Rising Scholars Conference
Economics and Finance Student Research Presentations

Brandon Mendez **Florida State University**
bjm17b@my.fsu.edu

Brandon Mendez is a 5th-year doctoral candidate in Finance at Florida State University. His research interests include labor finance, corporate finance, and alternative assets. He has previously served in the U.S. Navy as a Naval Flight Officer.

ABSTRACT:

Superstar Uncertainty Category: Alternative Assets, Price Uncertainty, Cultural Finance

Financial economists have long been interested in asset price uncertainty. This study utilizes the to explore this effect by examining how an artists' death affects the pre-sale art market price estimate dispersion of their paintings. Leveraging a difference -in-differences setting for living and deceased artists suggests that estimate dispersion decreases by $16,000 or 9% on average following the death of the artist. Subsample analysis indicates that reputation is the likely economic mechanism influencing this decrease. These findings parallel other studies that focus analysts' forecasting dispersion and find on stock factors other than uncertainty about future cash flows are reflected in price estimates.

Raul Morales **Cornell University**
ram526@cornell.edu

I am a Ph.D. candidate at the Department of Economics at Cornell University. My research interests include macroeconomics and firm dynamics. I study the different ways in which financial frictions impacts firm size and growth. Before enrolling at Cornell, I worked as an economic advisor to the Chilean Ministry of Finance, and economic and financial analyst at the Central Bank of Chile.

ABSTRACT:

Limited liability and firm growth

In this paper I study how the insurance provided by limited liability affect firm's outcomes in terms of size andgrowth. For this, I exploit the differences between firms with incorporated and unincorporated legal status inChile. These differ in that the first one provides limited liability, whereas the second does not. Thus, in theevent of default, unincorporated entrepreneurs might see their personal assets seized to pay off firm's debts,while in the second case their assets are protected.

As the literature has previously pointed out, the main trade-off in the decision to incorporate is obtaining liability protection in exchange for more expensive financing. Incorporated firms have higher incentives todefault, and in the event of default, the lender would recover a lower amount of money. In consequence, theinterest rate for these firms will be higher (Herranz et al, 2017).Using data for Chile I document systematic differences between both types of firms. First, incorporated firmsare larger (6x) than their unincorporated counterparts, and they grow

faster (3x). In addition, using several measures of productivity, I show that they have higher and more volatile productivity. These differences standeven after controlling for the different sectors they operate on.

To rationalize these facts, I build a model in the style of Buera et al (2011) and Midrigan and Xu (2014) where entrepreneurs have heterogeneous productivity processes. I augment their framework to include theincorporation and default decisions. I calibrate it to match salient features of the Chilean data, and find thatthe model can largely explain the self selection of entrepreneurs with riskier productivity into incorporation, andthe size differences between both types of firms. Through a quantitative exercise, I show that having limitedliability is crucial for the growth of firms that have high and volatile productivity: if the option to incorporatewere not available, they would be 50% smaller.

This paper contributes to the understanding of the effects of legal institutions over firm dynamics, and howthey might be unequal for different types of entrepreneurs. Its potential effect over firm growth calls for furtherresearch into this topic.

References

Akyol, Ahmet Athreya, Kartik. "Credit and self-employment," Journal of Economic Dynamics and Control,35(3), pp.363-385, 2011.

Bailey Jones, John and Pratap, Sangeeta. "An estimated structural model of entrepreneurial behavior". Amer-ican Economic Review, 110(9), 2859-98, 2020.

Yan Bai, Dan Lu and Xu Tian. " Do financial frictions explain chinese firms' saving and misallocation?". NBERWorking Paper 24436, 2018.

Buera, Francisco, Kaboski, Joseph P , and Shin, Yongseok."Finance and development: A tale of two sectors".American economic review, 101(5), 1964-2002, 2011.

Eaton, Jonathan, and Mark Gersovitz. "Debt with Potential Repudiation: Theoretical and Empirical Analy-sis." The Review of Economic Studies, 48(2), pp. 289-309, 1981.

Exler, Florian and Tertilt, Michele. "Consumer Debt and Default: a Macro perspective." Cesifo Working Papers8105, 2020.

Herranz, Neus, Krasa, Stefan.Villamil, Anne. "Entrepreneurs, legal institutions and firm dynamics." Eco-nomic Theory, 63, pp.263-285, 2017.

Mankart, Jochen and Rodano, Giacomo. "Personal Bankruptcy Law, debt portfolios and entrepreneurship".Journal of Monetary Economics, 76, pp.157-172,2015.

Midrigan, Virgiliu and Xu, Daniel Yi. "Finance and misallocation: Evidence from plant-level data." Americaneconomic review, 104(2), pp 422-58, 2014.

Vincent Sterk, Petr Sedlacek, and Benjamin Pugsley. The nature of firm growth. AmericanEconomic Review,111(2):547-79, 2021.

Ron Yang **Harvard University**
royang@hbs.edu

Ron Yang is a Ph.D. Candidate in Business Economics at Harvard Business School. He is interested in industrial organization, and his job market paper studies the potential effect of automation on the long-haul trucking freight market.

ABSTRACT:

Geographic Specialization and the Spot Market forTrucking Freight

I study geographic specialization in the U.S. market for trucking freight shipments. Drivers (carriers)specialize in regional geographic markets, causing regions with high truckers-per-capita to experience cheaper freight costs. I develop a model which captures the dynamic incentives of trucking carriers as theymake repeated decisions about where next to deliver freight. A simple preference to be at home has richeffects on carrier value functions, as the value of locations likely to offer return jobs increases. I estimatethis model using data on trucking freight prices from the spot market and US highway inspections. Ina counterfactual world with autonomous trucking where trucks has no preference for a home location,I find that trucks would distribute across the economy, capital utilization would increase, and currentlyundesirable states with few truckers would see lower freight shipping prices.

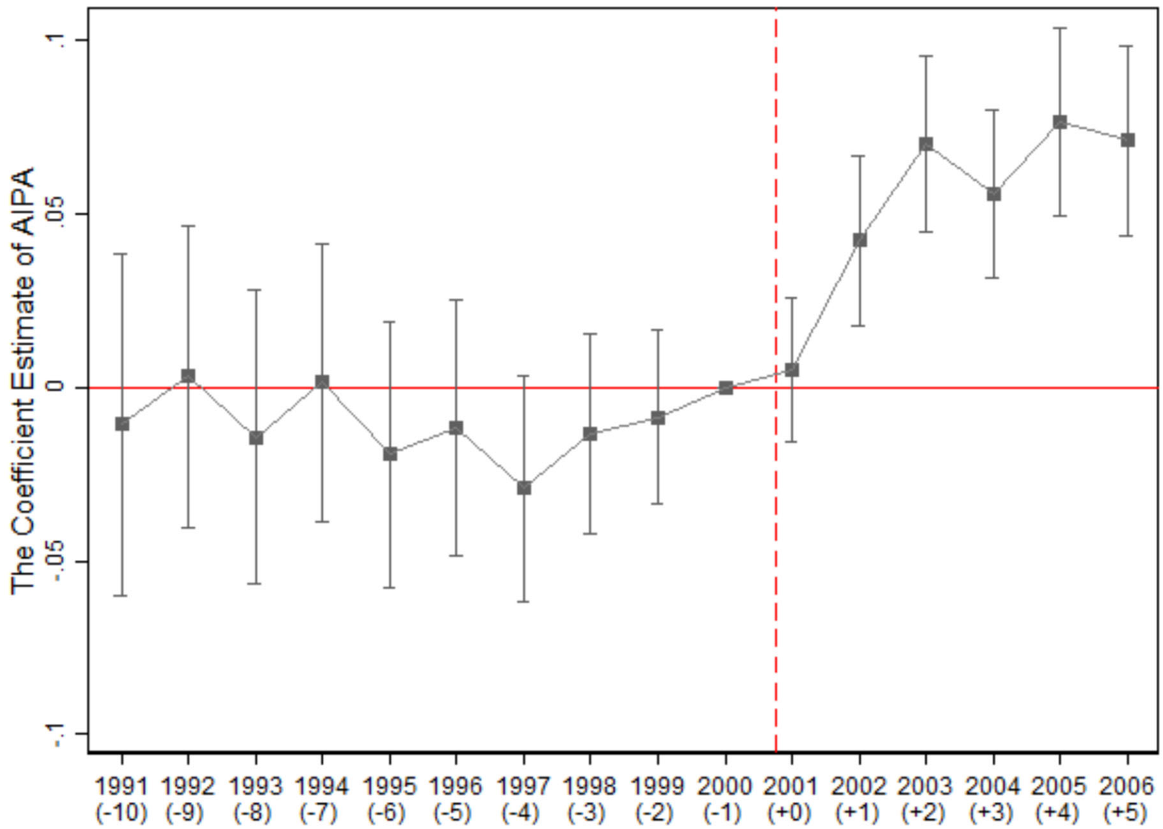
Yabo Zhao **University of Texas at Dallas**
yxz163130@utdallas.edu

Yabo Zhao is a PhD candidate in finance at the University of Texas at Dallas. Her research interests include empirical corporate finance, innovation, and labor and finance.

ABSTRACT:

Asymmetric Information, Enhanced Patent Publication, and Inventor Human Capital Reallocation

How does patent publication affect inventor human capital reallocation? Leveraging (i) the American Inventor's Protection Act (AIPA) that enhances US patent publications as a natural experiment, (ii) plausibly random assignment of patent examiners within art-unit, and (iii) a large tracking inventors' career paths, dataset I employ a Difference-in-Differences approach and find that inventor mobility increases after the AIPA, particularly for those whose patents were taken long to be published. Enhanced patent publication reduces the information asymmetry of inventor labor market and facilitate their move. Inventors then move to better-matched companies and their innovation productivity increases. Suggestive evidence indicates that enhanced patent publication reduces the deterioration of losing inventors and increases the benefit of gaining inventors for innovative firms. The effect is further verified by exploring staggered Patent Depository Library expansion program that enhanced patent publication in pre-AIPA. This paper adds on the limited and inconclusive empirical studies on how patent publication affects knowledge spillover and- follow-on innovation by highlighting an important but overlooked aspect inventor mobility.


The Coefficient Estimate of AIPA
.1
.05
0
-.05
-.1
1991 (-10)
1992 (-9)
1993 (-8)
1994 (-7)
1995 (-6)
1996 (-5)
1997 (-4)
1998 (-3)
1999 (-2)
2000 (-1)
2001 (+0)
2002 (+1)
2003 (+2)
2004 (+3)
2005 (+4)
2006 (+5)