

## **Abstract**

Recent financial literature claims that capital structure of firms stays unchanged during the long periods of time. In my dissertation I investigate the question of capital structure stability from different angles. First chapter asks whether the macroeconomic volatility could be translated to capital structure adjustments. To answer this question I consider CEE countries during 1996 to 2006 period since those economies went through extensive economic changes including transition from central planning to market economy, large-scale privatization, and substantial economic reforms to become the EU member. Surprisingly, macroeconomic changes are not translated to capital structure changes. Therefore, second chapter focuses on causes of such puzzling behavior. I find that credit constraints firms face in obtaining finance are responsible for the observed pattern. Unconstrained firms are more active in adjusting their capital structure in response to economic changes. Moreover, firm's ownership plays an important role in explaining leverage of unconstrained firms. Third chapter studies changes in leverage in the context of M&As. I compare the leverage of both acquiring and acquired firms using difference-in-differences propensity score technique. I find that there is an increase in the leverage of acquiring firms and no change in the leverage of the acquired firms.