Location: KRAN 202
Time: Tuesdays, 9:00a – 12:00p
Dates: Tuesday Jan 14 – Tuesday March 3

Instructor: Prof. Ben McCartney
Office: KRAN 439
Office Hours: By appointment
Email: wmccartn@purdue.edu
Course Website: Blackboard

I.   COURSE DESCRIPTION.

The primary goal of this PhD module is to discuss how to read and, especially, **write good empirical research**. What makes a good research question? Where can I find data? How can I tell if the data are "good"? What interesting stylized facts do these data allow me to document? Is there an appropriate strategy for identifying causal effects? How does this research update our answer to a big economic question?

We will practice in two ways. The first is by **reading, presenting, and discussing others' papers**. We will focus on topics (mostly in household finance in real estate) that each correspond to a paper I am either working on or planning to work on. At some point in each lecture I will talk about that project and give you some sense for my process. How did we come up with the idea? What are the challenges we're facing? What do people especially like and dislike about the paper? How does the paper fit in the broader literature? What are we going to do next in this research agenda?

The second way to practice conducting research is to be **hands-on**. During the 8 weeks of this module you will be expected to (1) write an abstract for two papers while having only read their introduction and body, (2) write an introduction for one paper while having only read the body, (3) replicate an empirical paper, and (4) **write a first draft of an original research paper**. I am taking this research paper seriously and we will spend 2 lectures – one in the middle and one at the end – for student presentations and workshopping.

Grades (and roughly how much effort I want you to put into each part of this course) are as follows:

Paper Presentations (3x)	30%
Write an Abstract (2x)	10%
Write an Introduction (1x)	10%
Paper Replication (1x)	15%
First Draft of a Research Paper (1x)	35%

II. PAPER PRESENTATIONS

Each week, except for the two on research presentations, we will discuss others' research papers. You will each be responsible for presenting three papers during the module. The presentations should answer the following questions:

- Which open question in the literature is the paper addressing?
- What is the data and research design?
- What are the main findings, and how do they answer the question discussed?
- What are potential concerns with the results?

Presentations should be approximately 20 minutes if presented uninterrupted, but I expect that each paper will generate some lively discussion.

Tips from Jesse Shapiro:
https://www.brown.edu/Research/Shapiro/pdfs/applied_micro_slides.pdf

These paper presentations are a chance to practice presenting research. It's one of the most important things to learn how to do well. Take this opportunity seriously.

III. FILL IN THE BLANK, ABSTRACT

Just as important as presenting your research is writing about it. Writing is hard. Pro-tip: people aren't just naturally "good" writers – they practice all the time and they revise all the time.[1] We will do some of that in this class.

Your first assignment is to read a paper **but skip the abstract**. Don't be tempted, just skip right over it and start reading from the beginning of the introduction and then read the paper as normal. After thinking about the paper and its key contribution write the abstract yourself, still without looking at the actual abstract. Then revise it a few times. Next, after you have something you're pleased with, read the actual abstract. For part two of the assignment, compare your abstract to theirs. What ideas were in both, what was in just one and not the other? What's the biggest difference between the two? What seemed to work about yours that doesn't work about theirs, and vice versa? Overall, does it seem that the two abstracts reach the same conclusion about the paper's biggest message?

You need to do this twice during the semester. You can pick any of the assigned papers, but please do not do two during the same week and please do not do this for a paper you are presenting.

IV. FILL IN THE BLANK, INTRODUCTION

Same idea as before, but this time **skip the abstract and the introduction** and start with the body of the paper at the data section. If there is a separate literature review subsection, skip that too. Also skip the conclusion. Read just the data, results, and mechanism sections along with the figures and tables. Follow the same process as with the abstract assignment.

---

[1] This is true of everything. I'm not sure when this obsession with "natural talent" started but it's all baloney and you shouldn't pay attention to it. People are good at things when they work hard at them. There's no shame in putting in effort to be good at things.

Tips from John Cochrane:

You need to do this once during the semester. You can pick any of the assigned papers, but please do not do this for one of the papers you are writing an abstract for or for a paper you are presenting. My expectation is that this is a major writing assignment. This should not be done in 45 minutes. I highly recommend you devote at least twelve hours to this divided up over four or five days.[2]

It doesn't matter how interesting the findings are, how carefully the strategy is designed, and how important the question is. If the writing of the first two pages is bad, your paper isn't getting published.

V. REPLICATION ASSIGNMENT

This module will have one replication assignment. The assignment should be done **individually** by each student. You can work together to check each other's work and motivate each other, but each of you should be working on their own computer and doing the replication in its entirety. Please **do not email Prof. Loutskina or Prof. Strahan** asking for help. The paper you will be replicating is:

> Loutskina, Elena and Philip Strahan. 2009. Securitization and the declining impact of bank finance on loan supply: Evidence from mortgage originations. *Journal of Finance*.

You must first build the dataset by downloading the Home Mortgage Disclosure Act (HMDA) data. The original paper uses data from 1992 to 2004, but you should extend the time series to the present.

1 Replicate panels A and B of Figure 1. Do this for both 1992-2004 and 2005-2015. Do you notice anything?

Next, download the Call Reports data from WRDS. Merge the HMDA data together with the bank-level data.

2 Replicate Table I.
3 Replicate Table II.
4 Replicate Table III.
5 Replicate one of Table IV – Table VII.

Then write up a report – probably about 10-15 pages in length (including the tables and figures) – where you discuss your replication. What did you find? Did you match the results in the paper? Why might yours be different? How else might you have defined bank financial condition? Do your results change when you define it differently? What happens if you omit control variables? Pick one or two and explain what happened and why. What other bank or market controls might you include?

---

[2] Everybody's writing process is different. But, in my experience, an important part is stepping away and then returning to the draft after some time has passed.

Finally, what research ideas does your replication inspire. Think small to start. Ask yourself a question somewhat related to the paper? Do you already know the answer? If you don't, write it down and think about it. Do this a few times.

VI. FIRST DRAFT OF A RESEARCH PAPER

The major assignment of the module is the writing of the first draft of an original research paper. We will spend two full classes on this project.

During the third class you will each present two early stage ideas. These ideas can be in any area of applied microeconomics. However, they should not be something you are already working on with a faculty member. The structure of the class will work as follows. Each student will have ten minutes to present their first idea. Five of these minutes should be a two or three slide presentation and then five more minutes will be for questions from the class and early feedback. We'll take a 10 minute break and then repeat with everybody presenting their second idea during the second half of class.

Based on feedback from your early idea presentations you will then pick a research project – which could be one of the two you presented, or a new one entirely – to work on during the rest of the module. You will turn in a rough draft of a paper that must include (1) a clear motivation, (2) a review of the relevant literature, (3) hypotheses/predictions, and (4) some early results. Ideally, the paper will be a full paper, but I would prefer to see some carefully designed tests and just one or two results than fifty pages of filler. In the last class of the module you will present this paper. Each student will have twenty minutes, including time for questions.

Potential data sources:
- American Housing Survey: https://www.census.gov/programs-surveys/ahs/data.html
- Survey of Consumer Finance: https://www.federalreserve.gov/econres/scfindex.htm
- Panel Study of Income Dynamics: https://psidonline.isr.umich.edu/
- Home Mortgage Disclosure Act Data: https://www.consumerfinance.gov/data-research/hmda/historic-data/
- Call Reports: https://cdr.ffiec.gov/public/ also available through WRDS
- Census Data: https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml
- Other CFPB Data: https://www.consumerfinance.gov/data-research/

VII. READINGS

Week 1: Introduction (Jan 14) [I will do all of the presenting today, but please have read everything]
1. Adelino, McCartney, Schoar (wp) Is there a leverage cycle in the US housing market? The role of government and private actors
2. Adelino, Schoar, Severino (2018) The role of housing and mortgage markets in the financial crisis
3. Beshears, Choi, Laibson, Madrian (2018) Behavioral household finance
4. Campbell (2006) Household finance
5. Guiso, Sodini (2013) Household finance: An emerging field

Week 2: Peer Effects (Jan 21)
1. Bailey, Cao, Kuchler, Stroebel (2018) The economic effects of social networks: Evidence from the housing market.
2. Bayer, Mangum, Roberts (wp) Speculative fever: Investor contagion in the housing bubble
3. Gupta (2019) Foreclosure contagion and the neighborhood spillover effects of mortgage defaults
4. Kalda (2019) Peer financial distress and household leverage: Evidence from 30 million individuals
5. McCartney, Shah (wp) The economic importance of neighbors: Evidence from mortgage decisions

Week 3: Idea Presentations and Workshopping (Jan 28)

Week 4: Politics (Feb 4)
1. Akey, Dobridge, Heimer, Lewellen (wp) Pushing boundaries: Political redistricting and consumer credit
2. Gyongyosi, Verner (wp) Financial crisis, credit-debtor conflict, and political extremism
3. Fetzer, Sen, Souza (wp) Housing insecurity, homeless, and populism: Evidence from the UK
4. McCartney (wp) Does household finance affect the political process? Evidence from voter turnout during a housing crisis
5. Meeuwis, Parker, Schoar, Simester (wp) Belief disagreement and portfolio choice

Week 5: Investors (Feb 11)
1. Bayer, Geisller, Mangum, Roberts (wp) Speculators and middlemen: The strategy and performance of investors in the housing market
2. Chinco, Mayer (2015) Misinformed speculators and mispricing in the housing market
3. Diamond, Guren, Tan (wp) The effect of foreclosures on homeowners, tenants, and landlords
4. Haughwout, Lee, Tracy, van der Klaaw (wp) Real estate investors, the leverage cycle, and the housing market crisis
5. Gao, Sockin, Xiong (2019) Economic consequences of housing speculation

Week 6: Distress (Feb 18)
1. Agarwal, Chomsisengphet, Mahoney, Stroebel (2015) Regulating consumer financial products, evidence from credit cards
2. Cheng, Severino, Townsend (wp) How do consumers fare when dealing with debt collectors? Evidence from out-of-court settlements.
3. Dobbie, Song (2015) Debt relief and debtor outcomes: measuring the effects of consumer bankruptcy protection
4. Dobbie, Goldsmith-Pinkham, Yang (2017) Consumer bankruptcy and financial health
5. Fonseca, Strair, Zafar (wp) Credit access and financial health: Evaluating the impact of debt collection

Week 7: FinTech (Feb 25)
1. Berg, Burg, Gombivic, Puri (2019) On the rise of fintechs, credit scoring using digital footprints
2. Buchak, Matvos, Piskorski, Seru (2019) Fintech, regulatory arbitrage, and the rise of shadow banks
3. Fuster, Goldsmith-Pinkham, Ramadorai, Walther (wp) Predictably unequal, the effects of machine learning on credit markets
4. Fuster, Plosser, Schnabl, Vickery (2019) The role of technology in mortgage lending

5. Ru, Schoar (wp) Do credit card companies screen for behavioral biases?

Week 8: Paper Presentations and Workshopping (Mar 3)