TWO ESSAYS ON CORPORATE FINANCE

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The first essay studies the effect of shareholder empowerment on corporate leasing policy. Exploiting the staggered adoption of majority voting laws that strengthen shareholders' power in corporate director elections, I find that firms reduce their operating leases following shareholder empowerment. I hypothesize that this effect reflects exacerbated shareholder-debtholder conflicts. Consistent with this hypothesis, I find that the effect is less pronounced in firms with better creditor protection. And firms have lower Z scores and fewer geographical segments following the adoption of majority voting laws. Furthermore, I find that lenders charge higher loan spreads and are more likely to require collateral after adopting majority voting laws.

The second essay studies the effect of the family-friendly policy on corporate capital structure decisions. Exploiting the staggered adoption of state paid family leave (PFL) laws, I find that firms increase their financial leverage after PFL laws become effective. I explore two mechanisms of the effect. One mechanism is that firms increase their debt to finance increased labor costs. Consistent with this argument, the effect is more pronounced for firms headquartered in states with higher minimum wages and firing costs or states/counties/cities with paid sick leave mandates. Another mechanism is that

PFL laws increase employee retention, thus freeing employers' debt capacity. Consistent with this hypothesis, the effect is less pronounced for firms with lower employee turnover or in states with stricter legal restrictions on labor mobility.