Chair of International Finance

Seminar HWS2021 – Frontier Topics in Finance and Beyond

Prof. Dr. Stefan Ruenzi, Kai Mäckle, and Santanu Kundu

Organization

- All necessary information (including topic descriptions) can be found on our website

  https://www.bwl.uni-mannheim.de/en/ruenzi/teaching/master-courses/seminar-thesis/

- General information on the allocation procedure can be found on the website of the finance area

  https://www.bwl.uni-mannheim.de/en/finance/teaching/master/seminar-thesis/

- Slides will be provided on our website

- Contact details for general questions: Kai Mäckle, maeckle[at]bwl.uni-mannheim.de

- Supervisors:

  – Santanu Kundu: kundu[at]bwl.uni-mannheim.de

  – Kai Mäckle: maeckle[at]bwl.uni-mannheim.de

What are the prerequisites?

- You are a master student within the MMM program.

- You have successfully passed at least one finance course (FIN 5XX).

- Some knowledge of statistics and econometrics is useful and participants should be motivated to undertake empirical work. Knowledge acquired in the course CC502 Applied Econometrics and FIN 604 Stata in Finance might be particularly useful.

- You are available in the time period from July to mid of September.

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AMBA ACCREDITED ASSOCIATION of MBAS

Time-line

- 31.05.2021 – 14.06.2021: Submission of Priority Lists (Ilias)

- 28.06.2021: Topics Allocation Announcement (Finance Area Website) & Starting Date

- 23.08.2021, 12 pm: Submission of Seminar Papers (8 Weeks)

- xx.09.2021: Presentation day → Most likely via Zoom

Please pay attention to the deadlines! Make sure you have sufficient time to write your paper!

Stata and database tutorial – FIN 604 Stata in Finance

- Short crash-course on how to write an empirical paper using Stata and the databases offered at the University of Mannheim taking place at the beginning of January/July

- Not a mandatory prerequisite for writing a seminar paper or master thesis but highly recommended - in particular for empirical seminar theses.

- Detailed information on the tutorial is available on the website of the Chair of Prof. Theissen: https://www.bwl.uni-mannheim.de/en/theissen/teaching/master-courses/fin-604-stata-in-finance/

How to apply?

- Submit your priority list online (link on the finance area website → Ilias Group).

- You can combine topics from different chairs.
  - E.g. First preference: "3rd Topic, Chair of Prof. Ruenzi";
  - Second preference: "5th Topic, Chair of Prof. Niessen-Ruenzi";
  - Third preference: "4th Topic, Chair of Prof. Spalt"

- Please only choose topics you are really willing to work on.

- Generally, the allocation of topics is based on the average grade of your finance exams and your priority list from the seminar application form.
  - **In case of high demand, not all students might be allocated a topic.**
  - If there are not enough slots to serve all applicants, priority will be given to students with:
    1. A higher semester count
    2. Special study program requirements
    3. Better grades

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How do we grade?

- Supervision of the seminar paper by Prof. Ruenzi and the assigned advisor.

- Grading:

  - 50% - Paper

  - 25% - Presentation

  - 15% - Referee Report

  - 10% - Oral participation

- Own (empirical) contribution will be rewarded.

- Plagiarism: No excuse policy

How should your paper look like?

- 12 pages (±10%) (without appendix)

- Language: English

- Detailed formal requirements: See the guidelines provided on our website:

    https://www.bwl.uni-mannheim.de/en/ruenzi/teaching/master-courses/seminar-thesis/

General remarks on the topics

- We will be offering a total of six topics and eleven theses.

- At most two students will be admitted to each topic.

- All topics are empirical topics.

- How do I get the data?
  - Accessible databases at the University of Mannheim
  - Data provided
  - Open source data from the internet / other researchers

- General set-up of topics:
  - One key paper to look at for the main set-up, data and empirical methods
  - + small extension with new contribution

R1: International Connectedness and the Geography of Social and Economic Outcomes in Germany

Advisor: Kai Mäckle

Classification: Empirical Topic

Motivation:
- Social networks like Facebook, Twitter, or LinkedIn influence various social and economic outcomes
- Examples include: innovation, job search, social mobility, voting behavior, public health, international trade, migration patterns, or consumer preferences.
- In the past: data availability issues
- In 2018, Bailey et al. (2018a) introduced the publicly available "Social Connectedness Index," which captures the social connectedness between geographic regions based on friendship links on Facebook
- This innovation in data availability has spurred a growing literature on the economics of social networks.
- Recent studies focus on, e.g., housing markets (Bailey et al., 2018b; Bailey et al., 2019), international trade (Bailey et al., 2020), access to capital (Kuchler et al., 2020a), the spread of Covid-19 (Kuchler et al., 2020b), or Earned Income Tax Credit claiming behavior (Wilson, 2020)

Tasks
- Carefully review the recent literature on the economics of social networks
- Analyze how international social connectedness of German counties correlates with various social and economic outcomes. For example, how does international connectedness correlate with income or voting behavior?
- Further variables of interest comprise employment rates, education, migration patterns, international trade, or public health

Data
- Publicly available or will be provided

R2: Do Fund Managers Incorporate Climate Disaster Risk In Their Investment Decisions?

Advisor: Kai Mäckle

Classification: Empirical Topic

Motivation:

- Climate change is playing an increasingly important role in shaping economic activities
- Usually, a company's risk exposure to climate change is associated with its greenhouse gas emissions
- Another dimension of climate change risk is physical risk, which captures the vulnerability of corporations' production processes to disastrous events amplified by climate change
- Alok et al. (2020) examine whether professional money managers overreact to large climatic disasters
- They find that fund managers within a disaster region underweight disaster zone stocks to a much greater degree than distant managers.

Tasks

- Carefully review the recent literature on climate finance
- Replication: broadly replicate the major findings of Alok et al. (2020). What are the portfolio responses of fund managers to natural disasters?
- Extension:
  - Depending on the progress, the student might also investigate alternative explanations (e.g., the salience vs. information hypothesis) for the findings in the replication part

Data

- CRSP Mutual Fund Database, Thomson Reuters mutual fund holdings, NCDC Storm Events Database

Advisor: Kai Mäckle

Classification: Empirical Topic

Motivation:

- The opioid epidemic has claimed the lives of more than 450,000 people between 1999 and 2018
- Given its tremendous death toll, unsurprisingly, the opioid epidemic has caught the attention of major news outlets as well as academic research
- Identifying potential policies which are effective in reducing opioid mortality rates is of major importance
- For example, mandatory Prescription Drug Monitoring Programs (PDMPs) require physicians to review a patient's previous prescription record before prescribing new opioids.
- Empirical evidence suggests that opioid users might transition to even more dangerous alternatives when the supply of legal opioids collapses.

Tasks

- Carefully review the recent literature on the opioid epidemic
- Replication: broadly replicate the major findings of Kim (2020). Are there significant substitution effects in the sense that must-access PDMPs are associated with increases in heroin-related deaths?
- Extension:
  - Depending on the progress, the student might also investigate the substitution effects of various other policies

Data

- Either publicly available or will be provided

R4: Valuation of Innovation

Advisor: Santanu Kundu

Classification: Empirical Topic

Motivation:

- Technological innovation is the cornerstone of productivity and growth.

- Successful innovation can help firms to develop or acquire new products and improve their existing products.

- However, economic significance of innovation is difficult to measure

- Kogan, et al (2017) proposes one such measure

Tasks

- Replicate the main findings of Kogan, Papanikolaou, Seru, & Stoffman (2017). Do you find similar patterns as them?

- Extension:

  - Examine the robustness of the findings by using the more comprehensive data from Arora, Belenzon, & Patacconi (2017)

  - Other analysis is possible depending on the progress of the students

Data

- Either publicly available or will be provided

R5: Employee Protection and Innovation

Advisor: Santanu Kundu

Classification: Empirical Topic

Motivation:

- Laws and contracts are essential in overseeing the allocation of property rights.

- Employee protection can spur innovation.

- Acharya, Baghai, & Subramanian (2014) document that protection of employees from wrongful dismissals spur innovation

Tasks

- Replicate the main empirical findings of Acharya, Baghai, & Subramanian (2014). Are the results robust to the suggestions made by Lerner & Seru (2017)?

- Extension:
    - Investigate whether their findings are also robust to using the economic value of patents as developed by Kogan, Papanikolaou, Seru, & Stoffman (2017).

Data

- Either publicly available or will be provided

R6: Stakeholder Orientation and Innovation

Advisor: Santanu Kundu

Classification: Empirical Topic

Motivation:

- Undertaking innovative projects involves making decisions with uncertain outcomes.
    - Primarily due to the long-term, risky and uncertain nature of the innovation process.
- Stakeholder oriented management practice can lead managers to make decisions that are suitable for the firm over the long-term.
- Flammer & Kacperczyk (2016) document that US firms located in the states that mandated a stakeholder focused management approach experienced an improvement in their innovative output

Tasks

- Replicate the main findings of Flammer & Kacperczyk (2016). Are the findings still valid if you use an updated version of the patent data from Arora, Belenzon, & Patacconi (2017)?
- Do you also find similar results while analyzing the economic value of patents as developed by Kogan, Papanikolaou, Seru, & Stoffman (2017)?
- Extension:
    - Depending on the progress, explore if stakeholder orientation also matter for the development of more radical innovation as measured in Brav, Jiang, Ma, & Tian (2018).

Data

- Either publicly available or will be provided