

Instructions on How to Summarize an Academic Paper

You summaries have to be about 1 page long. While you have to read the entire paper, please concentrate on Introduction, Literature Review and Conclusion sections of each paper and read these sections several times. Here is what you need to include in your summaries:

1. Provide definition of a bias related to the discussed paper.
2. **What the authors do:** First, clearly explain the paper's main research agenda / question. The authors usually explain why they are interested in a specific question /issue (often there is a debate in the literature or something was not answered in previous research papers) in the Introduction. **Make sure** to state clearly what they are investigating.
3. **Why they do it:** Explain why the authors are interested in their research question and what led them to it. This is usually briefly covered in the Introduction and to a greater detail in the Literature Review section of a paper. There is probably a debate in the literature and/or they are trying to answer something that was not answered before.
4. **What they found:** Then state the paper's main findings. This is usually briefly stated in the Introduction and in the Conclusion sections as well as the Results section in greater detail.
5. **How they did it:** While I do not want to you to concentrate on math (in most cases you will not be able to understand everything the authors do mathematically), try to understand and write about the design of the main statistical tests. For example, Birz and Lott (2011) study the relationship between macroeconomic news and stock returns. To explain their design, you would have to say that the authors use S&P 500 returns to measure stock returns and classification of newspaper headlines as a measure of macroeconomic news. Then you would have to go into details about what this classification is and why they chose it. In addition, you would have to state that to examine whether there is a relationship, the authors use OLS regressions and find that newspaper headlines affect S&P500 returns in a statistically significant way. [How do you know?] The authors show that the p-values on the main variables of interest, i.e. News Index, %Positive and %Negative are less than 5%, which is show in Table 4.
6. **Consistency with Behavioral Finance** (are the findings related to a particular psychological bias? Are the findings consistent with behavioral or traditional finance?)

Please do not copy and paste phrases and sentences you do not understand. Remember that you may have to present this and I may test your understanding of everything you included in your summary.

Example of a summary of Baker, Pan, and Wurgler (2012):

Research Question (What they do): The authors are examining if the offer price by the bidding firm during M&A process is anchored to some price (vs. the offer price is just a function of fundamentals as theory predicts).

Motivation (Why they do it): In theory, offer price is determined by firm valuation, which is a function of fundamentals. However, a negotiation process involves people. Moreover, other bidders may arise, which would make the target firm's shareholders, who ultimately approve the prices, be influenced by factors that are not just based on fundamentals. Thus, the authors wonder if other influences are guided by behavioral biases. In particular, they examine if target shareholders have an anchor in mind that they rely on when negotiate a price of a merger.

Design: (How does this paper answer the question): The authors believe that a recent peak price of the target (firm) may serve as an anchor since people may think that this is the max price possible given the market's prior behavior. Thus, the authors compare that 26, 39, 52, and 65-week high of target prices to the offer prices.

Findings: The authors find that 26, 39, 52, and 65-week high prices have explanatory power for offer prices. For most of the analysis, the authors concentrate on the 52-week price for simplicity and since this is a higher advertised measure of firm performance. They find that the 10% increase in the 52-week high is associated with a 3.3% increase in the offer premium

Relation to bias: The findings are consistent with the anchoring bias. The authors show that the offer price is not just formed as a function of fundamentals. It is also affected by shareholders' behavior who anchor what the price should be on the recent 52-week high price.