Debt Structure as a Strategic Bargaining Tool by Yue Qiu

Discussion by Jonathan B. Cohn,
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September 2016

Debt load & strategic bargaining

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  - More debt $\rightarrow$ better bargaining outcomes (Benmelech, Bergman & Enriquez, 2009; Towner, 2015)

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  - Following union election victories (RD approach: just wins vs. just loses),
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    - Increase in bonds (and bond issuance), decrease in bank debt, larger bank loan syndicate size

Summary of thoughts/suggestions

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- RD test: Power & magnitude?
- Compensation test: Issue with wage data may complicate interpretation
- Couple of other tests to consider
- Sample formation issues/suggestions
- What does it all mean?

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- Extend RD tests beyond airline industry

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- More dispersed debtholdings $\rightarrow$ less financial flexibility $\rightarrow$ seek more operating flexibility $\rightarrow$ more part-time employees $\rightarrow$ lower annual wage per employee
- More generally, how reliable is the airline compensation data?

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- Findings:
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  - Union election victory $\rightarrow$ debt dispersion $\uparrow$
- Does unionization lead to higher compensation?
- Does dispersed debt offset this effect (i.e., look after union elections specifically)?

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- Do successful union votes perpetuate w/in firm?

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- The whole point is that the firm wants to create the threat of financial distress.
- Are there other capital structure margins that firms adjust to enhance bargaining power? (e.g., short- vs. long-term debt)