Paulo Martins Manoel
345N Gatton College
Lexington, KY 40506
Paulo.manoel@uky.edu
(859) 562 2520

ACADEMIC APPOINTMENTS

Univ. of Kentucky, Gatton College of Business & Economics
Assistant Professor of Finance, 2019-present

EDUCATION

University of California, Berkeley
Ph.D. in Finance, 2013-2019

University of São Paulo
MASc in Economics, 2010-2012
B.A. in Mathematics, 2006-2009

RESEARCH INTERESTS

Corporate Finance, Entrepreneurship, Portfolio Management, Public Pension Funds

POSITIONS

JP Morgan Chase
Risk Analyst, 2011-2012

Nefin
Brazilian Center for Research in Financial Economics of the University of São Paulo
Researcher, 2012-2013

WORKING PAPERS

Crime Rates, Law Enforcement, and Business Activity
Can regions with prevalent violent and property crimes promote business by reducing crime rates through law enforcement? Using exogenous state-level police strikes in Brazil, I show that a short-term decrease in the police force leads to an increase in crime rates and a reduction in business activity. Taken together with the finding of the crime literature that lower business activity leads to more crimes, this implies a feedback loop between crime and business, suggesting the existence of multiple Pareto-ranked equilibria. I use the introduction of a law enforcement program called the Pacifying Police Units in the Rio de Janeiro city to provide evidence that a substantial (yet temporary) police shock can create a persistent reduction in crime and a persistent increase in entrepreneurship, consistent with a shift away from the undesirable high-crime low-business equilibrium.

The Real Effects of Politicians' Compensation (with Igor Cunha)
We study how politicians' compensation affects the real economy. Specifically, we investigate the effect of legislators' wages on business activity in Brazil. We identify our results using a constitutional amendment that established salary caps for legislators in a given municipality based on arbitrary population cutoffs. We find that higher politician wages are associated with stronger firm and job creations and increases in firms' revenues and investments. Better paid legislators

increase the municipality's budget surplus while increasing expenditure in education and health care. Our evidence is consistent with local legislators affecting firms mainly through improvements in fiscal policy.

Outrage by Compensation: Implications for Public Pension Performance (with Adair Morse and Alexander Dyck)
R&R Review of Financial Studies
Public pension boards fear stakeholder outrage if they were to compensate internal investment managers with market-level salaries. We derive implications theoretically in an agency-portfolio choice model motivated by inequality-aversion. In a global sample, relaxing the effect of outrage on contracting leads to an average annual incremental value-add of $29 million generated through 6.5 bps in higher returns from risky assets, at the cost of $82,000 in additional compensation. Governance reforms that address outrage by reducing political appointees or requiring independent skills-based boards can triple the annual value-add. These findings are orthogonal to costly political distortions from underfunding and pay-to-play schemes.

Mutual Fund Portfolios: The Case of the Missing Value Funds (with Martin Lettau and Sydney Ludvigson)
This paper provides a comprehensive analysis of the cross-section of portfolios of active mutual funds, ETFs and hedge funds through the lens of risk (anomaly) factors that have been identified in the asset pricing literature. Mutual funds hold predominantly very large stocks and do not tilt their portfolios towards high momentum, high ROE or low investment growth stocks. In contrast, the distribution of mutual fund book-to-market (BM) ratios is strongly tilted towards low BM ratios. While there are many low-BM "growth" funds, there are virtually no high-BM funds. Even portfolios of "value" funds do not tilt towards high BM-stocks. In fact, "value" funds hold a higher proportion of their portfolios in low-BM ("growth") stocks than in high-BM ("value") stocks. These findings are robust with respect to different measures of "value/growth", data construction methodologies, as well as across time. We conclude that U.S. investors cannot use mutual funds or ETFs to construct high-BM portfolios.

CONFERENCE PRESENTATIONS (* indicates presentations by co-author)

Luso-Brazilian Finance Network (Lubrafin) Annual Meeting, June 2020 (Scheduled)
*Red Rock Finance Conference, September 2019
*NBER Asset Pricing Program Meeting, November 2019
Financial Intermediation Research Society (FIRS) Annual Meeting, June 2019
*NBER Law & Economics Program Meeting, February 2019
Joint Berkeley-Stanford Finance Seminar, October 2016 and 2018

AWARD AND GRANTS

The Carl Cheit Outstanding Teaching Assistant Award, 2017
Minder Cheng Research Fellowship, 2015-2017
Honors Diploma to the Academic Merit, University of São Paulo, 2009

TEACHING AND TEACHING ASSISTANTSHIP

Fall of 2019: Capital Investment and Financing Decisions (FIN 405)
Spring of 2015, 2016 and 2017: Empirical Methods in Finance (Prof. Martin Lettau)
Summer of 2016 and 2018: Fixed Income Markets (Prof. Richard Stanton)
Fall of 2017 and 2018: Microeconomic Analysis for Business (Prof. Bodoh-Creed)