Empirical Corporate Finance
Fall 2010,
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Course Overview: This course provides an empirical treatment of major topics in corporate finance, including: capital structure and financial contracting; real investment behavior; financial intermediation; financial distress; corporate governance, law and finance, and finance and development.

Suggested Background (recommended not required): Graduate Econometrics (with emphasis on panel-data models and empirical identification) and Graduate Micro. Knowledge of game theory/contract theory is recommended but not required.

Grades: The final grade will be based on class participation and a take-home exam. The course is worth 4 ECTS.

I expect students to prepare for class by reading the required papers (marked with *) and if time permits the suggested papers as well.

Applications: Please register for the course by sending an e-mail to Anneli.Sandbladh@hhs.se
The deadline for the applications is September 6, 2010.

Topic Schedule:

	Date	**Time**	**Topic**
Class 1	Oct-4	2PM-5PM	Capital Structure and Payout Policy
Class 2	Oct-5	9AM-12PM	Liquidity Constraints
Class 3	Oct-6	9AM-12PM	Liquidation Values and Contracting
Class 4	Oct-6	3PM-5PM	Financial Distress
Class 5	Oct-7	9AM-12PM	Empirical Banking
Class 6	Oct-8	9AM-12PM	Law and Finance and Finance and Growth

1. Capital Structure and Payout Policy

Brav, Alon, John R. Graham , Campbell R. Harvey, and Roni Michaely (2005), "Payout Policy in the 21st Century," Journal of Financial Economics 77: 483-527.

* Harris, Miltom, and Artur Raviv (1991), "The Theory of Capital Structure." Journal of Finance, 45, 231-349.

LaPorta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny (2000), "Agency Problems and Dividend Policies Around the World," Journal of Finance 55: 1-33.

Lintner, John (1956), "Distributions of Incomes of Corporations Among Dividends, Retained Earnings and Taxes," American Economic Review 46: 97-113.

Miller, Merton H. and Kevin Rock (1985), "Dividend Policy Under Information Asymmetry," Journal of Finance 40: 1031-1051.

* Myers, Stewart C. (2003), "Financing of Corporations," chapter 4 in the Handbook of the Economics of Finance, edited by George Constantinides, Milton Harris and Rene Stulz. Amsterdam: North-Holland.

* Rajan, Raghuram, and Luigi Zingales, (1995), "What Do We Know About Capital Structure? Some Evidence from International Data," Journal of Finance 50: 1421-60.

2. Liquidity Constraints

Blanchard, O. J., Lopez-de-Silanes, F., and A., Shliefer (1994), "What Do Firms Do with Cash Windfalls?" Journal of Financial Economics 36: 337-360.

* Fazzari, S.M., R.G. Hubbard and B.C. Petersen (1988), "Financing Constraints and Corporate Investment," Brookings Papers on Economic Activity, 141-195.

* Kaplan, Steven N. and Luigi Zingales (1997), "Do Investment-Cash Flow Sensitivities Provide Useful Measures of Financing Constraints?," Quarterly Journal of Economics 112: 169-216.

* Kashyap, Anil, Takeo Hoshi, and David Scharfstein (1991), "Corporate Strcuture, Liquidity and Investment: Evidence from Japanese Industrial Groups," Quarterly Journal of Economics 106: 33-60.

Stein, Jeremy C. (2003), "Agency, Information and Corporate Investment," chapter 2 in the Handbook of the Economics of Finance, edited by George Constantinides, Milton Harris and Rene Stulz. Amsterdam: North-Holland. (READ PART A).

Rauh, Joshua, (2006), "Investment and Financing Constraints: Evidence from the Funding of Corporate Pension Plans," Journal of Finance 61: 33-71.

3. Liquidation Values

* Benmelech, Efraim (2007), “Asset Salability and Debt Maturity: Evidence from 19th Century American Railroads,” Review of Financial Studies forthcoming.

* Benmelech, Efraim, Mark Garmaise and Toby Moskowitz (2005), “Do Liquidation Values Affect Financial Contracts? Evidence from Commercial Loan Contracts and Zoning Regulation,” Quarterly Journal of Economics 120: 1121-1154.

* Benmelech, Efraim and Nittai Bergman (2008), “Liquidation Values and the Credibility of Financial Contract Renegotiation: Evidence from U.S. Airlines,” Quarterly Journal of Economics 123: 1635:1677.

Benmelech, Efraim and Nittai Bergman (2009), “Collateral Pricing,” Journal of Financial Economics 91 (2009) 339-360.

Shleifer, Andrei, and Robert Vishny (1992), “Liquidation Values and Debt Capacity: A Market Equilibrium Approach,” Journal of Finance 47: 1343-1366.

4. Financial Distress + Bankruptcy

* Asquith, Paul, Robert Gertner and David Scharfstein (1994), “Anatomy of Financial Distress: An Examination of Junk-Bond Issuers,” Quarterly Journal of Economics 109: 625-658.

* Andrade Gregor, and Steven N. Kaplan (1998), “How Costly is Financial (not Economic) Distress? Evidence from Highly Leveraged Transactions that Become Distressed,” Journal of Finance 53: 1443-1493.

* Stromberg, Per (2000), “Conflicts of Interest and Market Illiquidity in Bankruptcy Auctions: Theory and Tests,” Journal of Finance 55: 2641-2692

Almeida, Heitor and Thomas Philippon, (2007), “The Risk-Adjusted Cost of Financial Distress,” Journal of Finance 62: 2557-2586.

Baird, Douglas G., and Robert K. Rasmussen, (2002) “The End of Bankruptcy”, Stanford Law Review, 751-789.

Benmelech, Efraim and Nittai Bergman (2009), “Bankruptcy and the Collateral Channel,” Working paper, Harvard University.

Gertner, Robert and David Scharfstein (1991), “A Theory of Workouts and the Effects of Reorganization Law,” Journal of Finance 46: 1189-1222.

Warner, Jerold, (1977) “Bankruptcy Cost: Some Evidence,” Journal of Finance 32: 337-348

5. Empirical Banking: Monitoring and Relationships and Information Production and Liquidity Creation

Diamond, Douglas (1984), “Financial Intermediation and Delegated Monitoring,” Review of Economic Studies 51: 393-414.

* Petersen, Mitchell and Raghuram Rajan (1994), “The Benefits of Lending Relationships: Evidence from Small Business Data,” Journal of Finance 49: 3-37.

* Petersen, Mitchell and Raghuram Rajan (1995), “The Effect of Credit Market Competition on Lending Relationships,” Quarterly Journal of Economics 110: 407-444.

* Kashyap, Anil K and Jeremy C. Stein (2000), “What Do a Million Observations on Banks Say About the Transmission of Monetary Policy?,” American Economic Review 90: 407-428.

Rajan, Raghuram (1992), “Insiders and Outsiders: The Choice Between Relationship and Arms-Length Debt,” Journal of Finance 47: 1367-1400.

Stein, Jeremy C. (2002), “Information Production and Capital Allocation: Decentralized versus Hierarchical Firms,” Journal of Finance 57: 1891-1921.

Berger, Allen N., Nathan H. Miller, Mitchell A. Petersen, Raghuram Rajan and Jeremy C. Stein (2005), “Does Function Follow Organizational Form? Evidence from the Lending Practices of Large and Small Banks,” Journal of Financial Economics 76: 237-269.

6. Law and Finance and Finance and Growth

* La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer (2007), The Economic Consequences of Legal Origin,” Journal of Economic Literature forthcoming.

* La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny (1998), “Law and Finance,” Journal of Political Economy 106: 1113-1155.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny (1997), “Legal Determinants of External Finance,” Journal of Finance 52: 1131-1150.

Djankov, Simeon, Caralee McLiesh, and Andrei Shleifer (2007), “Private Credit in 129 Countries,” Journal of Financial Economics 61: 1-32.

* Dyck, Alexander and Luigi Zingales (2004), "Private benefits of Control: An International Comparison," Journal of Finance 59: 537-600.

* King Robert G., and Ross Levine (1993), "Finance and Growth: Schumpeter Might Be Right," Quarterly Journal of Economics, 108: 681-737.

* Rajan, Raghuram G., and Luigi Zingales (1998), "Financial Dependence and Growth," American Economic Review 88: 559-586.

Jayarante, Jith and Philip Strahan, (1996), "The Finance-Growth Nexus: Evidenec from Bank Branch Deregulation," Quarterly Journal of Economics, 111: 639-671.

Guiso, Luigi, Paola Sapienza, and Luigi Zingales, (2004), "Does Local Financial Development Matter?" Quarterly Journal of Economics, 119: 929-969.