

Corporate Finance

Shandong University, 2010

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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.

- M Campello, JR Graham, CR Harvey, 2010, The real effects of financial constraints: Evidence from a financial crisis, Journal of Financial Economics, Volume 97, Issue 3, Pages 470-487
- Brunnermeier, M. (2008) «Deciphering the 2007/8 Liquidity and Credit Crunch,"Journal of Economic Perspectives.
- Financial Stability Review (February 2008 special issue)

- Greenlaw, D., Hatziu, J., Kashyap, A., and H. Song-Shin (2008) "Leveraged Losses: Lessons from the Mortgage Meltdown" University of Chicago mimeo, February.
- Bailey, M., Elmendorf, D., and R. Litan (2008) "The Great Credit Squeeze: How It Happened How to Avoid Another", http://www.brookings.edu/~media/Files/rc/papers/2008/0516_credit_squeeze/0516_credit_squeeze.pdf
- Lee, Kin, Baruch Lev, and Gillian Yeo, 2008, Executive pay dispersion, corporate governance, and firm performance, *Review of Quantitative Finance and Accounting* 30, 315-338.
- Kale, J. R., E. Reis, and A. Venkateswaran, 2009, Rank order tournaments and incentive alignment: The effect of firm performance, *Journal of Finance*.
- Chen, X., Harford, J. and Li, K. (2007). Monitoring: Which institutions matter? *Journal of Financial Economics* 86, 279-305.
- Masulis, R.W., Wang, C. and Xie, F. (2007). Corporate Governance and Acquirer Returns. *The Journal of Finance*, LXII(4), 1851-1889
- Ferreira, M. A., Massa, M. & Matos, P. (2010). Shareholders at the Gate? Institutional Investors and Cross-Border Mergers Acquisitions. *The Review of Financial Studies*, 23(2), 601-644.
- Bates, T. W., Becher, D. A. & Lemmon, M. L. (2008). Board classification and managerial entrenchment: Evidence from the Market for Corporate Control. *Journal of Financial Economics*, 87, 656-677.
- April Klein,, Emanuel Zur, 2009, Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors, 2009, Volume 64, Issue 1, pages 187–229, *Journal of Finance*
- R Greenwood, M Schor - *Journal of Financial Economics*, 2009, Investor activism and takeovers, Volume 92, Issue 3, June 2009, Pages 362-375