



Graduate School of Finance

Theoretical Corporate Finance, Part II: Topics in Theoretical Corporate Finance Spring 2025

Reading list (subject to minor updates during the course)

Time: 10.3. - 13.3.2025

Place: Aalto University School of Business

Instructor: Professor Martin Ruckes (Karlsruhe Institute of Technology)

Exercises: Mr Sina Ghavamabadi (Aalto University)

Introduction

[Gilboa, I./A. Postlewaite/L. Samuelson/D. Schmeidler \(2014\): Economic Models as Analogies, Economic Journal 124, F513-F533.](#)

Debt Markets

Static Financial Contracting

[Gale, D./M. Hellwig \(1985\): Incentive-Compatible Debt Contracts: The One-Period Problem, Review of Economic Studies 52, 647-663.](#)

The Number of Creditors

[Bolton, P./D.S. Scharfstein \(1996\): Optimal Debt Structure and the Number of Creditors, Journal of Political Economy 104, 1-25.](#)

Direct and Intermediated Debt

[Holmström, B./J. Tirole \(1997\): Financial Intermediation, Loanable Funds, and the Real Sector, Quarterly Journal of Economics 112, 663-692](#)

Contracts and Control

[Aghion, P./P. Bolton \(1992\): An Incomplete Contracts Approach to Financial Contracting, Review of Economic Studies 59, 473-494.](#)

Coexistence of Debt and Equity

[Dewatripont, M./J. Tirole \(1994\): A Theory of Debt and Equity: Diversity of Securities and Manager-Shareholder Conguence, Quarterly Journal of Economics 109, 1027-1054](#)

Equity Markets: Initial Public Offerings

IPO Underpricing

[Rock, K. \(1986\): Why New Issues Are Underpriced, Journal of Financial Economics 15, 187-212.](#)

IPO Pricing in Hot Markets

[Khanna, N./T.H. Noe/R. Sonti \(2008\): Good IPOs Draw in Bad: Inelastic Banking Capacity and Hot Markets, Review of Financial Studies 21, 1873-1906.](#)

The Market for Corporate Control

Takeovers

[Grossman, S.J./O.D. Hart \(1980\): Takeover Bids, the Free Rider Problem and the Theory of the Corporation, *Bell Journal of Economics* 11, 42-64.](#)

[Burkart, M./D. Gromb/F. Panunzi \(1998\): Why Higher Takeover Premia Protect Minority Shareholders, *Journal of Political Economy* 106, 172-204.](#)

[Burkart, M./F. Panunzi \(2007\): Takeovers, in: Freixas, X./P. Hartmann/C. Mayer \(eds\), *Handbook of European Financial Markets and Institutions*, Oxford University Press, Oxford, 267-297.](#)

[Müller, H.M./F. Panunzi \(2004\): Tender Offers and Leverage, *Quarterly Journal of Economics* 119, 1217-1248.](#)

Voting

[Grossman, S.J./O.D. Hart \(1988\): One Share – One Vote and the Market for Corporate Control, *Journal of Financial Economics* 20, 175-202.](#)

[Burkart, M./S. Lee \(2008\): One Share – One Vote: The Theory, *Review of Finance* 12, 1-49.](#)

Ownership Structure

[Maug, E. \(1998\): Large Shareholders as Monitors: Is There a Trade-Off between Liquidity and Control?, *Journal of Finance* 53, 65-98.](#)

Internal Capital Markets and Investment

External vs. Internal Capital Markets

[Gertner, R.H./D.S. Scharfstein/J.C. Stein \(1994\): Internal Versus External Capital Markets, *Quarterly Journal of Economics* 109, 1211-1230.](#)

[Stein, J.C. \(1997\): Internal Capital Markets and the Competition for Corporate Resources, *Journal of Finance* 52, 111-133.](#)

Incentive Problems in Multi-Division Firms

[Stein, J.C. \(2003\): Agency, Information and Corporate Investment, in: Constantinides, G.M./M. Harris/R.M. Stulz: *Handbook of the Economics of Finance*, North-Holland, Amsterdam, 109-163.](#)

[Brusco, S./F. Panunzi \(2005\): Reallocation of Corporate Resources and Managerial Incentives in Internal Capital Markets, *European Economic Review* 49, 659-681.](#)

Corporate Socialism

[Rajan, R./H. Servaes/L. Zingales \(2000\): The Cost of Diversity: The Diversification Discount and Inefficient Investment, *Journal of Finance* 55, 35-80.](#)

[Hoang, D. and M. Ruckes \(2015\): Informed Headquarters and Socialistic Internal Capital Markets, *Review of Finance* 19, 1105-1141.](#)

Herd Behavior and Investment

[Scharfstein, D.S./J.C. Stein \(1990\): Herd Behavior and Investment, *American Economic Review* 80, 465-479.](#)

Hard copies of the readings are available for consultation also at GSF office, Aalto University School of Business building, Room T317 (3rd floor)