



FINANCIAL ECONOMICS II ECON6028 SYLLABUS

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Department of Economics

Semester II 2018/19
Mon 4-5pm SR 11, Mon 8-9pm SS 12, Wed 5-6pm SR 11
Course Website: “ECON6028” on Canvas

Course Description

This is a financial economics graduate course. Successful completion of ECON6027 / Financial Economics I is a strict prerequisite. Knowledge of this course is presupposed and will not be repeated. The course also requires knowledge of econometric techniques utilizing panel data. The first part (25% of the semester time) is a lecture on corporate finance theory. The second part is a seminar where students present, discuss, and conduct empirical econometric research in finance.

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Learning Objectives

The course aims at developing the students' competence to:

- Make capital budget decisions, analyze leverage structure and financing costs
- Understand and apply corporate finance theories for practice and research
- Produce referee reports and evaluate current research with regards to its contribution and empirical identification strategy
- Replicate econometric work from advanced current studies
- Design and plan academic research projects

Course organization

The first part of this course is in form of lectures where students work through assigned course materials and classes are used to discuss concepts, examples and cases that relate to the material covered. Tutorial elements require students to present their solutions to problem sets and to compare their workouts.

The second part of the course is seminar-style. Classes have elements of conversations, requiring students to ask informed questions and engage in discussions that I moderate. Students present and act as pre-assigned discussant. I ask students questions as well.

Required Work & Evaluation

In order to successfully complete this course, students are required to attend the sessions, read the required material, participate in class, finish and present solutions to problem sets, have 50% in the examination and in the course work part.

Exam [25%]

- 50 minutes in-class examination
- covers the lecture section of the course plus Roberts & Whited (2013)
- 12.5 points are required to pass this component and the entire course

Presentation on Identification [12.5%]

- corresponds to a section in Roberts & Whited (2013)
- available sections: Endogeneity / IV / DiD / RD

Presentation of a “seminal” paper [12.5%]

- presentation of a relatively recent seminal / high impact article
- or a very good / (potential) high impact new paper

Referee Report [12.5%]

- presentation & evaluation of a current working paper by reputable authors publishing in high end journals

Research proposal [15%]

- submission & presenting of an own project idea
- literature review, future plan, presentation

Participation [22.5%]

- general in class participation; including acting as assigned discussants for presentations; answering questions and discussing assigned material.

37.5 points of all non-exam components are required to pass these “course-work components” and the entire course.

Expected Student Behavior

Attendance and Preparation

Students are expected to attend all classes. Students are expected to come to class having read all slides, assigned material, and worked through all assigned readings. *Everyone must prepare every homework before it is presented.*

Assignments

Any assignment must be handed in on time. Delayed submissions are not acceptable. Assignments are supposed to reflect an own, original effort. Unauthorized collaborations in assignments, duplications of code or text, almost-duplications of code or text, the use of others’ work are cheating attempts just like cheating attempts in examinations. Accordingly, a student engaging in this type of activity will be reported.

Course Etiquette

This class requires professional student behavior. I ask you to avoid disrupting class by leaving early or leaving and reappearing during classes. Only students signed up for this course are allowed to attend. “Participation” is graded on presence, professional behavior and on students being knowledgeable of the assigned material and able to answer questions to show his/her understanding of it. I ask students to arrive and leave on time, to not use mobile phones (unless requested) and not have food during class. If you come to my office, all your electronic devices must be on airplane mode.

Course Material

Core Reading

The most important course material for the lecture section are the lecture slides which are available online before the semester starts.

Text Books

- Brealey, Myers, Allen (2011): Principles of Corporate Finance [lower level corporate finance]
- Berk, DeMarzo (2013): Corporate Finance [lower level corporate finance]
- de Matos (2001): Theoretical Foundations of Corporate Finance [higher level corporate finance]
- Tirole (2005): The Theory of Corporate Finance [higher level corporate finance]
- Angrist & Pischke (2009): Mostly Harmless Econometrics: An Empiricist's Companion [applied econometrics]

Some sections of these books can be used as supplements to the slides and offer students different perspectives/explanations on the issues discussed. They are not required to be purchased as the slide material will be comprehensive and sufficient for most students.

Readings on Identification

- Roberts & Whited 2013 HEF: Endogeneity in Empirical Corporate Finance. This is the most important reading in the seminar section of this course. It will be fully covered in detail.
- Angrist & Pischke 2010 JEP: The Credibility Revolution in Empirical Economics: How Better Research Design Is Taking the Con out of Econometrics
- Angrist & Pischke 2017 JEP: Undergraduate Econometrics Instruction: Through Our Classes, Darkly
- Panhans & Singleton 2015: The Empirical Economist's Toolkit: From Models to Methods
- Bowen, Fresard & Taillard 2017 MS: What's Your Identification Strategy? Innovation in Corporate Finance Research

Other Methodological Readings

- Berk, Harvey & Hirschleifer 2016: Preparing a Referee Report: Guidelines and Perspectives
- Cochrane 2005: Writing Tips for Ph.D. Students
- Gentzkow & Shapiro 2014: Code and Data for the Social Sciences: A Practitioner's Guide

Additional Readings

A number of advanced additional articles will be assigned.

List of Topics & Course Structure

Students must complete the required reading before class. Failure to do so will have a negative impact on your ability to follow the material and successfully finish the assignments. Make sure you schedule enough time to complete assigned material, take notes, prepare questions and revise each session.

Corporate Finance Lecture

- Capital budgeting
- Leverage & costs of finance
- Dividend payout policy
- Financial contracting, financial intermediation

Seminar

- Methodological preparation; discussion and presentation of:
 - endogeneity
 - difference-in-difference
 - regression discontinuity
 - instrumental variables
- Presentation & discussion of seminal / impactful / excellent papers
- Referee-style presentation & discussion of current working papers
- Replication study
- Presentation, discussion, & submission of research proposals