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Corporate Stakeholders and Corporate Finance

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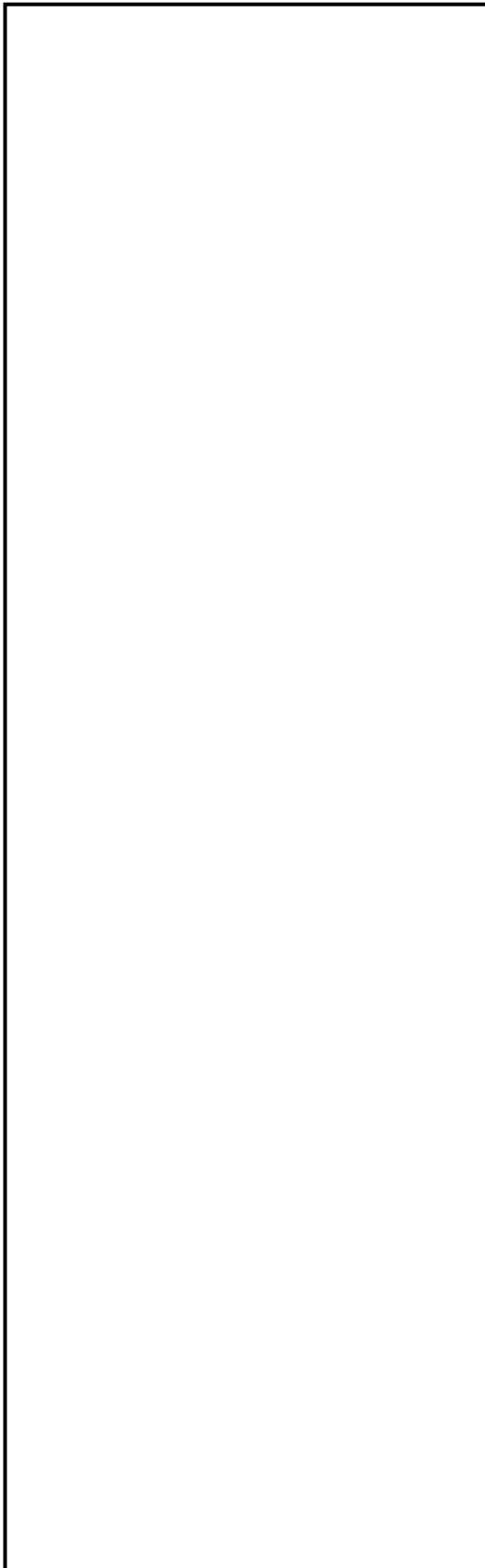
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Corporate Sta Finance

Bradford Cornell and Alan

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I. Introduction

The modern theory of the firm dates
fundamental insight that firms exist as
more expensive modes of transacting
Coase, transaction costs in negotiating
coordinating, enforcing, and discharging
obligations under a set of contracts created
creating a firm that serves as a middle
consumer and the suppliers of inputs.

Coase's insight has been extended
Demsetz [1], Jensen and Meckling [2],
[30], Klein, Crawford, and Alchian [31],
and Jensen [7, 8, 9], among others. This
has been to view the firm as a set of

We would like to thank Armen Alchian, Tim Campbell, Eugene Fama, Richard Goeltz, Maureen O'Hara, Eric Mayers, Eric Rasmussen, Marc Reinganum, L. Ross, Janet Smith, Sheridan Titman, Brett Truett, and Steve Stein for helpful comments on an earlier version of this paper. Bob Taggart, Editor of *Financial Management*, provided editorial suggestions. We also benefited from the participation of participants at the University of Chicago, UCI, and the University of Illinois.

Abstract

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third-party service providers. This paper suggests some of the ways in which corporate financial policy depends on the role of non-investor stakeholders. The key to our analysis is recognizing that the firm sells its stakeholders both explicit and implicit claims. Unlike the explicit claims of stakeholders, implicit claims have no legal standing, but rather arise out of the fact that the firm has to interact with its stakeholders. We argue that every firm must take as part of its ongoing operations. Since the firm can default on... functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

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