GRANT CLAYTON

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RESEARCH FIELDS

Empirical corporate finance, including intersections with strategy, industrial organization, and labor economics

ACADEMIC EXPERIENCE

University of Kentucky, Gatton College of Business and Economics
- Assistant Professor of Finance — 2018 – Present
- *Courses:* Investment Analysis (FIN 410)
  - Nominated for Gatton Teaching Excellence Award, 2020

Northwestern University, Teaching Assistant — 2013 – 2018
- EMBA Program: Top Teaching Assistant Award
  - *Courses*: Managerial Finance I and II
- MBA Program: *Courses*: Finance II, Thought Leadership Seminar, Investment Banking, Hedge Funds and Private Equity
- Ph.D. Program: *Courses*: Empirical Corporate Finance I and II

EDUCATION

Ph.D., Finance, Northwestern University — 2018
- Committee Chairperson: David Matsa

M.S.: Finance, Kellogg School of Management — 2015
M.S.: Mathematics, Texas A&M University — 2013
B.B.A.: Finance, Southern Methodist University — 2006
B.S.: Mathematics, Southern Methodist University — 2006
B.A.: History, Southern Methodist University — 2006

RESEARCH PRESENTATIONS AND WORKING PAPERS

"Competition Type and Capital Structure: Evidence from Resale Price Maintenance"
Past Desk, Under Referee Review at *Review of Finance*
Financial Management Association (FMA) Annual Meeting 2021
Midwest Finance Association (MFA) Annual Meeting 2022
Other invited presentations: *Firestone Lecture Series 2020*, Kent State University

Abstract: Firms change their use of financial leverage in response to changes in competition type. This paper examines a plausibly exogenous shift in competition type from non-price competition toward price competition in the retail industry. The shift occurred when Congress banned resale price maintenance agreements, in which manufacturers set minimum resale prices. In response, firms reduced service expenditures, thereby reducing operating leverage. Firms with pre-change higher service expenditures significantly reduced financial leverage, while those with lower service expenditures modestly increased financial leverage. The results show that competition type is an important factor in firms' capital structure decisions.

"More Value, More Organizing? Unionization Campaigns and Industry Value Shocks"
Most recently submitted to *Financial Management*

Abstract: This paper examines how union organizing activity responds to changes in industry equity value. In the United States, non-unionized workers petition the National Labor Relations Board for elections determining unionization. I construct shocks using industry equity returns during the waiting period between petition and election. After negative shocks, workers are less likely to favor unionization. Surprisingly, there is no increase in unionization following positive shocks. Motivated by theory, the analysis tests for changes in managerial resistance and workers' fears of job loss. The results show no changes in managerial resistance but do suggest that unemployment risk significantly impacts workers' decisions.

"Commitment and Capital Structure"
Finance Department Brown Bag May 2021

Abstract: Recent theoretical models of dynamic capital structure assert that optimal leverage is fundamentally a commitment problem: firms are unable to commit to future financing decisions. A surprising prediction of the new models is that external limits on tax benefits might alleviate the commitment problem firms face, especially for firms below those limits. The Tax Cuts and Jobs Act (TCJA) of 2017 set a limit on the interest tax shield benefits of leverage. This paper gives empirical evidence supporting the hypothesis that firms below the limit face an alleviated commitment problem. First, firms below the new limit increase leverage, relative to firms at the limit. Second, there is a decreased frequency of leverage-limiting bond covenants for below-limit firms, relative to those firms above the new limit. These surprising and counterintuitive results are causal evidence supporting the commitment problem theory of dynamic capital structure.

"Changing Tax Incentives, Firm Value, and Expected Leverage Response"

Abstract: This paper studies the firm value impact of a large change in the tax benefits of debt. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, both lowered the corporate tax rate and limited the amount of interest expense that can be deducted for tax purposes. Therefore, it significantly reduced the tax incentives to carry leverage in the firm's capital structure. In an efficient market, the updated valuations of firms previously relying on a debt tax shield should reflect the lost tax shield value. Moreover, the valuation update should reflect market expectations about the firm's capital structure response to the change in incentives. For example, a static trade-off model without adjustment costs would predict that a firm will re-optimize its capital structure by reducing leverage. However, there are potential frictions, such as the leverage ratchet effect. Examining firm returns around the passage of the TCJA, I find that firms with higher leverage did indeed have lower returns. Most importantly, the magnitudes of those losses relative to less levered peers are consistent with expected future leverage reduction. The results have implications for the ongoing discussion of the value relevance of capital structure, and the magnitudes of leverage adjustment costs and frictions.

OTHER RESEARCH IN PROGRESS

- **"Dissecting the Unionization Effect on Equity Returns"**

- **"Timing Debt Maturity Amid Repeated Negotiation"**

AWARDS AND NOMINATIONS

- Top Teaching Assistant Award, Executive MBA Program, Northwestern University, 2016
  Selected by students of the graduating cohort
- Nominated for Gatton Teaching Excellence Award, 2020

CONFERENCES AND RESEARCH PRESENTATIONS

- Midwest Finance Association (MFA) Conference 2022
- Financial Management Association (FMA) Conference 2021
- Invited to present at Firestone Lecture Series, Kent State University, January 2020
- Invited as discussant at Northern Finance Association meeting, September 2019
- Internal brown bag presentations, UK Finance Department, September 2018, August 2019, May 2021

SERVICE TO COLLEGE AND PROFESSION

- Ph.D. Committee Member for Ang (Leo) Li (2019-2020)
- Journal referee for the *Review of Financial Studies, Journal of Financial and Quantitative Analysis, Journal of Law and Economics, Journal of Corporate Finance*
- Faculty advisor for UK Investment Club (2019-2021)
- CFA Coach for UK Undergraduate CFA team (2019-2021)
  ** UK Undergrad Team won the local level CFA Institute Research Challenge 2021 held in Louisville **
- Presented as part of ISFE Tax Cut After One Year panel discussion, January 2019

AFFILIATIONS

Affiliate, Institute for the Study of Free Enterprise, University of Kentucky

INDUSTRY EXPERIENCE

Duff & Phelps, Dallas, TX, 2006-2011
Analyst (8/2006-9/2008), Senior Associate (9/2008-4/2011)
Dispute Consulting and Financial Reporting Valuation

- Supported and critiqued expert witness reports for litigation, mainly in the energy industry
- For financial reporting, valued intangible and tangible assets, including power plants, gold mines, trade names, restricted stock, and nuclear fuel

CERTIFICATIONS AND SKILLS

- CFA charterholder
- Programming languages: Python, Matlab, SQL, SAS, Stata, R

PERSONAL INFORMATION

Citizenship: U.S.