

# Corporate Finance - Market Microstructure

Ph.D. Preliminary Reading List Fall 2008

Key: ☞ required, ✓ suggested.

## I. Corporate Finance

### A. Game Theory

1. ☞ Thakor, Anjan "Game Theory in Finance," *Financial Management*, Spring 1991, 71-94.
2. ✓ Cho, In-Koo and David Kreps "Signaling Games and Stable Equilibria," *Quarterly Journal of Economics*, 102(2), May 1987, 179-221.
3. ✓ Banks, Jeffrey and Joel Sobel "Equilibrium Selection in Signaling Games," *Econometrica*, 55(3), May 1987, 647-661.

### B. Optimal Debt Levels and Debt Markets: Discrete Time Models

1. ☞ Arturo Bris and Ivo Welch, "The Optimal Concentration of Creditors," *Journal of Finance*, October 2005, 2212.
2. ☞ A. Burak Güner, "Loan Sales and the Cost of Corporate Borrowing," *Review of Financial Studies*, Summer 2006, 687-716.
3. ☞ Hotchkiss, Edith and Tavy Ronen, "The Informational Efficiency of the Corporate Bond Market: An Intraday Analysis," *Review of Financial Studies*, Winter 2002, 1325-1354.
4. ☞ Allen N. Berger, Marco A. Espinosa-Vega, W. Scott Frame, and Nathan H. Miller, "Debt Maturity, Risk, and Asymmetric Information," *Journal of Finance*, December 2005, 2895-2923.
5. ☞ Banerjee, Priyodorshi, "Information Acquisition Under Uncertainty in Credit Markets," *Review of Financial Studies*, Fall 2005, 1075-1104.
6. ✓ Cantillo, Miguel, "A Theory of Corporate Capital Structure and Investment," *Review of Financial Studies*, Winter 2004, 1103-1128.

7. ✓Chemmanur, Thomas and Paolo Fulghieri "Reputation, Renegotiation, and the Choice Between Bank Loans and Publicly Traded Debt," *Review of Financial Studies*, 7(3), Fall 1994, 475-506.
8. ✓Mark T. Leary and Michael R. Roberts, "Do Firms Rebalance Their Capital Structures?," *Journal of Finance*, December 2005, 2575-2619.
9. Morellee, Erwan, "Can Managerial Discretion Explain Observed Leverage Ratio?," *Review of Financial Studies*, Spring 2004, 257-294.
10. Ho Eom, Young, Jean Helwege, and Jing-Zhi Huang, "Structural Models of Corporate Bond Pricing: An Empirical Analysis," *Review of Financial Studies*, Summer 2004, 499-544.
11. Hennessy, Christopher, and Toni Whited, "Debt Dynamics," *Journal of Finance*, June 2005, 1129-1166.
12. Baker, Malcolm and Jeffrey Wurgler, "Market Timing and Capital Structure," *Journal of Finance*, February 2002, 1-32.
13. Acharya, Viral and Jennifer Carpenter, "Corporate Bond Valuation and Hedging with Stochastic Interest Rates and Endogenous Bankruptcy," *Review of Financial Studies*, Winter 2002, 1355-1383.
14. ✓Cantillo, Miguel and Julian Wright "How Do Firms Choose their Lenders? An Empirical Investigation," *Review of Financial Studies*, 13, Spring 2000, 155-190.
15. ✓Chevalier, Judith "Do LBO Supermarkets Charge More? An Empirical Analysis of the Effects of LBOs on Supermarket Pricing," *Journal of Finance*, 50(4), September 1995, pages 1095-1112.
16. ✓Harris, Milton and Artur Raviv "The Theory of Capital Structure," *Journal of Finance*, 46(1), March 1991, 297-355.
17. Brennan, Michael and Alan Kraus "Efficient Financing under Asymmetric Information," *Journal of Finance*, 42(5), December 1987, 1225-1243.
18. Shah, Kshitih "The Nature of Information Conveyed by Pure Capital Structure Changes," *Journal of Financial Economics*, 36(1), August 1994, 89-126.

19. Fulghieri, Paolo and S. Nagarajan "Financial Contracts as Lasting Commitments: The Case of a Leveraged Oligopoly," *Journal of Financial Intermediation*, 2, 1992, 2-32.
20. Fluck, Z. "Optimal Financial Contracting: Debt Versus Outside Equity," *Review of Financial Studies*, 11, 1998, 383-418

**C. Optimal Debt Levels and Debt Markets: Continuous Time Models**

1. ☞Leland, Hayne "Corporate Debt Value, Bond Covenants, and Optimal Capital Structure," *Journal of Finance*, 49(4), September 1994, 1213-1252.
2. ✓Leland, Hayne and Klaus Toft "Optimal Capital Structure, Endogenous Bankruptcy, and the Term Structure of Credit Spreads," *Journal of Finance*, 51(3), July 1996, pages 987-1019.

**D. Industry Structure and Optimal Debt Levels**

1. ☞Brander, James-A., Lewis, Tracy R. "Oligopoly and Financial Structure: The Limited Liability Effect," *American Economic Review*, 76(5), December 1986, 956-70.
2. ☞Maksimovic, Vojislav and Pegaret Pichler, 2001, "Technological Innovation and Initial Public Offerings," *Review of Financial Studies*, 14(2), 459-494.
3. ☞Peter Mackay and Gordon M. Phillips, "How Does Industry Affect Firm Financial Structure?," *Review of Financial Studies*, Winter 2005, 1433-1466.
4. ☞Jianjun Miao, "Optimal Capital Structure and Industry Dynamics," *Journal of Finance*, December 2005, 2621-2659.
5. ☞Matthew Spiegel and Heather Tookes, "Dynamic Competition, Innovation and Strategic Financing," 2006, Yale Working Paper.
6. Khanna, N., and S. Tice, "Strategic Responses of Incumbents to New Entry: The Effect of Ownership Structure, Capital Structure, and Focus," *Review of Financial Studies*, 13, Fall 2000, 749-780.

**E. Event Study Methodology**

1. ☉Eberhart, Allan and Richard Sweeney “Does the Bond Market Predict Bankruptcy Settlements?,” *Journal of Finance*, 47, July 1992, 943-980.
2. ☉Byun, Jinho and Michael Rozeff, “Long-run Performance After Stock Splits: 1927-1996,” *Journal of Finance*, June 2003, 1063-1086.
3. ☉Schultz, Paul, “Pseudo Market Timing and the Long-Run Underperformance of IPOs,” *Journal of Finance*, April 2003, 483-518.
4. ☉Butler, Alexander, Gustavo Grullon and James Weston, “Can Managers Forecast Aggregate Market Returns?” *Journal of Finance*, April 2005, 963-986.
5. ✓Prabhala, N.R., “Conditional Methods in Event Studies and an Equilibrium Justification for Standard Event-Study Procedures,” *Review of Financial Studies*, 10(1), Spring 1997, 1-38.
6. Berk, Jonathan, "A Critique of Size-Related Anomalies ," *Review of Financial Studies*, 8(2), Summer 1995, pages 275-86.

#### F. Bankruptcy

1. ☉Driessen, Joost, “Is Default Event Risk Priced in Corporate Bonds?,” *Review of Financial Studies*, Spring 2005, 165-196.
2. ☉Wang, Ko, Leslie Young, and Yuqing Zhou, “Nondiscriminating Foreclosure and Voluntary Liquidating Costs,” *Review of Financial Studies*, Summer 2002, 959-985.
3. ☉Franks, Julian and Walter Torous "A Comparison of Financial Recontracting in Distressed Exchanges and Chapter 11 Reorganizations," *Journal of Financial Economics*, 35(3), June 1994, 349-370.
4. Kahl, Matthias “Economic Distress, Financial Distress, and Dynamic Liquidation,” *Journal of Finance*, February 2002, 135-168.
5. Mooradian, Robert “The Effect of Bankruptcy Protection on Investment: Chapter 11 as a Screening Device,” *Journal of Finance*, 49, September 1994, 1403-1430.
6. ✓Gils-on, S., E. Hotchkiss, and R. Ruback, “Valuation of Bankrupt Firms,” *Review of Financial Studies*, 13, Spring 2000, 43-74.

7. ✓Haugen, Robert and Lemma Senbet “Bankruptcy and Agency Costs: Their Significance to the Theory of Optimal Capital Structure,” *Journal of Financial and Quantitative Analysis*, 23, March 1988, 27-38.
8. Gosnell, Thomas, Arthur Keown and John Pinkerton “Bankruptcy and Insider Trading: Differences Between Exchange-Listed and OTC Firms,” *Journal of Finance*, 47, March 1992, 349-362.
9. Weiss, Lawrence “Bankruptcy Resolution: Direct Costs and Violation of Priority Claims,” *Journal of Financial Economics*, 27, October 1990, 285-314.
10. Gilson, Stuart “Bankruptcy, Boards, Banks, and Blockholders: Evidence on Changes in Corporate Ownership and Control When Firms Default,” *Journal of Financial Economics*, 27, October 1990, 355-387.
11. Eberhart, Allan, William Moor, and Rodney Roenfeldt “Security Pricing and Deviations from the Absolute Priority Rule in Bankruptcy Proceedings,” *Journal of Finance*, 45, December 1990, 1457-1469.
12. Loderer, Claudio and Dennis Sheehan “Corporate Bankruptcy and Managers’ Self-Serving Behavior,” *Journal of Finance*, 44, September 1989, 1059-1075.
13. Detragiache, Enrica “Public Versus Private Borrowing: A Theory with Implications for Bankruptcy Reform,” *Journal of Financial Intermediation*, 3(4), September 1994, 327-354.

#### G. Capital Allocation

1. ☛Goel, Anand Mohan, Vikram Nanda, and M.P. Narayanan, “Career Concerns and Resource Allocation in Conglomerates,” *Review of Financial Studies*, Spring 2004, 99-128.
2. ☛Bernardo, Antonio, Hongbin Cai, and Jiang Luo, “Capital Budgeting in Multidivision Firms: Information, Agency and Incentives,” *Review of Financial Studies*, Fall 2004, 739-768.
3. ☛Marino, Anthony and John Matsusaka, “Decision Processes, Agency Problems, and Information: An Economic Analysis of Capital Budgeting Procedures,” *Review of Financial Studies*, Spring 2005, 301-326.

4. ☉James Dow and Clara C. Raposo, “CEO Compensation Change, and Corporate Strategy,” *Journal of Finance*, December 2005, 2701-2727.
5. Billett, Matthew, and David Mauer, “Cross-Subsidies, External Financing Constraints, and the Contribution of the Internal Capital Market to Firm Value,” *Review of Financial Studies*, Winter 2003, 1167-1202.
6. Berkovitch, Elazar, and Ronan Israel, “Why the NPV Criterion does not Maximize NPV,” *Review of Financial Studies*, Spring 2004, 239-256.

## H. Security Design

1. ☉Arnoud W. A. Boot, Radhakrishnan Gopalan, and Anjan V. Thakor, “The Entrepreneur’s Choice Between Private and Public Ownership,” *Journal of Finance*, April 2006, 803-836.
2. ☉Townsend, Robert "Optimal Contracts and Competitive Markets with Costly State Verification," *Journal of Economic Theory*, 21(2), October 1979, 265-293.
3. ☉Nachman, David and Thomas Noe "Optimal Design of Securities Under Asymmetric Information," *Review of Financial Studies*, 7(1), Spring 1994, 1-44.
4. ✓DeMarzo, Peter, “The Pooling and Tranching of Securities: A Model of Informed Speculation,” *Review of Financial Studies*, Spring 2005, 1-36.
5. ✓Admati, Anat and Paul Pfleiderer "Robust Financial Contracting and the Role of Venture Capitalists," *Journal of Finance*, 49(2), June 1994, 371-402.
6. ✓Nayak, Subhankar and Nagpurnanand Prabhala, “Disentangling the Dividend Information in Splits: A Decomposition Using Conditional Event-Study Methods,” *Review of Financial Studies*, Winter 2001, 1083-1116.
7. ✓Zender, Jamie "Optimal Financial Instruments," *Journal of Finance*, 46(5), December 1991, 1645-1663.
8. Harris, Milt and Art Raviv “The Design of Securities,” *Journal of Financial Economics*, 24(2), October 1989, 255-87.

9. Harris, Milt and Art Raviv "Corporate Governance: Voting Rights and Majority Rules," *Journal of Financial Economics*, 20(1/2), Jan./Mar. 1988, 203-35.
10. Grossman, Sandy and Olivar Hart "One Share-One Vote and the Market for Corporate Control," *Journal of Financial Economics*, 20(1/2), Jan./Mar. 1988, 175-202.
11. Ravid, Avri and Matthew Spiegel "Optimal Financial Contracts for a Start-Up with Unlimited Operating Discretion," *Journal of Financial and Quantitative Analysis*, 32(3), September 1997, 269-86.
12. DeMarzo, Peter and Darrell Duffie "A Liquidity-Based Model of Security Design," forthcoming *Econometrica*.

## I. Initial Public Offers

1. ➤ Khanna, Naveen, Thomas Noe, and Ramana Sonti, "Good IPOs Draw in Bad: Inelastic Banking Capacity and Hot Markets," forthcoming *Review of Financial Studies*.
2. ➤ Andrew Ellul and Marco Pagano, "IPO Underpricing and After-Market Liquidity," *Review of Financial Studies*, Summer 2006, 381-422.
3. ➤ Alti, Aydogan, "IPO Market Timing," *Review of Financial Studies*, Fall 2005, 1105-1138.
4. ➤ Corwin, Shane, and Paul Schultz, "The Role of IPO Underwriting Syndicates: Pricing, Information Production, and Underwriter Competition," *Journal of Finance*, February 2005, 443-486.
5. ➤ Derrien, Francois and Kent Womack, "Auctions vs. Bookbuilding and the Control of Underpricing in Hot IPO Markets," *Review of Financial Studies*, Spring 2003, 31-61.
6. ➤ Katharina Lewellen, "Risk, Reputation, and IPO Price Support," *Journal of Finance*, April 2006, 613-653.
7. ➤ Fulghieri, Paolo and Matthew Spiegel "A Theory of the Distribution of Underpriced Initial Public Offers by Investment Banks," *Journal of Economics and Management Strategy*, 2(4), Winter 1993, 509

8. ✓Schenone, Carola, "The Effect of Banking Relationships on the Firm's IPO Underpricing," *Journal of Finance*, December 2004, 2903-2958.
9. ✓Welch, Ivo "Seasoned Offerings, Imitation Costs, and the Underpricing of Initial Public Offerings," *Journal of Finance*, 44(2), June 1989, 421-449.
10. ✓Benveniste, Lawrence and Paul Spindt "How Investment Bankers Determine the Offer Price and Allocation of New Issues," *Journal of Financial Economics*, 24(2), 1989, 343-362.
11. Sherman, A., "IPOs and Long-Term Relationships: An Advantage of Book Building," *Review of Financial Studies*, 2000, 13, 697-714.
12. Aggarwal, Reena, Nagpurnanand Prabhala, and Manju Puri, "Institutional Allocation in Initial Public Offerings: Empirical Evidence," *Journal of Finance*, June 2002, 1421-1442.
13. Habib, Michel, and Alexander Ljungqvist, "Underpricing and entrepreneurial Wealth Losses in IPOs: Theory and Evidence," *Review of Financial Studies*, 14(2), 2001, 433-458.
14. Maksimovic, Vojislav, and Pegaret Pichler, "Technological Innovation and Initial Public Offerings," *Review of Financial Studies*, 14(2), 2001, 459-494.
15. Hanley, Kathleen-Weiss "The Underpricing of Initial Public Offerings and the Partial Adjustment Phenomenon," *Journal of Financial Economics*, 34(2), October 1993, 231-250.
16. Grinblatt, Mark and Chuan-Yang Hwang "Signalling and the Pricing of New Issues," *Journal of Finance*, 47(5), December 1992, 1977-84.
17. Welch, Ivo "An Empirical Examination of Models of Contract Choice in Initial Public Offerings," *Journal of Finance and Quantitative Analysis*, 24(4), December 1991, 497-518.
18. Altinkiliç, O., and R. Hansen "Are There Economies of Scale in Underwriting Fees? Evidence of Rising External Financing Costs," *Review of Financial Studies*, 13, Spring 2000, 191-218.

## J. Mergers and Corporate Control

1. ☉Hartzell, Jay, Eli Ofek, and David Yermack, "What's In It for Me? CEO's Whose Firms are Acquired," *Review of Financial Studies*, Spring 2004, 37-62.
2. ☉Moeller, Sara, Frederik Schlingemann, and Rene Stulz, "Wealth Destruction on a Massive Scale? A Study of Acquiring-Firm Returns in the Recent Merger Wave," *Journal of Finance*, April 2005, 757-782.
3. Bange, Mary, and Michael Mazzeo, "Board Composition, Board Effectiveness, and the Observed Form of Takeover Bids," *Review of Financial Studies*, Winter 2004, 1185-1215.
4. ☉Noe, Thomas "Investor Activism and Financial Market Structure," *Review of Financial Studies*, Spring 2002, 289-318.
5. Amihud, Yakov, Marcel Kahan, and Rangarajan Sundaram, "The Foundations of Freezeout Laws in Takeovers," *Journal of Finance*, June 2004, 1325-1344.
6. ✓Fuller, Kathleen, Jeffry Netter, and Mike Stegemoller, "What Do Returns to Acquiring Firms Tell Us? Evidence from Firms That Make Many Acquisitions," *Journal of Finance*, August 2002, 1763-1793.
7. ✓Bradley, Michael, Anand Desai, and E. Han Kim "Synergistic Gains From Corporate Acquisitions and their Division Between the Stockholders of Target and Acquiring Firms," *Journal of Financial Economics*, 21(1), May 1988, 3-40.
8. ✓Avery, Christopher, Judith Chevalier, and Scott Schaefer, "Why Do Managers Undertake Acquisitions? An Analysis of Internal and External Rewards for Acquisitiveness," *Journal of Law, Economics, and Organization*; 14(1), April 1998, 24-43.
9. ✓Harris, Milton and Artur Raviv "Corporate Control Contests and Capital Structure," *Journal of Financial Economics*, 20(1/2), January/March 1988, 55-86.
10. Betton, Sandra, and B. Espen Eckbo, "Toeholds, Bid Jumps, and Expected Payoffs in Takeovers," *Review of Financial Studies*, 13(4), 2000, 841-882.
11. ✓Israel, Ronan "Capital Structure and the Market for Corporate Control: The Defensive Role of Debt Financing," *Journal of Finance*, 46(4), September 1991, 1391-1409.

12. Warga, Arthur and Ivo Welch "Bondholder Losses in Leveraged Buyouts," *Review of Financial Studies*, 6(4), Winter 1993, 959-82.
13. Singh, R. "Takeover Bidding with Toeholds: the Case of the Owner's Curse," *Review of Financial Studies*, 11, 1998, 679-704.
14. Karpoff, Jonathan and Paul Malatesta "The Wealth Effects of Second Generation State Takeover Legislation" *Journal of Financial Economics*, 25(2), December 1989, 291-322.

## **II. Market Microstructure and Related Topics**

### **A. Survey**

1. Madhavan, A., "Market Microstructure: A Survey," *Journal of Financial Markets*, 3, August 2000, 205-258.
2. Biais, Bruno, Larry Glosten, and Chester Spatt, "Market Microstructure: A Survey of Microfoundations, Empirical Results, and Policy Implications," *Journal of Financial Markets*, May 2005, 217-264.

### **B. Inventory Models**

1. ☉ Brunermeier, Markus, and Lasse Heje Pedersen, "Predatory Trading," *Journal of Finance*, 60(4), August 2005, 1825-1864.
2. ☉ Spiegel, Matthew and A. Subrahmanyam "On Intraday Risk Premia," *Journal of Finance*, 50, 1995, 319-339.
3. ☉ Spiegel, Matthew "Stock Price Volatility in a Multiple Security Overlapping Generations Model," *Review of Financial Studies*, 11, 1998, 419-447.
4. ✓ Ho, Thomas and Hans Stoll "The Dynamics of Dealer Markets Under Competition," *Journal of Finance*, 38, September 1983, 1053-1074.
5. ✓ Hagerty, Kathleen "Equilibrium Bid-Ask Spreads in Markets with Multiple Assets," *Review of Economic Studies*, 58, April 1991, 237-257.

6. Vayanos, Dimitri, "Strategic Trading in a Dynamic Noisy Market," *Journal of Finance*, 56(1), 2001, 131-172.
7. Ho, Thomas and Hans Stoll "Optimal Dealer Pricing Under Transactions and Return Uncertainty," *Journal of Financial Economics*, 9, March 1981, 47-73.
8. Hansch, Oliver, Narayan Naik, and S. Viswanathan, "Do Inventories Matter in Dealership Markets? Some Evidence From the London Stock Exchange," *Journal of Finance*, 53(5), October 1998, pages 1623-56.
9. Gehrig, Thomas and Matthew Jackson "Bid-Ask Spreads with Indirect Competition Among Specialists," *Journal of Financial Markets*, 1(1), April 1998, 89-120.

**C. Strategic Traders, Noise, and Risk Neutral Specialists (Kyle Models)**

1. ✓ Kyle, Albert "Continuous Auctions and Insider Trading," *Econometrica*, 53, 1985, 1315-1335.
2. ✓ Back, Kerry, Henry Cao, and Greg Willard, "Imperfect Competition Among Informed Traders" *Journal of Finance*, 55(5), October 2000, 2117-55.
3. ✓ Foster, Douglas and S. Viswanathan "A Theory of the Interday Variations in Volume, Variance, and Trading Costs in Securities Markets," *Review of Financial Studies*, 3(4), 1990, pages 593-624.
4. ✓ Holden, Craig and A. Subrahmanyam "Long-Lived Private Information and Imperfect Competition," *Journal of Finance*, 47, 1992, 247-270.
5. ✓ Foster, Douglas and S. Viswanathan "Strategic Trading When Agents Forecast the Forecasts of Others," *Journal of Finance*, 51(4), September 1996, pages 1437-78
6. Spiegel, Matthew and A. Subrahmanyam "Informed Speculation and Hedging in a Noncompetitive Securities Market," *Review of Financial Studies*, 5, 1992, 307-329.
7. Chowdhry, Bhagwan and Vikram Nanda "Multimarket Trading and Market Liquidity," *Review of Financial Studies*, 4, 1991, 483-511.

**D. Social Welfare and Market Performance with Insider Trading**

1. ☉Khanna, Naveen, and Ramana Sonti, "Value Creating Stock Manipulation: Feedback Effect of Stock Prices on Firm Value," *Journal of Financial Markets*, June 2004, 237-270.
2. ☉Chae, Joon, "Trading Volume, Information Asymmetry, and Timing Information," *Journal of Finance*, 60(1), February 2005, 413-442.
3. ☉Charles Schnitzlein, "Price Formation and Market Quality When the Number and Presence of Insiders is Unknown," *Review of Financial Studies*, Fall 2002, 1077-1109.
4. ☉Bhattacharya, Utpal and Matthew Spiegel "Insiders, Outsiders, and Market Breakdowns," *Review of Financial Studies*, 4, 1991, 255-282.
5. ✓Leland, Hayne "Insider Trading Should it be Prohibited?," *Journal of Political Economy*, 100, August 1992, 859-887.
6. ✓Ausabel, Larry "Insider Trading in a Rational Expectations Economy," *American Economic Review*, 80, 1990 1022-1041.
7. ✓Glosten, Larry "Insider Trading, Liquidity, and the Role of the Monopolist Specialist," *Journal of Business*, 62, April 1989, 211-235.
8. ✓Bhattacharay, Utpal, Phil Reny, and Matthew Spiegel "Destructive Interference in an Imperfectly Competitive Multi-Security Market," *Journal of Economic Theory*, February 1995, 136-170.
9. Khanna, Naveen, Steve Slezak, and Michael Bradley "Insider Trading, Outside Search, and Resource Allocation: Why Firms and Society May Disagree on Insider Trading Restrictions," *Review of Financial Studies*, Fall 1994, 575-608.
10. DeMarzo, Peter, Michael Fishman, and Kathleen Hagerty "The Optimal Enforcement of Insider Trading Regulations," *Journal of Political Economy*, 1998, 106, 602-632.
11. ✓Glosten, Larry and Paul Milgrom "Bid, Ask, and Transaction Prices in a Specialist Market with Heterogeneously Informed Traders," *Journal of Financial Economics*, 14, March 1985, 71-100.

#### E. Bid-Ask Spread and Supply Schedules

1. ☉Bondarenko, Oleg “Competing Market Makers, Liquidity Provision, and Bid-Ask Spreads,” *Journal of Financial Markets*, 4(3), 2001, 269-308.
2. ☉Kavajecz, Kenneth and Elizabeth Odders-White, “An Examination of Changes in Specialists’ Posted Price Schedules,” *Review of Financial Studies*, Fall 2001, 681-704.
3. ☉Huang, R. and Hans Stoll “The Components of the Bid-ask Spread: A General Approach,” *Review of Financial Studies*, 10, 1997, 995-1034.
4. Venkat Eleswarapu and Kumar Venkataraman, “The Impact of Legal and Political Institutions on Equity Trading Costs: A Cross Country Analysis,” *Review of Financial Studies*, Fall 2006, 1081-1111.
5. Graham, John, Roni Michaely, and Michael Roberts, “Do Price Discreteness and Transactions Costs Affect Stock Returns? Comparing Ex-Dividend Pricing Before and After Decimalization,” *Journal of Finance*, December 2003, 2611-2635.
6. Sandas, Patrik “Adverse Selection and Competitive Market Making: Empirical Evidence from a Limit Order Market,” *Review of Financial Studies*, Fall 2001, 705-734.
7. George, Thomas, Gautam Kaul, and M. Nimalendran, “Estimation of the Bid-Ask Spread and Its Components: A New Approach,” *Review of Financial Studies*, 4(4), 1991, 623-56.
8. Huang, Roger, “The Quality of ECN and Nasdaq Market Maker Quotes,” *Journal of Finance*, June 2002, 1289-1319.
9. Dufour, Alfonso, and Robert Engle, “Time and the Price Impact of a Trade,” *Journal of Finance*, 55(6), 2000, 2467-2498.
10. George, Thomas and Francis Longstaff “Bid-Ask Spreads and Trading Activity in the S&P 100 Index Options Market,” *Journal of Financial and Quantitative Analysis*, 28, September 1993, 381-397.
11. ✓Ball, Cliff and Tarun Chordia “True Spreads and Equilibrium Prices,” working paper Vanderbilt University, 1999.
12. ✓Petersen, Mitchell and David Fialkowski “Posted Versus Effective Spreads: Good Prices or Bad Quotes?,” *Journal of Financial Economics*, 35, June 1994, 269-292.

13. ✓Jegadeesh, Narasimhan and Sheridan Titman “Short-Horizon Return Reversals and the Bid-Ask Spread,” *Journal of Financial Intermediation*, 4, April 1995, 116-133.
14. ✓Affleck-Graves, John, Shantaram Hegde, and Robert Miller “Trading Mechanisms and the Components of the Bid-Ask Spread,” *Journal of Finance*, 49, September 1994, 1471-1488.
15. ✓Madhavan, Ananth and Seymour Smidt "An Analysis of Changes in Specialist Inventories and Quotations," *Journal of Finance*, 48(5), December 1993, 1595-1628.
16. Stoll, Hans "Inferring the Components of the Bid Ask Spread: Theory and Empirical Tests," *Journal of Finance*, 44, 1989, 115-134.
17. Hasbrouck, Joel "Measuring the Information Content of Stock Trades," *Journal of Finance*, 46, 1991, 179-207.
18. Chung, Kee, and Robert Van Ness “Order Handling Rules, Tick Size, and the Intraday Pattern of Bid-Ask Spreads for Nasdaq Stocks,” *Journal of Financial Markets*, 4(2), 2001, 143-162.
19. Easley, David and Maureen O'Hara “Price, Trade Size, and Information in Securities Markets,” *Journal of Financial Economics*, 19(1), 1987, 69-90.
20. Easley, David and Maureen O'Hara “The Information Content of the Trading Process,” *Journal of Empirical Finance*, 4, June 1997, 159-186.
21. Neal, Robert and Simon Wheatley “Adverse Selection and Bid-Ask Spreads: Evidence from Closed-End Funds,” *Journal of Financial Markets*, 1(1), April 1998, 121-149.

#### F. **Liquidity and Returns**

1. ➤Elizabeth R. Odders-White and Mark J. Ready, “Credit Ratings and Stock Liquidity,” *Review of Financial Studies*, Spring 2006, 119-157.
2. ➤Yakov, Amihud, “Illiquidity and Stock Returns: Cross-section and Time-series Effects,” *Journal of Financial Markets* 2002, 31-56.

3. D'Mello, Ranjan, Stephen Ferris, and Chuan Yang Hwang, "The Tax-Loss Selling Hypothesis, Market Liquidity, and Price Pressure Around the Turn-of-the-Year," *Journal of Financial Markets* 2003, 73-98.

#### G. Tick Size

1. ☉Ronen, Tavy, and Daniel Weaver "'Teenies' Anyone?," *Journal of Financial Markets*, 4(3), 2001, 231-260.
2. ☉Bacidore, Jeffrey, Robert Battalio, and Robert Jennings, "Order Submission Strategies, Liquidity Supply, and Trading in Pennies on the New York Stock Exchange," *Journal of Financial Markets* 2003, 337-362.

#### H. Competitive Models

1. ☉Admati, Anat "A Noisy Rational Expectations Equilibrium for Multi-Asset Securities Markets," *Econometrica*, 53, 1985, 629-657.
2. Easley, David and Maureen O'Hara, "Information and the Cost of Capital," *Journal of Finance*, August 2004, 1553-1584.
3. ✓Jiang Wang "A Model of Competitive Stock Trading Volume," *Journal of Political Economy*, 102, 1994, 127-168.
4. ✓He, Hua and Jiang Wang "Differential Information and Dynamic Behavior of Stock Trading Volume," *Review of Financial Studies*, 8(4), Winter 1995, 919-72.
5. Anshuman, V. and Avner Kalay "Market making with discrete prices," *Review of Financial Studies*, 11, 1998, 81-109.
6. Harrison, H. and J. Wang "Trading and Returns Under Periodic Market Closures," *Journal of Finance*, 55, February 2000, 297-354.

#### I. Information Disclosure

1. ☉Lavine, Carolyn, and Micahel Smith, "Information Dissemination by Insiders in Equilibrium," *Journal of Financial Markets* 2003, 23-49.
2. ✓Fishman, Michael and Kathleen Hagerty "The Incentive to Sell Financial Market Information," *Journal of Financial Intermediation*, 4, April 1995, 95-115.

3. Fishman, Michael and Kathleen Hagerty “The Mandatory Disclosure of Trades and Market Liquidity,” *Review of Financial Studies*, 8, 1995, 637-676.
4. Easley, David and Maureen O’Hara “Financial Analysis and Information Based Trade,” *Journal of Financial Markets*, 1(2), August 1998, 175-202.
5. Admati, A. and P. Pfleiderer “Forcing Firms to Talk: Financial Disclosure and Externalities,” *Review of Financial Studies*, 13, Fall 2000, 479-520.

#### J. Trading Mechanisms

1. ☉Amber Anand and Daniel G. Weaver, “The Value of the Specialist: Empirical Evidence from the CBOE,” *Journal of Financial Markets*, May 2006, 79-100.
2. ☉Pierre Hillion and Matti Suominen, “The Manipulation of Closing Prices,” *Journal of Financial Markets*, October 2004, 351-376.
3. ☉Madhavan, Ananth, David Porter, and Daniel Weaver, “Should Securities Markets be Transparent?,” *Journal of Financial Markets*, August 2005, 265-287.
4. ☉Harris, Lawrence and Venkatesh Panchapagesan, “The Information Content of the Limit Order Book: Evidence from NYSE Specialist Trading Decisions,” *Journal of Financial Markets*, February 2005, 25-68.
5. ☉Boehmer, Ekkehart, Gideon Saar, and Lei Yu, “Lifting the Veil: An Analysis of Pre-trade Transparency at the NYSE,” *Journal of Finance*, April 2005, 783-816.
6. ☉Hendershott, Terrence, and Charles Jones, “Island Goes Dark: Transparency, Fragmentation, and Regulation,” *Review of Financial Studies*, Fall 2005, 743-794.
7. ☉Barclay, Michael, and Terrence Hendershott, “Price Discovery and Trading After Hours,” *Review of Financial Studies*, Winter 2003, 1041-1074.

8. ✓Bae, Kee-Hong, Hasung Jang, and Kyung Suh Park, "Traders' Choice Between Limit and Market Orders: Evidence from NYSE Stocks," *Journal of Financial Markets*, August 2003, 517-538.
9. ✓Bondarenko, Oleg, and Jaeyoung Sung, "Specialist Participation and Limit Orders," *Journal of Financial Markets*, August 2003, 539-572.
10. ✓Corwin, Shane, "Specialist Performance and New Listing Allocations on the NYSE: An Empirical Analysis," *Journal of Financial Markets*, January 2004, 27-52.
11. Boni, Leslie, and Chris Leach, "Expandable Limit Order Markets," *Journal of Financial Markets*, February 2004, 145-186.
12. ✓Edelen, Roger and Simon Gervais, "The Role of Trading Halts in Monitoring a Specialist Market," *Review of Financial Studies*, Spring 2003, 263-300.
13. ✓Glosten, Larry "Is the Electronic Open Limit Order Book Inevitable?," *Journal of Finance*, 49, September 1994, 1127-1161.
14. ✓Coughenour, Jay and Daniel Deli, "Liquidity Provision and the Organizational Form of NYSE Specialist Firms," *Journal of Finance*, April 2002, 841-869.
15. ✓Viswanathan, S., and James Wang, "Market Architecture: Limit-Order Books Versus Dealership Markets," *Journal of Financial Markets* 2002, 127-168.
16. Kavajecz, Kenneth, and Elizabeth Odders-White, "Volatility and Market Structure," *Journal of Financial Markets* 2001, 359-384.
17. Grammig, Joachim, Dirk Schiereck, and Erik Theissen, "Knowing Me, Knowing You: Trader Anonymity and Informed Trading in Parallel Markets," *Journal of Financial Markets* 2001, 385-412.
18. ✓Bhattacharya, Utpal and Hazem Daouk, "The World Price of Insider Trading," *Journal of Finance*, February 2002, 75-108.
19. ✓Madhavan, A. and V. Panchapagesan "Price Discovery in Auction Markets: A Look Inside the Black Box," *Review of Financial Studies*, 13, Fall 2000, 627-658.

20. ✓Pirrong, C. "The Organization of Financial Exchange Markets: Theory and Evidence," *Journal of Financial Markets*, 2, November 1999, 329-358.
21. ✓Chakravarty, Sugato and Craig Holden "An Integrated Model of Market and Limit Orders," *Journal of Financial Intermediation*, 4, 1995, 213-241.
22. Dow, James and Gorton, Gary "Profitable Informed Trading in a Simple General Equilibrium Model of Asset Pricing," *Journal of Economic Theory*, 67(2), December 1995, 327-69.
23. Cason, T. "The Opportunity for Conspiracy in Asset Markets Organized with Dealer Intermediaries," *Review of Financial Studies*, 13, Summer 2000, 385-416.
24. Ready, M. "The Specialist's Discretion: Stopped Orders and Price Improvement," *Review of Financial Studies*, 12, Winter 1999, 1075-1112.
25. Sofianos, G. and I. Werner "The Trades of NYSE Floor Brokers," *Journal of Financial Markets*, 3, May 2000, 139-176.
26. Kirilenko, A. "On the Endogeneity of Trading Arrangements," *Journal of Financial Markets*, 3, August 2000, 287-314.

#### K. Delegated Management

1. ➊Nanda, V., M.P. Narayanan, and V.A. Warther, "Liquidity, Investment Ability, and Mutual Fund Structure," *Journal of Financial Economics*, 57, 2000, 417-443.
2. ✓Chevalier, Judith, and Glenn Ellison, "Are Some Mutual Fund Managers Better Than Others? Cross-Sectional Patterns in Behavior and Performance," *Journal of Finance*, 54(3), June 1999, 875-99.
3. ✓Dow, J., and G. Gorton, 1997, "Noise Trading, Delegated Portfolio Management, and Economic Welfare," *Journal of Political Economy*, 105, 1024-1050.
4. ✓Gruber. M., 1996, "Another Puzzle: The Growth in Actively Managed Mutual Funds," *Journal of Finance*, 51, 783-810.
5. Brown, S. and W. Goetzmann, 1997, "Mutual Fund Styles," *Journal of Financial Economics*, 43, 373-399.

6. Baks, Klass, Andrew Metrick, and Jessica Wachter, "Should Investors Avoid All Actively Managed Mutual Funds? A Study in Bayesian Performance Evaluation," *Journal of Finance*, 56(1), 2001, 45-86.
7. Ou-Yang, Hui, 1997, "Optimal Contracts in Continuous Time Principal-Agent Problems," University of North Carolina at Chapel Hill working paper.

**L. Heterogenous Priors**

1. Kraus, Alan and Maxwell Smith "Endogenous Sunspots, Pseudo-bubbles and Beliefs About Beliefs," *Journal of Financial Markets*, 1(2), August 1998, 151-174.