This class will introduce fundamental research contributions in corporate finance. The instructor will present models and empirical results from papers and follow a textbook: “The Theory of Corporate Finance” by Jean Tirole. The class will expose students to theory as well as to empirical work in corporate finance (theories will be motivated by empirical facts).

1. Capital Structure
   a. MM propositions and the role of taxes
   b. Conflicts of interests and agency problems

2. Raising capital
   a. Credit Rationing
   b. Financing under asymmetric information
   c. Lending relationship and Investor activism

3. Liquidity, Crisis, Prudential and monetary policy
   a. Subprime crisis
   b. Incentives of financial institutions
   c. Equilibrium Interactions

4. Corporate Governance
   a. The Takeover Market
   b. Managerial Compensation

Reading lists
In addition to references that can be found in Jean Tirole: The Theory of Corporate Finance and Holmström B. and J. Tirole: Inside and Outside Liquidity, this preliminary and very incomplete reading list is made up primarily of recent papers.

- Financial Stability Review (February 2008 special issue)


