

[← Working Papers](#)

# Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have

Stewart C. Myers & Nicholas S. Majluf

SHARE 

---

WORKING PAPER 1396

DOI 10.3386/w1396

ISSUE DATE July 1984

---

This paper considers a firm that must issue common stock to raise cash to undertake a valuable investment opportunity. Management is assumed to know more about the firm's value than potential investors. Investors interpret the firm's actions rationally. An equilibrium model of the issue-invest decision is developed under these assumptions. The model shows that firms may refuse to issue stock, and therefore may pass up valuable investment opportunities. The model suggests explanations for several aspects of corporate financing behavior, including the tendency to rely on internal sources of funds, and to prefer debt to equity if external financing is required. Extensions and applications of the model are discussed.

[Download a PDF](#)

## Acknowledgements and Disclosures



## Citation and Citation Data



# Published Versions

Majluf, Nicholas S. and Stewart C. Myers. "Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have," *Journal of Financial Economics*, Vol. 13, No. 2, 1984, pp. 187-221.

# Related

## TOPICS

[Financial Economics](#)

## PROGRAMS

[Monetary Economics](#)

# More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025  
**The Fiscal Future**

N. Gregory Mankiw, Harvard University and NBER  
July 10, 2025

**2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"**

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025  
**Uncovering Causal Mechanisms:  
Mediation Analysis and  
Surrogate Indices**

Raj Chetty, Harvard University and NBER  
Kosuke Imai, Harvard University  
July 24, 2025



**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms:  
Mediation Analysis and Surrogate Indices"**

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediation  
Imai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs..."



International Trade and Macroeconomics, Summer Institute 2025

## **Panel on The Future of the Global Economy**

Oleg Itskhoki, Harvard University and NBER

Paul Krugman, City University of New York and NBER

Linda Tesar, University of Michigan and NBER

July 8, 2025

### **2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"**

#### PANEL DISCUSSION

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

### **National Bureau of Economic Research**

#### Contact Us

1050 Massachusetts Avenue

Cambridge, MA 02138

617-868-3900

info@nber.org

webaccessibility@nber.org

Accessibility Policy

Diversity Policy

Privacy Policy

FOLLOW



© 2026 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.