

# Paul H. Décaire

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Education	<p>Ph.D. in Finance, The Wharton School, University of Pennsylvania, 2015-2020 (<i>Expected</i>).</p> <p>M.A. in Economics, Queen's University, 2013-2014.</p> <p>Exchange Program, BBA., Singapore National University, Spring 2011.</p> <p>BBA. in Finance and Economics, HEC Montréal, 2009-2013.</p>
Fields of Interest	Empirical Corporate Finance, Corporate Investment, Capital Budgeting, Organizational Design
Research Papers	<p><b>Articles published in refereed journals:</b></p> <ol style="list-style-type: none"><li>1. Real Option Exercise: Empirical Evidence with Erik P. Gilje and Jérôme P. Taillard, Accepted <i>Review of Financial Studies</i>. (Awarded best paper at the 15th Annual Conference in Financial Economics at IDC-Herzliya (2018) and best paper at the 6th Annual USC Marshall Ph.D. Conference in Finance (2018)).</li></ol> <p><b>Working papers:</b></p> <ol style="list-style-type: none"><li>2. Capital Budgeting and Idiosyncratic Risk, Paul H. Décaire, 2019, Working paper, University of Pennsylvania. (Job Market Paper)</li></ol> <p><b>Work in Progress:</b></p> <ol style="list-style-type: none"><li>3. Firms' Hierarchical Design and Performance, Paul H. Décaire and Tong Liu, 2019, Working paper, University of Pennsylvania.</li></ol>
Teaching Experience	<p>Teaching Assistant, The Wharton School, University of Pennsylvania</p> <ul style="list-style-type: none"><li>• Prof. Erik P. Gilje, UG and MBA, Energy Finance, 2018</li><li>• Prof. Richard J. Herring, UG and MBA, International Banking, 2017, 2018, 2019</li></ul> <p>Teaching Assistant, Economics Department, Queen's University</p> <ul style="list-style-type: none"><li>• Ian Cromb, UG, Introduction to Macroeconomics, 2014</li><li>• Ian Cromb, UG, Introduction to Microeconomics, 2013</li></ul> <p>Teaching Assistant, Economics Department, HEC Montréal</p> <ul style="list-style-type: none"><li>• Prof. Jacques Raynauld, UG, Problèmes et Politiques économiques, 2012, 2013</li></ul>
Other Position	Internship, Private Equity, Caisse de Placement et de Dépôt du Québec, Montréal, 2013
Languages and Skills	French (native), English (fluent) SAS, MatLab, R, Stata, L <sup>A</sup> T <sub>E</sub> X

External (\* Coauthors)

Presentations **Real Option Exercise: Empirical Evidence**

2018 Texas Finance Festival\*, 4th Northeastern University Finance Conference\*, 15th Annual Conference in Financial Economic Research IDC\*, 6th Annual USC Marshall Ph.D. Conference in Finance, European Finance Association Meeting 2018, American Finance Association Meeting 2019, University of South Florida\*, Vanderbilt University (Owen)\*, University of Pittsburgh (Katz)\*

**Capital Budgeting and Idiosyncratic Risk**

2019 AFA Poster Session, The Wharton School, 2019 FRA Conference (Scheduled), 2020 Southwestern Finance Association Conference (Scheduled)

Fellowships,  
Honnors,  
and Awards

- George James Term Fund Travel Award, The Wharton School, 2019
- Mack Institute for Innovation Management Research Fellowship, 2018
- Kleinman Center for Energy Policy Research Grant, 2018
- Student Travel Award, American Finance Association (AFA), 2018
- Dean's Fellowship for Distinguished Merit, The Wharton School, 2015-2020
- Social Sciences and Humanities Research Council Doctoral Award, 2015-2019
- Social Sciences and Humanities Research Council Master Award, 2013-2014
- Queen's University Tri-Agency Recipient Recognition Award, 2013-2014
- Queen's Economics Department - Graduate Studies Scholarship, 2013-2014
- Excellence Scholarship in Economics, CIRPEE, 2013
- Excellence Scholarship in International Economics, Export and Development Canada, 2012
- Excellence Scholarship in Finance, National Bank Financial Market, 2012

References

**Erik P. Gilje (Co-Chair)**

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**Michael R. Roberts (Co-Chair)**

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**Capital Budgeting and Idiosyncratic Risk**

Contrary to traditional financial principles, managers account for idiosyncratic risk when determining new projects' discount rates. Using an NPV-based revealed-preference strategy and quasi-exogenous variation in project-specific idiosyncratic risk, I find that firms inflate their discount rates by 5.2 to 6.7% in response to a one-standard-deviation increase in idiosyncratic risk, on average. Moreover, there is evidence that adjusting discount rates to account for idiosyncratic risk is negatively associated with firms' performance. Using several proxies, I then explore how costly external financing and agency frictions help explain why managers account for idiosyncratic risk in projects' discount rates. Specifically, firms appear to adjust their discount rates upward as a form of risk management when facing costly external financing frictions. Also, to reduce the size of the adjustment, firms seem to use budget allocation to partially insure managers against project-specific underperformance.

**Real Option Exercise: Empirical Evidence** with Erik P. Gilje, and Jérôme P. Taillard  
We study when and why firms exercise real options. Using detailed project-level investment data, we find that the likelihood that a firm exercises a real option is strongly related to peer exercise behavior. Peer exercise decisions are as important in explaining exercise behavior as variables commonly associated with standard real option theories, such as volatility. We identify peer effects using localized exogenous variation in peer project exercise decisions and find evidence consistent with information externalities being important for exercise behavior.