FIN 6350 – FINANCIAL ECONOMETRICS I  
Fall 2023

Instructor: Hyo Jin (Jinny) Yoon  
Email: hyoon@utep.edu  
Time: T 9:00 – 11:50  
Place: BUSN 310

Office Hours: Catch me whenever you can

Main References:
• Bruce Hansen, Econometrics, 2017.  
• Michael Roberts and Toni Whited, Endogeneity in Corporate Finance  
• Espen Eckbo, Handbook of Corporate Finance: Empirical Corporate Finance, Volumes 1 and 2  
• Articles from economics and finance journals

Objectives: This course seeks to achieve four equally important goals. First, it is intended to expose students to key papers in the latest empirical corporate finance literature. The focus of the course is on empirical work and econometrics, but some theory will be reviewed. Second, the course is designed to strengthen students’ ability to dissect, digest, and critique academic research. Third, the course is intended to introduce students to a variety of cross-sectional econometric techniques that have belatedly made their way into the empirical corporate finance literature. Finally, it gives students an opportunity to improve their presentation skills through repeated practice and constructive feedback. Each of these skills plays a crucial role in a successful academic career.

Course Requirements

• Presentations

Each student will be responsible for paper presentations in class, which should last about 25-30 minutes. Starting from the 4th week of the class, there will be two papers assigned that students must read and present in class. I will assign papers in the week ahead. E.g. if instrumental variable estimations are covered in class, then at the end of the class I will assign papers that make use of IV strategies. Students will present their discussions of these two papers in the second half of the next class. Students are expected to use Powerpoint or similar presentation software (e.g. Beamer; LaTex) for their presentations. Presenters should also email me their presentation slides. To ensure participation following each presentation, students who are not presenting anything on a presentation day should elaborate on 1-2 critiques of the papers assigned for that day, highlighting the biggest flaw or flaws in the analysis. Every failure to provide feedback on the paper will result in a reduction in participation grade.

• Participation

Papers not listed for presentations and discussions will be taught by me. You are expected to read these papers as well as the papers scheduled for presentations before coming to class. To make this class work, everyone has to work through every assigned reading before class. Registered Students: The first time I
discover you did not work through an assigned paper, I will issue you a warning. The second time, and every
time thereafter, that I discover you did not work through an assigned paper before class, I will deduct one
third of a grade from your final grade. Auditing students: The first time I discover you did not work through
the assigned papers, I will issue you a warning. The second time, I will withdraw your auditing privilege.

- **Homework**

I may assign several homeworks throughout the semester. Some of these homeworks will require you to
work on real data and implement the methods learned in class.

- **Final Paper**

The final paper is designed to guide students through the research process. Students are to conduct an
empirical study (meaning it involves working with data) either alone or with a partner (no groups of three!!). You may use any software with which you are familiar, except Eviews or any other point- and-click based
package. I prefer that you use Matlab, SAS, Fortran, or Stata. You may use other softwares, however, I may
not be able to help you as I may not be familiar with those softwares. Students are encouraged to read
ahead when generating ideas for the paper. The paper should be an extension or critique of one of the
papers on the reading list. Warning: Please be aware that empirical research can be very time consuming and
often takes much longer than expected. When choosing a topic, keep the time frame in mind and to try not to
over-reaching. (Students are not expected to submit publishable papers!) The final paper will have two
components:

1. A five-page (double-spaced) written proposal, due at the end of the seventh week of class. The
proposal should include: A cover page with the title of the proposed project and the student(s)’
name(s) and contact information (not included in the 5-page limit). A discussion of the research
objectives and a literature review placing the study in context. This section should convey to the
reader why the study is interesting and important. A discussion of the anticipated results will be
helpful here. A clear and detailed description of the intended research methods and data. A list of
references (not included in the 5-page limit). I strongly encourage students to discuss ideas with me
(and with each other) before choosing a specific topic and writing up the formal proposal.

2. A polished, academic-style paper including:
   i. Title page
   ii. Abstract
   iii. Introduction with motivation and intuition
   iv. Brief literature review (can be integrated into other parts of the paper)
   v. Discussion of the data
   vi. Methodology
   vii. Empirical model
   viii. Results
   ix. Conclusion

The paper is **due on December 9, Saturday, by 10PM**. Grades for the research project will be based on
the quality of the written work. Clarity will be rewarded. Grammar counts, as do originality and quality
of execution.

3. A 30-40 minute presentation of your work on the last two weeks of class.
Tentative Course Outline (Subject to change during the semester depending on the progress of the class)

• August 29, Setting the Stage & Regression I
  - Chapters 1 and 2, MHE
  - Chapter 1, Wooldridge
  - Chapter 1, Hansen

• September 5, Regression II
  - Chapter 3, MHE
  - Chapters 2, 3, 4, Wooldridge
  - Chapters 2, 3, 4, 14, Hansen

• September 19, Natural Experiment and Instrumental Variables
  - MHE, Chapter 4
  - Hansen, Chapter 11
  - Wooldridge, Chapter 5
  - Roberts and Whited


• September 26, Difference-in-Differences

– MHE, Chapter 5

– Roberts and Whited


• October 3, Regression Discontinuity Design & Propensity Score Matching

– MHE, Chapter 6

– Roberts and Whited


• October 10, International Finance and Country-level Institutions


Finance 61, pp.1-32.


• October 17 (No class; Finish up on your research proposal) Research Proposal Due by October 21 (Sat) 10PM

• October 24, Creditors


• October 31, Shareholders


  – Doidge, C., Karolyi, A., Lins, K., Miller, D., and Stulz, R. 2009. Private benefits of control, ownership, and
the cross-listing decision. *Journal of Finance* 64, 425-466.

- **November 7, Competitors**
  

- **November 14, Suppliers and Customers**
  

- **November 21, Labor and Employees**
  

- **November 28, Student Presentations**

- **December 5, Student Presentations & Wrap up**
  
  - Final Paper Due by December 9 (Sat) 10PM