

## Interview with P-C Hautcoeur, scientific director of D-FIH

The D-FIH, a project to build a database of historical financial data, directed by Pierre-Cyrill Hautcoeur, will receive in the coming weeks, the first Equipex funding tranches of a total that will reach 3.1 million euros.



### 1. Can you tell us in a few words about the D-FIH project?

It comes out of a situation in which virtually all research in finance uses the only existing database stretching over a long historical period, that is the CRSP of Chicago, which consists exclusively of US stocks listed in New York and is thus certainly not representative of what an investor can expect from a firm or a financial market in general. For example, in a recent study based on partial data from the Paris stock exchange since 1854, put together by D. Le Bris, we show that the average return over the long term and bonus shares (premium equity) on other investments were both lower in France than in the U.S. Premium equity might merit less consideration than it has been accorded until now if such a result is verified on broader bases and in other countries.

Therefore, I propose to build an exhaustive database of stock quotes in France since 1800 for the Parisian market, which will give us a point of comparison with the American data. It will be much richer because it will include shares as well as debts, cash prices as well as futures, firm as well as optional, French as well as foreign securities, for free or organized stock markets. This will allow us to address, in addition to standard finance questions, a number of issues that remain under-investigated, including the role of regional stock exchanges, free markets, interactions between markets, the choices of trading companies and investors, and the like.

### 2. How will this database be constituted? How «live» will it be and how will it be used?

The database will initially centre on the prices of financial assets traded on the exchange, but will not be limited to that, as we hope to add data on financial operations (emissions, transformations) and issuers (in particular, firms). Once established, the database will be updated with recent data via a partner in a parallel project focused on contemporary finance – the Eurofidai project of the CNRS. It can, however, always be extended for the historical part, particularly where it concerns data that cannot be systematically searched because of the nature of the sources (at least for certain periods), such as those related to balance sheets and corporate governance.

To carry out this work, several partners bring their experience: the scholarly, especially historical, expertise comes from the PSE, but we will lean on the Louis Bachelier Institute to operationalise it, and for the distribution, on the GIS Quetelet (for the academics) as well as on the IODS – recently created with the support of the centre for competitiveness, Finance-Innovation (which principally addresses finance professionals).

### 3. In the short term, what are your next steps?

The first step, which is already well under way, is a systematic audit of sources. These will then be scanned and stored electronically thanks to a partnership with the French National Library. At the same time, the frame of the database has been under construction since the summer of 2011, thanks to our partnership with the SCOB centre at the University of Antwerp, which has long experience in such work. This phase will be long because it must allow for the easy entering of the data in the context of an evolutionary time-frame that integrates all the conditions of changes to the structure of the quote and the transformations made by issuers. Next comes the phase of entering the stock quotes and directories that are supplying the data we need, probably overseas, under the control of the ILB. We are in contact with several specialists who have already worked on some smaller projects with overseas universities. After that, final integrations into the database and corrections will be made, and delivery of the results will probably start at the beginning of 2013.

### 4. What possible extensions to the project do you envisage?

The project is already part of a greater ensemble of projects co-ordinated between a number of European partners with a view to developing an integrated database of European stock exchanges over the long term. The conference EurHistock, the third of that name, which I organised at the end of April 2011, contributed to the creation of a scientific community that will use such data, and which will extend the base to other countries. With our German, English and Dutch partners, we have just submitted a research project bid, ORA, which proposes research on the international dimensions of the competition between financial centres, using data from our database. This is a first step. When the projects multiply, I believe that they will lead to significant change not only in the results that we see in finance today, but also to our understanding of economic and financial history.