

FIN 971: Corporate finance

Calendar and reading list

Spring 2025

Updated January 20, 2025

Background and reference material

Roberts, M. R., Whited, T. M., 2012. Endogeneity in empirical corporate finance. SSRN 1748604

Angrist, J. D., Pischke, J.-S., 2008. Mostly harmless econometrics: An empiricist's companion. Princeton university press

Greene, W. H., 2012. Econometric Analysis (7th)

Reading list (working document)

Corporate cash holdings

Opler, T., Pinkowitz, L., Stulz, R., Williamson, R., 1999. The determinants and implications of corporate cash holdings. *Journal of financial economics* 52, 3–46

Bates, T. W., Kahle, K. M., Stulz, R. M., 2009. Why do us firms hold so much more cash than they used to? *The journal of finance* 64, 1985–2021

Almeida, H., Campello, M., Weisbach, M. S., 2004. The cash flow sensitivity of cash. *The Journal of Finance* 59, 1777–1804

Harford, J., Klasa, S., Maxwell, W. F., 2014. Refinancing risk and cash holdings. *The Journal of Finance* 69, 975–1012

Begenau, J., Palazzo, B., 2016. Firm selection and corporate cash holdings. Harvard Business School Finance Working Paper

Riddick, L. A., Whited, T. M., 2009. The corporate propensity to save. *The Journal of Finance* 64, 1729–1766

Pinkowitz, L., Stulz, R. M., Williamson, R., 2015. Do us firms hold more cash than foreign firms do? *The Review of Financial Studies* 29, 309–348

Faulkender, M. W., Hankins, K. W., Petersen, M. A., 2019. Understanding the rise in corporate cash: Precautionary savings or foreign taxes. *The Review of Financial Studies* 32, 3299–3334

Duchin, R., Gilbert, T., Harford, J., Hrdlicka, C., 2017. Precautionary savings with risky assets: When cash is not cash. *The Journal of Finance* 72, 793–852

Graham, J. R., Leary, M. T., 2018. The evolution of corporate cash. *The Review of Financial Studies* 31, 4288–4344

Azar, J. A., Kagy, J.-F., Schmalz, M. C., 2016. Can changes in the cost of carry explain the dynamics of corporate “cash” holdings? *The review of financial studies* 29, 2194–2240

Gao, X., Whited, T. M., Zhang, N., 2021. Corporate money demand. *The Review of Financial Studies* 34, 1834–1866

Q-theory and financial constraints

Fazzari, S. M., Hubbard, R. G., Petersen, B. C., 1988. Financing constraints and corporate investment. *Brookings papers on economic activity* 1988, 141–206

Hayashi, F., 1982. Tobin’s marginal q and average q: A neoclassical interpretation. *Econometrica: Journal of the Econometric Society* pp. 213–224

Kaplan, S. N., Zingales, L., 1997. Do investment-cash flow sensitivities provide useful measures of financing constraints? *The quarterly journal of economics* 112, 169–215

Dharmapala, D., Foley, C. F., Forbes, K. J., 2011. Watch what i do, not what i say: The unintended consequences of the homeland investment act. *The Journal of Finance* 66, 753–787

Faulkender, M., Petersen, M., 2012. Investment and capital constraints: repatriations under the american jobs creation act. *Review of Financial Studies* 25, 3351–3388

Cleary, S., 1999. The relationship between firm investment and financial status. *The Journal of Finance* 54, 673–692

Fazzari, S. M., Hubbard, R. G., Petersen, B. C., 2000. Investment-cash flow sensitivities are useful: A comment on kaplan and zingales. *The Quarterly Journal of Economics* 115, 695–705

Gomes, J. F., 2001. Financing investment. *American Economic Review* pp. 1263–1285

Alti, A., 2003. How sensitive is investment to cash flow when financing is frictionless? *The Journal of Finance* 58, 707–722

Whited, T. M., Wu, G., 2006. Financial constraints risk. *The Review of Financial Studies* 19, 531–559

Brown, J. R., Petersen, B. C., 2009. Why has the investment-cash flow sensitivity declined so sharply? rising r&d and equity market developments. *Journal of Banking & Finance* 33, 971–984

Moshirian, F., Nanda, V., Vadilyev, A., Zhang, B., 2017. What drives investment–cash flow sensitivity around the world? an asset tangibility perspective. *Journal of Banking & Finance* 77, 1–17

Hadlock, C. J., Pierce, J. R., 2010. New evidence on measuring financial constraints: Moving beyond the kz index. *The Review of Financial Studies* 23, 1909–1940

Peters, R. H., Taylor, L. A., 2017. Intangible capital and the investment-q relation. *Journal of Financial Economics* 123, 251–272

Andrei, D., Mann, W., Moyen, N., 2017. Why did the q theory of investment start working? <https://ssrn.com/abstract=3073938>

Measurement error in q

Erickson, T., Whited, T. M., 2000. Measurement error and the relationship between investment and q . *Journal of political economy* 108, 1027–1057

Erickson, T., Jiang, C. H., Whited, T. M., 2014. Minimum distance estimation of the errors-in-variables model using linear cumulant equations. *Journal of Econometrics* 183, 211–

Crouzet, N., Eberly, J. C., 2021. Rents and intangible capital: A q+ framework. *Journal of Finance*, forthcoming

High order cumulant estimation code: <http://toni.marginalq.com/ewestimators.html>

Financial constraints measures in practice

Kaplan, S. N., Zingales, L., 1997. Do investment-cash flow sensitivities provide useful measures of financing constraints? *The quarterly journal of economics* 112, 169–215

Cleary, S., 1999. The relationship between firm investment and financial status. *The Journal of Finance* 54, 673–692

Whited, T. M., Wu, G., 2006. Financial constraints risk. *The Review of Financial Studies* 19, 531–559

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Farre-Mensa, J., Ljungqvist, A., 2016. Do measures of financial constraints measure financial constraints? *The Review of Financial Studies* 29, 271–308

Capital structure

Survey: Frank, M. Z., Goyal, V. K., 2007. Trade-off and pecking order theories of debt

Modigliani, F., Miller, M. H., 1958. The cost of capital, corporation finance and the theory of investment. *The American economic review* 48, 261–297

Fischer, E. O., Heinkel, R., Zechner, J., 1989. Dynamic capital structure choice: Theory and tests. *The Journal of Finance* 44, 19–40

Leland, H. E., 1994. Corporate debt value, bond covenants, and optimal capital structure. *The journal of finance* 49, 1213–1252

DeMarzo, P. M., He, Z., 2021. Leverage dynamics without commitment. *The Journal of Finance* 76, 1195–1250

- Strebulaev, I. A., 2007. Do tests of capital structure theory mean what they say? *The Journal of Finance* 62, 1747–1787
- Hennessy, C. A., Whited, T. M., 2005. Debt dynamics. *The Journal of Finance* 60, 1129–1165
- Myers, S. C., Majluf, N. S., 1984. Corporate financing and investment decisions when firms have information that investors do not have. *Journal of financial economics* 13, 187–221
- Titman, S., Wessels, R., 1988. The determinants of capital structure choice. *The Journal of finance* 43, 1–19
- Rajan, R. G., Zingales, L., 1995. What do we know about capital structure? some evidence from international data. *The journal of Finance* 50, 1421–1460
- Leary, M. T., Roberts, M. R., 2005. Do firms rebalance their capital structures? *The journal of finance* 60, 2575–2619
- Lemmon, M. L., Roberts, M. R., Zender, J. F., 2008. Back to the beginning: persistence and the cross-section of corporate capital structure. *The Journal of Finance* 63, 1575–1608
- Graham, J. R., 2000. How big are the tax benefits of debt? *The Journal of Finance* 55, 1901–1941
- Heider, F., Ljungqvist, A., 2015. As certain as debt and taxes: Estimating the tax sensitivity of leverage from state tax changes. *Journal of Financial Economics* 118, 684 – 712
- Andrade, G., Kaplan, S. N., 1998. How costly is financial (not economic) distress? evidence from highly leveraged transactions that became distressed. *The Journal of Finance* 53, 1443–1493
- Glover, B., 2016. The expected cost of default. *Journal of Financial Economics* 119, 284–299
- Frank, M. Z., Goyal, V. K., 2003. Testing the pecking order theory of capital structure. *Journal of financial economics* 67, 217–248
- Levine, O., Wu, Y., 2020. Asset volatility and financial policy: Evidence from corporate mergers. *Management Science*, forthcoming

Begenau, J., Salomao, J., 2018. Firm financing over the business cycle. *The Review of Financial Studies* 32, 1235–1274

Green, D., 2018. Corporate refinancing, covenants, and the agency cost of debt. Working Paper

Taxes

Li, S., Whited, T. M., Wu, Y., 2016. Collateral, taxes, and leverage. *The Review of Financial Studies* 29, 1453–1500

Albertus, J. F., Glover, B., Levine, O., 2022. Foreign investment of us multinationals: The effect of tax policy and agency conflicts. *Journal of financial economics* 144, 298–327

Babkin, A., Glover, B., Levine, O., 2017. Are corporate inversions good for shareholders? *Journal of Financial Economics* 126, 227–251

Dávila, E., Hébert, B., 2017. Optimal corporate taxation under financial frictions

Tørsløv, T. R., Wier, L. S., Zucman, G., 2018. The missing profits of nations. Tech. rep., National Bureau of Economic Research

Hanlon, M., Lester, R., Verdi, R., 2015. The effect of repatriation tax costs on us multinational investment. *Journal of Financial Economics* 116, 179–196

Dharmapala, D., Foley, C. F., Forbes, K. J., 2011. Watch what i do, not what i say: The unintended consequences of the homeland investment act. *The Journal of Finance* 66, 753–787

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Zwick, E., Mahon, J., 2017. Tax policy and heterogeneous investment behavior. *American Economic Review* 107, 217–248

Agency conflicts

Grossman, S. J., Hart, O. D., 1986. The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of political economy* 94, 691–719

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- DeMarzo, P. M., Sannikov, Y., 2006. Optimal security design and dynamic capital structure in a continuous-time agency model. *The Journal of Finance* 61, 2681–2724
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- Nikolov, B., Whited, T. M., 2014. Agency conflicts and cash: Estimates from a dynamic model. *The Journal of Finance* 69, 1883–1921
- Coles, J. L., Daniel, N. D., Naveen, L., 2006. Managerial incentives and risk-taking. *Journal of financial Economics* 79, 431–468
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- Glover, B., Levine, O., 2015. Uncertainty, investment, and managerial incentives. *Journal of Monetary Economics* 69, 121–137
- Glover, B., Levine, O., 2017. Idiosyncratic risk and the manager. *Journal of Financial Economics*, forthcoming
- Harford, J., 1999. Corporate cash reserves and acquisitions. *The Journal of Finance* 54, 1969–1997
- Jensen, M. C., 1986. Agency costs of free cash flow, corporate finance, and takeovers. *The American economic review* 76, 323–329
- Terry, S. J., Whited, T. M., Zakolyukina, A. A., 2023. Information versus investment. *The Review of Financial Studies* 36, 1148–1191

Cheng, I.-H., Hong, H., Shue, K., 2023. Do managers do good with other people's money?
The Review of Corporate Finance Studies 12, 443–487