Ph.D. Class in Empirical Corporate Finance – Part I

Spring Semester 2010

Professor Rüdiger Fahlenbrach

Lectures: Wednesdays 10:30 – 12:00
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Course Description

The Ph.D. class in empirical corporate finance consists of two parts, taught by Professors Rüdiger Fahlenbrach (part 1) and Norman Schuerhoff (part 2). The course provides an overview of major topics in empirical corporate finance, including internal corporate governance and the market for corporate control, venture capital and initial public offerings, capital structure and financial contracting and investment decisions. The course is designed for Ph. D. students interested in corporate finance. This syllabus is for part 1 taught by Professor Fahlenbrach only; Professor Schuerhoff will distribute a syllabus and make lecture notes available on his website when he starts teaching.

Part 1 of the course surveys leading academic research in venture capital and initial public offerings and selected areas of corporate governance, focusing especially upon boards of directors, ownership incentives, institutional investors and other large blockholders. We will both study seminal papers of an area as well as some recent working papers in order to introduce you to the latest developments in the field and to help identify possible dissertation topics. We will also investigate the strengths and weaknesses of leading on-line databases and recent developments in econometrics in corporate finance.
**Prerequisites**

I expect you to have some basic knowledge of econometrics and to be able to do some regression analysis using Stata, SAS, or another software of your choice. You are expected to have a basic knowledge of corporate finance at the level of an MBA textbook such as Berk and deMarzo or Brealey, Myers, and Allen. If you do not, I would suggest reading either book in parallel to the lectures.

**Evaluation**

At the beginning of each class with the exception of the first, I would like a team of two students to introduce the class to the topic of the day by presenting the key findings and approach of two or three seminal papers. These are marked with **** in the reading list. I expect students to have a PowerPoint presentation that lasts approximately 20-30 minutes and to distribute a short-write up of two double-spaced pages on the key findings of each paper for the other students. You may choose to copy and paste the one table that you consider most important. I expect the other students to have read, at the very minimum, the introduction and conclusion of these papers; you will learn much more if you actually make the effort to read the entire paper.

In addition, there will be several data problem sets and one referee report that I will announce at least one week in advance. Referee reports should be written as if you were the reviewer for potential publication of the article in a major academic finance journal. I will show you a couple of reports I have received to give you an idea. Your report should clearly state the paper’s important contribution in the best possible light; critique any shortcomings; make suggestions for improvements; and be accompanied by a short letter to the editor recommending rejection, revision, or acceptance and the reason for the recommendation.

**Reading material**

This syllabus contains an extensive list of seminal and recent papers for the topics we discuss. This list is meant to help you delve deeper into a topic, should you be interested and decide to search for dissertation topics in a given area.

In addition, I recommend owning these two books if you are interested in empirical corporate finance:

2) Berk and DeMarzo, Corporate Finance, 2007.

**Acknowledgements**

The lecture notes and other course materials are influenced by those used by Professor Michael Roberts at Wharton, Professor Steven Kaplan at Chicago, Professor Josh Rauh at Northwestern, and Professor Michael Weisbach at the Ohio State University.
1) Empirical Research Philosophies and Methods; Corporate Finance Databases

A. Basic Econometrics for Panel Studies and Some Examples


B. Basic Econometrics for Event Studies


C. Direct Approaches Without Fancy Econometrics


2) Venture capital, private equity, and investment banks


**Investment Banks and IPOs**


3) Corporate Governance – overview

Becht, Marco, Patrick Bolton, and Ailsa Röell, 2003, Corporate Governance and Control, in George Constantinides, Milton Harris, and René Stulz, eds.: Handbook of the Economics of Finance (North-Holland, Amsterdam).


4) Boards of Directors

A) Board of Directors and Firm Value


B) How Do Boards Work?


C) Bankers and Lawyers on Boards


D) CEO turnover


***Kaplan, Steven N. and Bernadette Minton, 2009, How has CEO Turnover Changed? Increasingly Performance Sensitive Boards and Increasingly Uneasy CEOs, Working Paper, University of Chicago.***


5) Incentives from Ownership and executive compensation


6) Institutional Investors, Outside Blockholders, and Corporate Governance


7) Identification and recent advances in corporate finance

To be determined.