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Financing decisions: who issues stock?

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Abstract

Financing decisions seem to violate the central predictions of the pecking order model about how often and under what circumstances firms issue equity. Specifically, most firms issue or retire equity each year, and the issues are on average large and not typically done by firms under duress. We estimate that during 1973–2002, the year-by-year equity decisions of more than half of our sample firms violate the pecking order.

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Keywords

Financing decisions; Pecking order; Asymmetric information; Equity issues; Repurchases

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