaçsu. "Financial fragility in the COVID-19 crisis: The case of investment funds in corporate bond markets." Journal of Monetary Economics 123 (2021): 35-52.
6. Cen, Xiao, Winston Wei Dou, Leonid Kogan, and Wei Wu. Fund flows and income risk of fund managers. No. w31986. National Bureau of Economic Research, 2023.
7. Hartzmark, Samuel M., and Abigail B. Sussman. "Do investors value sustainability? A natural experiment examining ranking and fund flows." Journal of Finance 74, no. 6 (2019): 2789-2837.

ETFs: Arbitrage, Price Discovery & Systemic Risk

1. Ben-David, Itzhak, Francesco Franzoni, and Rabih Moussawi. "Do ETFs increase volatility?." Journal of Finance 73, no. 6 (2018): 2471-2535.
2. Glosten, Lawrence, Suresh Nallareddy, and Yuan Zou. "ETF activity and informational efficiency of underlying securities." Management Science 67, no. 1 (2021): 22-47.
3. Ben-David, Itzhak, Francesco Franzoni, Byungwook Kim, and Rabih Moussawi. "Competition for attention in the ETF space." Review of Financial Studies 36, no. 3 (2023): 987-1042.
4. Huang, Shiyang, Maureen O'Hara, and Zhuo Zhong. "Innovation and informed trading: Evidence from industry ETFs." Review of Financial Studies 34, no. 3 (2021): 1280-1316.
5. An, Yu, Matteo Benetton, and Yang Song. "Index providers: Whales behind the scenes of ETFs." Journal of Financial Economics 149, no. 3 (2023): 407-433.

6. Antoniou, Constantinos, Frank Weikai Li, Xuewen Liu, Avanidhar Subrahmanyam, and Chengzhu Sun. "Exchange-traded funds and real investment." Review of Financial Studies 36, no. 3 (2023): 1043-1093.

Hedge Funds, Activism, and Governance

1. Greenwood, Robin, and Michael Schor. "Investor activism and takeovers." Journal of Financial Economics 92, no. 3 (2009): 362-375.
2. Brav, Alon, Wei Jiang, and Hyunseob Kim. "The real effects of hedge fund activism: Productivity, asset allocation, and labor outcomes." Review of Financial Studies 28, no. 10 (2015): 2723-2769.
3. Dimson, Elroy, Oğuzhan Karakaş, and Xi Li. "Active ownership." Review of Financial Studies 28, no. 12 (2015): 3225-3268.
4. Brav, Alon, Wei Jiang, Song Ma, and Xuan Tian. "How does hedge fund activism reshape corporate innovation?." Journal of Financial Economics 130, no. 2 (2018): 237-264.
5. Francis, Bill B., Iftekhar Hasan, Yinjie Victor Shen, and Qiang Wu. "Do activist hedge funds target female CEOs? The role of CEO gender in hedge fund activism." Journal of Financial Economics 141, no. 1 (2021): 372-393.

Common Ownership and Product Market Competition

1. He, Jie, and Jiekun Huang. "Product market competition in a world of cross-ownership: Evidence from institutional blockholdings." Review of Financial Studies 30, no. 8 (2017): 2674-2718.
2. Schmidt, Cornelius, and Rüdiger Fahlenbrach. "Do exogenous changes in passive institutional ownership affect corporate governance and firm value?." Journal of Financial Economics 124, no. 2 (2017): 285-306.
3. Azar, José, Martin C. Schmalz, and Isabel Tecu. "Anticompetitive effects of common ownership." Journal of Finance 73, no. 4 (2018): 1513-1565.
4. Boller, Lysle, and Fiona Scott Morton. Testing the theory of common stock ownership. No. w27515. National Bureau of Economic Research, 2020.
5. Gilje, Erik P., Todd A. Gormley, and Doron Levit. "Who's paying attention? Measuring common ownership and its impact on managerial incentives." Journal of Financial Economics 137, no. 1 (2020): 152-178.
6. Lewellen, Katharina, and Michelle Lowry. "Does common ownership really increase firm coordination?." Journal of Financial Economics 141, no. 1 (2021): 322-344.
7. Dennis, Patrick, Kristopher Gerardi, and Carola Schenone. "Common ownership does not have anticompetitive effects in the airline industry." Journal of Finance 77, no. 5 (2022): 2765-2798.
8. Antón, Miguel, Florian Ederer, Mireia Giné, and Martin Schmalz. "Common ownership, competition, and top management incentives." Journal of Political Economy 131, no. 5 (2023): 1294-1355.

Big Data, AI, and Machine Learning in Asset Management

1. Kaniel, Ron, Zihan Lin, Markus Pelger, and Stijn Van Nieuwerburgh. "Machine-learning the skill of mutual fund managers." Journal of Financial Economics 150, no. 1 (2023): 94-138.
2. Sheng, Jinfei, Zheng Sun, Baozhong Yang, and Alan L. Zhang. "Generative AI and asset management." Review of Financial Studies, forthcoming.

3. Chen, Shuang, Clemens Sialm, and David X. Xu. "The Growth and Performance of Artificial Intelligence in Asset Management." Available at SSRN (2025).
4. Hu, Xiaowen, Maximilian Rohrer, and Hanjiang Zhang. "Active Machine Learning Based Trading and Mutual Fund Performance." Available at SSRN 5571002 (2025).
5. Cen, Ling, Bing Han, Yanru Han, and Chanik Jo. "Data Scientists on Wall Street." Available at SSRN (2024).