This seminar is intended to convince you that models are useful for framing your research questions because they can help you tighten up your empirical work, making it more persuasive. To put it somewhat crudely, the purpose is not to turn you into a modeler “producer”, but a modeler “user”. As our theme, we will use Joel Demski’s presidential address to the American Accounting Association from 2001.

Given this objective, it is necessary to become comfortable with working through papers that are based on a formal economic model. Reading the introduction and conclusions of theory papers is more or less a waste of time if you haven’t thoroughly worked through the model. It’s like reading the Cliff notes of Shakespeare without actually reading Shakespeare. Only after we have an understanding of how the model works, are we in a position to judge its usefulness and whether it is worth further theoretical or empirical validation.

For most of us, working through a model essentially means solving numerical examples. Your ongoing assignment is to get as far as you possible can with solving the examples. This is how you develop economic intuition. Accordingly you will be asked to work through models during seminar.


A tentative reading list and course schedule are below. Further instructions to follow.

I. Introduction
Demski. Accounting and Economics (familiar ideas for careful readers of his text, but it might help to see a slightly different presentation).
Demski text 13-8, 9, 10, 13; 14-11, 14-12; 16-18

II. The economics of performance evaluation (hidden action)
Demski. 2010. (The Underdeveloped Role of) Science in Accounting Froystein Gjesdal Lecture

III. Breaking down tribal barriers (AKA Taxes, accounting and economics):
Demski chapter 8 (SKIM).
Ralph’s Juiced Up Taxes and Risky Decisions
Ralph’s Partnership Exercise
Demski 13-14
IV. Modeling and empirical analysis
Demski, ch. 19

V. Reporting Discretion (“Anti-fraud rule”)

VI. Further Discretion in Reporting

VII. Disclosure/Career concerns
Brian Mittendorf

VIII. Student final oral examination
Students identify a theory paper related to something that interests them and presents the model.