Seminar in Corporate Finance (B40.3328),
Empirical issues in corporate finance.

New York University, Stern School of Business. Spring 2004

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Organization of the class:

The class will cover a wide range of topics in empirical corporate finance. The material covered in this course will help the students in several respects: (i) understand the current state of findings in main topics of corporate finance; (ii) understand the main data sources and data issues in empirical corporate finance; (iii) cover the main econometric techniques used in empirical corporate finance; (iv) and hopefully help students who want to work in this area find interesting and exiting topics for their dissertation. To this effect I have asked other faculty at Stern to join us when topics in their areas are covered. In some cases the faculty member will present one of his/her papers.

In the first session we will go over the main data sources and how to access them. In the following ten weeks we will cover 2-3 papers per class. Papers will be in the same general area and often will be directly related to each other. Each paper will be presented either by an assigned student or by a faculty member. An important part of the class is the research discussion so all students are expected to carefully read all the assigned papers and actively participate in the discussion.

The student discussion of papers should include: (1) motivation of the research and how it fits with the theory and empirical findings at the time (2) The tested hypothesis (3) discussion of the data (4) discussion of the main findings (5) discussion of the econometric methods used in the paper (6) possible future research.

The last two sessions will be devoted for student presentation of their projects.

Class project

Each student is required to complete a class project and present it. For most students the project will involve replicating the main findings of a paper with some modification(you do need to replicate every test and table but you must capture the main results of the paper). A student can chose to replicate an older paper with new data and see if results continue to hold, or use international data to replicate US findings. Alternatively, students can replicate a paper using the same data but applying improved tests (different statistical techniques, different measures for variables, or correcting for other problems in the original work).
Student should select an original paper in empirical corporate finance that they find interesting or believe that they can improve upon. (I recommend that you stay away from paper that required intense hand collection of data). If you prefer to work on your own project in empirical corporate finance then can use it as your class project providing you finish on time! After selecting the original paper (or their own project) the students should consult with me and get my approval.
Reading list:

Interaction of financing and real investment decision (1.5 sessions)


  - Hennessy, Christopher “Tobin’s Q, Debt Overhang, and Investment” *Journal of Finance*, forthcoming


Capital Structure (3 sessions)


Executive Compensation ownership (No sessions – Yermack next fall)

Corporate governance – Board of directors (2 sessions)


  o Yermack, David, “Remuneration, retention and reputation incentives for outside directors”, Working paper NYU.
Malmendier, Ulrike, and Jeffery Tate, “CEO Overconfidence and Corporate Investment,” WP Harvard. THE new ONE

**Conglomerate discount (2 sessions)**


IPO and VC (1.5 sessions)


• (3) Kaplan, Steven and Antoinette Schoar, “Private Equity Returns: Persistence and Capital Flows” WP University of Chicago


  o Ofek, Eli and Matthew Richardson "The IPO Lock-Up Period: Implications for Market Efficiency and Downward Sloping Demand Curves" Working paper, NYU Stern School of Business.


Event studies (1 sessions)


Mergers and acquisitions


- Hartzell, Jay, Ofek, Eli and David Yermack, "What's In It For Me? Personal Benefits Obtained By CEOs Whose Firms Get Acquired" Working paper, NYU Stern School of Business


LBOs


Restructuring
