

Contents lists available at [ScienceDirect](#)

## Journal of Financial Economics

journal homepage: [www.elsevier.com/locate/jfec](http://www.elsevier.com/locate/jfec)

## Editorial

## Introduction: New perspectives on corporate capital structures

The National Bureau of Economic Research held a symposium titled “New Perspectives on Corporate Capital Structures” on April 5–6, 2013 in Cambridge, Massachusetts.<sup>1</sup> In its call for the submission of theoretical and empirical papers for the symposium, the NBER noted that the global financial crisis of 2007–2008 and its aftermath have focused attention on the growing use of leverage by financial intermediaries and on the evolving structure of corporate debt markets — and given rise to new questions about the private and social costs and benefits of leverage and, in particular, the role of leverage in affecting the likelihood and extent of systemic financial distress. On the other hand, rising levels of cash on hand at many non-financial firms have highlighted a “low-leverage puzzle” and raised questions about the implications of cash holdings for corporate investment and economic growth.

This issue of the *Journal of Financial Economics* contains some of the papers presented and discussed at the NBER symposium, and refereed since then under the usual *JFE* procedures and standards.

[Milbradt and Oehmke \(2015\)](#) provide a new theoretical perspective on why debt and investment horizons may be excessively short-term in nature. Their key insight is that long-term investments create frictions that induce a preference for short-term investments, triggering a collective short-termism. While their model is potentially applicable to both financial and nonfinancial firms, its value seems especially salient for the joint investment and financing decisions of financial intermediaries.

[Krishnamurthy and Vissing-Jorgensen \(2015\)](#) offer a complementary perspective on short-term funding, which is that financial intermediaries cater to the demand for short-term and safe claims by the nonfinancial sector. They show that the supply of safe government assets has a positive, although unintended, consequence of crowding

out the creation of short-term debt by financial intermediaries, thereby enhancing financial stability.

[Allen, Carletti, and Marquez \(2015\)](#) assume that deposit and equity markets are segmented, and they derive the equilibrium level of equity invested indirectly in banks and invested directly in the risky firms to which banks lend. This market segmentation can raise the cost of bank equity and lower equilibrium bank capital as a result.

In practice, capital requirements are tied to the risk assessment of specific bank assets. [Erel, Myers, and Read \(2015\)](#) show how risk assessments alter bank portfolio choices. They derive a practical measure of the marginal contribution of assets to each bank's risk of default and the marginal regulatory “tax” attached to assets.

Taken together, these papers show the complexity of bank capital structure and asset allocation decisions and explore important interactions with the nonfinancial sector, regulation, and public finance.

The NBER symposium also featured papers that further our understanding of the capital structure choices of nonfinancial firms. [Almazan, de Motta, and Titman \(2015\)](#) consider a theoretical setting in which firm liquidations to repay creditors can lead to the creative destruction of firms—a benefit in normal times—but also to excessive unemployment in the aggregate, which is a social cost during downturns.

[Graham, Leahy, and Roberts \(2015\)](#) provide further insights into the drivers of corporate debt. Their paper shows the dramatic rise in the use of debt by corporate America, with median debt levels close to zero in 1946 and rising to over 30% by 1970. They argue that such increases are more likely attributable to macroeconomic outcomes and government borrowing than to the evolution of firm-specific attributes.

[Heider and Ljungqvist \(2015\)](#) find a surprisingly strong link between corporate leverage and exogenous variation in state-level tax changes, resurrecting the traditional tradeoff theory, which balances taxes and costs of financial

<sup>1</sup> This symposium was made possible by the generous support of the Alfred P. Sloan Foundation.

distress in corporate capital structure. Interestingly, the effects are asymmetric: tax increases lead to debt cuts, but tax cuts do not lead to debt increases.

Much remains to be understood. These papers underscore the need for better research methods to test existing theories, the development of new theories that allow for interactions between financial and nonfinancial sector capital structure choices as well as between public finance and regulation, and the analysis of long time-series and adequate cross-sections of data.

## References

- Milbradt, K., Oehmke, M., 2015. Maturity rationing and collective short-termism. *Journal of Financial Economics*. in this issue, <http://dx.doi.org/10.1016/j.jfineco.2014.08.009>.
- Krishnamurthy, A., Vissing-Jorgensen, A., 2015. The impact of Treasury supply on financial sector lending and stability. *Journal of Financial Economics*. in this issue.
- Allen, F., Carletti, E., Marquez, R., 2015. Deposits and bank capital structure. *Journal of Financial Economics*. in this issue, <http://dx.doi.org/10.1016/j.jfineco.2014.11.003>.
- Erel, I., Myers, S., Read, J., 2015. A theory of risk capital. *Journal of Financial Economics*. in this issue, <http://dx.doi.org/10.1016/j.jfineco.2014.10.006>.
- Almazan, A., de Motta, A., Titman, S., 2015. Debt, labor markets, and the creation and destruction of firms. *Journal of Financial Economics*. in this issue.
- Graham, J., Leahy, M., Roberts, M., 2015. A century of capital structure: The leveraging of corporate America. *Journal of Financial Economics*. in this issue, <http://dx.doi.org/10.1016/j.jfineco.2014.08.005>.
- 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*. in this issue, <http://dx.doi.org/10.1016/j.jfineco.2015.01.004>.

Viral V. Acharya  
*Department of Finance, NYU Stern, 44 West Fourth Street,  
New York, NY 10012-1126, USA*

*CEPR, UK*

*NBER, USA*

Heitor Almeida\*  
*NBER, USA*

*Department of Finance, University of Illinois, 515 E. Gregory  
Dr., Champaign, IL 61820, USA*

Malcolm Baker  
*NBER, USA*

*Harvard Business School, Baker Library 261, Boston, MA  
02163, USA*

\* Corresponding author. Tel.: +1 217 333 2704.