

WESTERN FINANCE ASSOCIATION

PROGRAM

16th Annual Conference of the Western Finance Association

**Jackson Lake Lodge
Jackson Hole, Wyoming**

June 18-20, 1981

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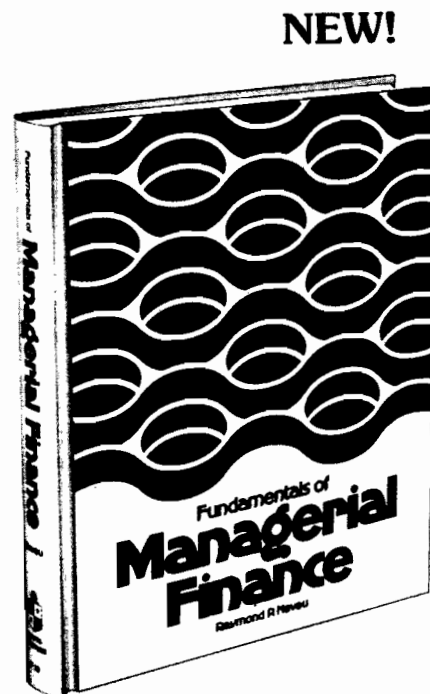
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WESTERN FINANCE ASSOCIATION

... a professional society administered in the western part of the United States and Canada for academicians and practitioners with a scholarly interest in the development and application of theory in finance.

Its purposes are (1) to serve as a focal point for communication among members, (2) to improve teaching and scholarship, and (3) to provide for the dissemination of information, including the holding of meetings and the support of publications.

Membership in the Association is open to individuals from both the academic and professional community (\$17.50 per year) and to institutions (\$100 per year) who have an interest in furthering its purposes. Membership includes a subscription to the *Journal of Financial and Quantitative Analysis*, which is published by the Graduate School of Business Administration at the University of Washington in conjunction with the Western Finance Association. For libraries and non-member institutions subscription rates are \$25 per year. All rates outside the United States and Canada are \$1 higher.

Correspondence regarding membership and subscription should be addressed to:

Subscription Manager, JFQA
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Checks are payable to the JFQA. Correspondence regarding other aspects of the Association should be addressed to:

Professor D. Stuart Bancroft
Secretary-Treasurer, WFA
School of Business Administration
Pacific Lutheran University
Tacoma, Washington 98447
Phone: (206) 531-6900 (ext. 251)

A call for Papers and Participants for the 1982 Conference of the Western Finance Association appears on the program's final page.

Registration Information

All meetings will be held at the Jackson Lake Lodge. Lodge reservations should be mailed to:

Jackson Lake Lodge
Grand Teton Lodge Company
P.O. Box 250
Moran, WY 83013
(307) 543-2855

Use the enclosed reservation card to obtain convention rates.

On-site registration will be located in the foyer during the conference, beginning at 4:00 p.m., Wednesday, June 17.

Pre-Registration

Pre-registration is urged and the enclosed form is to be used to that end. Send pre-registration materials to:

Western Finance Association
College of Commerce and Industry
University of Wyoming
Laramie, WY 82071
(307) 766-4194

Registration \$25.00 \$ _____

Annual meeting, luncheon and Distinguished
Speaker, Eugene F. Fama \$10.00 \$ _____

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Local Arrangements

Edward A. Dyl, University of Wyoming

Host Institution

University of Wyoming

Registration

The registration desk will be open on:
Wednesday, June 17—4:00-8:00 p.m.
Thursday, June 18—8:00 a.m.-5:00 p.m.
Friday, June 19—8:00 a.m.-1:00 p.m.
Saturday, June 20—8:00 a.m.-12:00 p.m.

PROGRAM SUMMARY

WEDNESDAY, JUNE 17

3:30-5:30 p.m. WFA Executive Committee and Board of Directors Meeting
6:00-8:00 p.m. Cocktails, by Swimming Pool

THURSDAY, JUNE 18

8:30-10:20 a.m.	Interest Rates and Asset Prices	Regulation and Returns	Topics in Valuation	International Finance
10:30-12:20 p.m.	Financial Theory	Corporate Finance Topics	Tax Exempt Bonds	Empirical Analysis of Asset Prices
12:30-2:20 p.m.	Annual Meeting and Luncheon, Mural Room Distinguished Speaker: Eugene F. Fama, University of Chicago			
2:30-4:20 p.m.	President's Session: Preparing PhD's	Capital-Asset Pricing Model	Bank Lending	Theory of Insurance
5:30-7:30 p.m.	Cocktails, Stockade Terrace			

FRIDAY, JUNE 19

8:30-10:20 a.m.	Information and Asset Values	Topics in Monetary Management	Security Valuation	Option Pricing
10:30-12:20 p.m.	Capital Markets	Corporate Investment, Fin. & Divs.	International Returns	Asset Returns

SATURDAY, JUNE 20

8:30-10:20 a.m.	Risk Sharing and Options	Innovations in Mon. Policy & Fin'l Mkts.	Real Estate Finance	Fixed Income Securities
10:30-12:20 p.m.	Optimal Capital Structure	Issues in Investments	Commercial Banking	Cost of Capital

**Sixteenth Annual Conference
Western Finance Association
Jackson Hole, Wyoming
June 18-20, 1981**

President: Charles A. D'Ambrosio
President-Elect and Program Chairman: James C. Van Horne

WEDNESDAY, JUNE 17

3:30-5:30 p.m. Western Finance Association Executive Committee Meeting
4:00-8:00 p.m. Registration
6:00-8:00 p.m. Cocktails, by Swimming Pool

THURSDAY, JUNE 18

8:30-10:20 a.m. INTEREST RATES AND ASSET PRICES, Wapiti 1 Room
Chairperson: Michael D. Joehnk, University of Tulsa
Papers: "Testing for the Existence of a Liquidity Effect," Bradford Cornell, U.C.L.A., and Alan Shapiro, University of Southern California
"Securities Prices under Risk-Neutrality and Near Risk-Neutrality," Stephen F. LeRoy, University of California, Santa Barbara
"Phantom Wealth Transfers during Periods of Inflation," J. Clay Singleton and John K. Wamugi, University of Nebraska
Discussants: Eric Sorensen, University of Arizona
Terence C. Langetieg, University of Southern California
Gershon N. Mandelker, University of Pittsburgh

8:30-10:20 a.m. REGULATIONS AND RETURNS, Wapiti 2 Room
Chairperson: Richardson Pettit, University of Houston
Papers: "Debt, Taxes and Utility Bills," Cleveland S. Patterson, Concordia University, Montreal
"Dividend Yield, Regulation, and Public Utility Return," Michael A. Goldberg, Federal Reserve System, and Ashok Vora, City University of New York
"Risk, Return and Regulation," Michael J. Brennan and Eduardo Schwartz, University of British Columbia
Discussants: Robert H. Litzenberger, Stanford University
Richard B. Edelman, Communications Satellite Corporation
Kose John, New York University

8:30-10:20 a.m. TOPICS IN VALUATION, Antelope 1 Room
Chairperson: John A. Haslem, University of Maryland
Papers: "The Market Value of Voting Rights in Publicly-Traded Corporations," Ronald C. Lease, University of Utah, John J. McConnell, Purdue University, and Wayne H. Mikkelsen, Dartmouth College
"The Value of Insider Trading Information," Meir Statman, University of Santa Clara, and Ivan Brick, Rutgers University
"Tests for Price Effects of New Issues of Seasoned Securities," Alan C. Hess and Peter A. Frost, University of Washington
Discussants: Gordon J. Alexander, University of Minnesota
John D. Stoffels, Marquette University
David W. Glenn, University of Utah

8:30-10:20 a.m. INTERNATIONAL FINANCE, Antelope 2 Room
Chairperson: Alan Shapiro, University of Southern California
Papers: "International Interest Rates and Inflationary Expectations," Alex Kane and Leonard Rosenthal, Boston University
"An Empirical Examination of the Capital Market Effect of FASB Statement No. 8," Peyton Foster Roden, North Texas State University
"Anticipated and Unanticipated Inflation and the Real Rate of Return on Equities: An International Comparison," James A. Wilcox, University of California, Berkeley
Discussants: To be announced.
To be announced.
David Emanuel, University of Texas at Dallas

10:30-12:20 p.m. FINANCIAL THEORY, Wapiti 1 Room
Chairperson: Sudipto Bhattacharya, Stanford University
Papers: "Speculation and the Market for Information," Jean-Claude Bosch, University of Houston
"A Model of the Demand for Investment Banking Advisement and Distribution Services for New Issues," David P. Baron, Northwestern University
"Asymmetric Information, Signaling, and Optimal Corporate Financial Decisions," Eli Talmor, University of Wisconsin
Discussants: Douglas Diamond, University of Chicago
Robert Heinkel, University of British Columbia
Gordon Sick, Yale University

10:30-12:20 p.m. CORPORATE FINANCE TOPICS, Wapiti 2 Room
Chairperson: George Engler, California State University, Los Angeles
Papers: "Mergers and Stockholders Wealth: A Random Coefficient Regression Approach," Timothy J. Nantell, University of Minnesota, and Terry Dielman, Texas Christian University
"Stock Price Stability and Financial Policy Decisions," John L. Houston and John Markese, DePaul University
"An Analysis of the Listing of Corporate Debt," Calvin M. Boardman and Ronald C. Lease, University of Utah
Discussants: Glenn Petry, Washington State University
Robert B. Morris III, Wells Fargo Bank
John Schreiner, University of Minnesota

10:30-12:20 p.m. TAX EXEMPT BONDS, Antelope 1 Room
Chairperson: William J. Marshall, Washington University at St. Louis
Papers: "The Municipal Bond Market and the New York City Fiscal Crisis," David S. Kidwell, Texas Tech University, and Charles A. Trzcinka, State University of New York at Buffalo
"Commercial Bank Eligibility to Underwrite Municipal Revenue Issues and the Cost of Borrowing," G.O. Bierwag, Michael H. Hopewell, University of Oregon, George G. Kaufman, Loyola University of Chicago, and Paul Leonard, State University of New York at Albany
"A Reexamination of Factors Affecting Tax-Exempt Bond Yields," Alfred Broadus and Timothy Cook, Federal Reserve Bank of Richmond
Discussants: Ann R. Thomas, University of Michigan
Laura Starks, Washington University at St. Louis
Francis H. Trainer, Jr., Sanford C. Bernstein & Co.

10:30-12:20 p.m. THE EMPIRICAL ANALYSIS OF ASSET PRICES, Antelope 2 Room
Chairperson: Robert C. Higgins, University of Washington
Papers: "The Estimation of Quality-Adjusted Rates of Return: An Application of Time Series Decomposition," William Taylor, University of Wisconsin
"Empirical Examination of the Return Generating Process of the Arbitrage Pricing Theory," Michael R. Gibbons, Stanford University
"The Effect of Differencing Interval Length on Beta," Erwin M. Saniga, Thomas H. McInish, University of Delaware, and Bruce K. Gouldey, Mellon Bank
Discussants: Josef Lakonishok, University of British Columbia
Krishna Ramaswamy, Columbia University
Paul Malatesta, University of Washington

12:30-2:20 p.m. ANNUAL MEETING AND LUNCHEON, Mural Room
Distinguished Speaker: Eugene F. Fama, University of Chicago

2:30-4:20 p.m. PRESIDENT'S SESSION: PREPARING TODAY'S DOCTORAL STUDENTS FOR TOMORROW'S FINANCE CURRICULUM, Wapiti 1 Room

President & Chairperson: Charles A. D'Ambrosio, University of Washington

Panelists: "Preparing Doctoral Students to Train other Doctoral Students," Alan Kraus, University of British Columbia
 "Preparing Doctoral Students for Tomorrow's MBA Finance Curriculum," Timothy Campbell, University of Utah
 "Preparing Doctoral Students for Tomorrow's Undergraduate Finance Curriculum," Thomas E. Stitzel, Boise State University
 "The Integrative Aspects of Training Doctoral Students for Teaching in Tomorrow's Finance Curricula," Richard P. Castanias II, University of Washington

2:30-4:20 p.m. CAPITAL ASSET PRICING MODEL, Wapiti 2 Room

Chairperson: Seymour Smidt, Cornell University

Papers: "A New Empirical Perspective on the CAPM," Marc Reinganum, University of Southern California
 "The Stationarity of Beta of Individual Public Utilities," Roger P. Bey, University of Missouri
 "Non-Standard CAPM's and the Market Portfolio," Edwin J. Elton and Martin J. Gruber, New York University

Discussants: James W. Hoag, University of California, Berkeley
 Dan Cohrs, Harvard Business School
 James MacBeth, University of Texas, Dallas

2:30-4:20 p.m. BANK LENDING, Antelope 1 Room

Chairperson: Benton E. Gup, University of Virginia

Papers: "Bank Loan Commitments and Interest Rate Volatility," Anjan Thakor, Indiana University, Hai Hong, Singapore University, and Stuart I. Greenbaum, Northwestern University
 "The Risk of Bank Loan Portfolios," R.A. Brealey, S.D. Hodges, and M.J.P. Selby, London Business School
 "Credit Rationing with Stochastic Demand, Borrower Heterogeneity and Alternate Financial Intermediation Technologies," Sudhakar D. Deshmukh, Stuart I. Greenbaum, and George Kanatas, Northwestern University

Discussants: J. Kimball Dietrich, University of Southern California
 Joseph F. Sinkey, Jr., University of Georgia
 Janis Zaima, University of Colorado

2:30-4:20 p.m. THEORY OF INSURANCE, Antelope 2 Room

Chairperson: Richard Roll, U.C.L.A.

Papers: "Additive Insurance Premiums," Karl Borch, Norwegian School of Economics at Bergen
 "On the Corporate Demand for Insurance," David Mayers, U.C.L.A., and Clifford W. Smith, Jr., University of Rochester
 "The Fair Premium for Property/Liability Insurance," Alan Kraus, University of British Columbia, and Stephen A. Ross, Yale University

Discussants: Phelim P. Boyle, University of British Columbia
 Eugene F. Fama, University of Chicago
 Ralph A. Winter, University of Toronto

5:30-7:30 p.m. COCKTAILS, Stockade Terrace

FRIDAY, JUNE 19

8:30-10:20 a.m. INFORMATION AND ASSET VALUES, Wapiti 1 Room

Chairperson: Alan Kraus, University of British Columbia

Papers: "The Informational Effects of Restrictions on Short Sales," Stephen Figlewski, New York University
 "Sorting Equilibria: The Incentive and Reliability Problems," Tim S. Campbell, University of Utah, and William A. Kracaw, Purdue University
 "Information Sets, Macroeconomic Reform and Stock Prices," Josef Lakonishok, University of British Columbia

Discussants: Richard Roll, U.C.L.A.
 Robert Heinkel, University of British Columbia
 Dennis W. Draper, University of Southern California

8:30-10:20 a.m. TOPICS IN MONETARY MANAGEMENT, Wapiti 2 Room

Chairperson: Gerald O. Bierwag, University of Oregon

Papers: "On the Microeconomics of Reserve Requirements," Thomas Eric Kilcollin and Gerald A. Hanweck, Federal Reserve Board
 "The Structure of Expectations of the Weekly Money Supply Announcement," Thomas Ulrich, Baruch College, and Paul Wachtel, New York University
 "Bank Earning Asset Behavior: Lagged versus Contemporaneous Reserve Accounting," Paul A. Spindt, Federal Reserve System, and Vefa Tarhan, Loyola University of Chicago

Discussants: Richard W. Nelson, Chemical Bank
 J. Kimball Dietrich, University of Southern California
 Robert N. Barone, University of Nevada, Reno

8:30-10:20 a.m. SECURITY VALUATION AND THE SINKING FUND PROVISION, Antelope 1 Room

Chairperson: Edward A. Dyl, University of Wyoming

Papers: "On the Pricing of Preferred Stock," Eric H. Sorensen and Clark A. Hawkins, University of Arizona

"On the Management of Sinking Funds," A.J. Kalotay, Dillon, Read & Co. Inc.

"Sinking Fund Provisions on the Value and Risk of Corporate Debt," Thomas Ho and Ronald Singer, New York University

Discussants: J. Ronald Hoffmeister, University of Wyoming
Calvin M. Boardman, University of Utah
Jess B. Yawitz, Washington University at St. Louis

8:30-10:20 a.m. OPTION PRICING, Antelope 2 Room

Chairperson: Seha Tinic, University of Alberta

Papers: "Transactions Data Tests of Efficiency of the Chicago Board Options Exchange: A Progress Report," Mihir Bhattacharya, University of Michigan

"Displaced Diffusion Option Pricing," Mark Rubinstein, University of California, Berkeley

"Empirical Analysis of Bias in Black-Scholes Predictions of Call Option Prices," Alex Kane and Don Elan, Boston University

Discussants: Avner Kalay, New York University
Eduardo S. Schwartz, University of British Columbia
Giovanni Barone-Adesi, University of Alberta

10:30-12:20 p.m. CAPITAL MARKETS, Wapiti 1 Room

Chairperson: Donald E. Farrar, University of Utah

Papers: "Government Relief of Financial Distress: An Analysis of the Distributional and Allocative Impact," Thomas S.Y. Ho and Ronald F. Singer, New York University

"Capital Market Shortage in Rural Alaska," Richard B. Coffman, University of Idaho, and Max Fry, University of Hawaii

"A Contingent-Claims Valuation of Alternative Leasing Contracts," John J. McConnell, Purdue University, and James S. Schallheim, University of Utah

Discussants: Krishna Ramaswamy, Columbia University
Paul C. Taylor, University of Alaska
Giovanni Barone-Adesi, University of Alberta

10:30-12:20 p.m. CORPORATE INVESTMENT, FINANCING AND DIVIDENDS, Wapiti 2 Room

Chairperson: George E. Pinches, University of Kansas

Papers: "Risk Adjusted Capital Budgeting Using Arbitrage Methods," Adam K. Gehr, Jr., University of Missouri

"Pricing Lines of Credit," David H. Pyle and Jeffrey L. Skelton, University of California, Berkeley

"Using Financial Data to Anticipate Share Repurchasing Companies," Donald R. Fraser, John Groth, and R. Malcolm Richards, Texas A&M University

Discussants: Janet Solverson Thatcher, Virginia Polytechnic Institute and State University
John G. Thatcher, Virginia Polytechnic Institute and State University
James G. Manegold, U.C.L.A.

10:30-12:20 p.m. INTERNATIONAL LENDING AND EQUITY RETURNS, Antelope 1 Room

Chairperson: Bradford Cornell, U.C.L.A.

Papers: "Efficient International Diversification of Equities and Fixed-Income Securities," Joanne Hill and Thomas Schneeweis, University of Massachusetts

"Stock Market Returns and Inflation: Evidence from Other Countries," N. Bulent Gultekin, Dartmouth College

"Diversifiable versus Non-diversifiable Risk in LDC Lending," Laurie Goodman, Federal Reserve Bank of New York

Discussants: Marjorie T. Stanley, Texas Christian University
Sheridan Titman, U.C.L.A.
James E. Hodder, Stanford University

10:30-12:20 p.m. ASSET RETURNS, Antelope 2 Room

Chairperson: Russell J. Fuller, Washington State University

Papers: "Market Timing and Portfolio Performance Measurement," Richard P. Castanias and Nancy L. Jacob, University of Washington

"A Bayesian Analysis of Investment Horizon and Beta Coefficient Estimates in Capital Asset Pricing," Winston T. Lin, State University of New York at Buffalo, Cheng-few Lee, University of Illinois, and Stanley Zionts, State University of New York at Buffalo

"The Simple Analytics of Performance Measurement," Philip H. Dybvig, Princeton University, and Stephen A. Ross, Yale University

Discussants: Pat Hess, Ohio State University
John W. Settle, Washington State University
Robert E. Verrecchia, University of Chicago

SATURDAY, JUNE 20

8:30-10:20 a.m. RISK SHARING AND OPTIONS, Wapiti 1 Room

- Chairperson: James W. Hoag, University of California, Berkeley
- Papers: "Optimal Risk Retention under Partial Insurance," Phelim P. Boyle and Jennifer Mao, University of British Columbia
 "Lognormal Security Returns, Portfolio Returns, and Options on Portfolios," Robert Jarrow and Andrew Rudd, Cornell University
 "The Early Exercise of American Puts," Robert Geske and Kuldeep Shastri, U.C.L.A.
- Discussants: David Babbel, University of California, Berkeley
 George Constantinides, University of Chicago
 Philip Jones, University of Pennsylvania

8:30-10:20 a.m. INNOVATION IN MONETARY POLICY AND FINANCIAL MARKETS, Wapiti 2 Room

- Chairperson: George G. Kaufman, Loyola University of Chicago
- Papers: "Evaluation of the New Federal Reserve Operating Procedures," Edward Kane, Ohio State University
 "The Implications of Deregulation for the Competitive Position of Depository Institutions," Paul Horvitz, University of Houston
 "Innovations in Financial Activities of Non-Depository and Non-Financial Firms," Richard Aspinwall, Chase Manhattan Bank
 "Innovations in Mortgage Finance," Kenneth Rosen, University of California, Berkeley
- Summarizers: George G. Kaufman, Loyola University of Chicago
 Ronald W. Masulis, Federal Home Loan Bank Board

8:30-10:20 a.m. REAL ESTATE FINANCE, Antelope 1 Room

- Chairperson: Halbert S. Kerr, Washington State University
- Papers: "Hedonic Price Models of Housing Market Activity and Effects of Price Expectations," David Dale-Johnson, University of Southern California
 "The Investment in Housing as a Forward Market Transaction," Jean-Claude Bosch, James R. Morris, and Steve Wyatt, University of Houston
 "A Theory of Liquidity and Risk in the Valuation of Real Estate Assets," John T. Emery and Allen A. Abrahamson, University of Arizona
- Discussants: Keith Bowles, University of Colorado
 George W. Gau, University of British Columbia
 Terry V. Grissom, University of Texas

8:30-10:20 a.m. FIXED INCOME SECURITIES, Antelope 2 Room

- Chairperson: Stephen M. Schaefer, Stanford University
- Papers: "Differential Tax Effects in a Continuous-Time Partial Equilibrium Characterization of Coupon Bond Markets," Walter N. Torous, University of Michigan
 "On Tax-Adjusted Term Structure Estimation," James V. Jordan, Georgia Institute of Technology
 "Agency Bond Ratings and Systematic Risk," Ramesh K.S. Rao and John D. Martin, University of Texas
- Discussants: Sudipto Bhattacharya, Stanford University
 Jeffrey Skelton, University of California, Berkeley
 William J. Marshall, Washington University at St. Louis

10:30-12:20 p.m. OPTIMAL CAPITAL STRUCTURE: THEORY AND EVIDENCE, Wapiti 1 Room

- Chairperson: Richard Roll, U.C.L.A.
- Papers: "The Impact of Capital Structure Change on Firm Value, Some Estimates," Ronald W. Masulis, Federal Home Loan Bank Board
 "The Effect of Option Markets on the Debt-Equity Mix of Investor Portfolios and the Optimal Capital Structure of Firms," Sheridan Titman, U.C.L.A.
 "An Investigation of Corporate Debt Policy," James H. Scott, Jr., Columbia University
- Discussants: Alan Kraus, University of British Columbia
 Sanford Grossman, University of Pennsylvania
 Stephen M. Schaefer, Stanford University

10:30-12:20 p.m. ISSUES IN INVESTMENTS, Wapiti 2 Room

- Chairperson: Guilford C. Babcock, University of Southern California
- Papers: "A Normative Approach to Pension Fund Management," George M. Frankfurter, Syracuse University, and Joanne M. Hill, University of Massachusetts
 "The Impact of Qualified Audit Opinions on Systematic Risk," Joseph E. Finnerty and Thomas W. Oliver, University of Massachusetts
 "An Analysis of Effects of a Multi-Tiered Stock Market," Frank K. Reilly, University of Illinois, and Eugene F. Drzycimski, University of Wisconsin, Oshkosh
- Discussants: Michael Keenan, New York University
 W. Gerald Platt, San Francisco State University
 Kelly Price, Michigan State University

10:30-12:20 p.m. COMMERCIAL BANKING, Antelope 1 Room

Chairperson: Murray E. Polakoff, University of Maryland

Papers: "The Determinants of Bank Interest Margins: Theory and Empirical Evidence," Thomas S.Y. Ho and Anthony Saunders, New York University

"Compensating Balances, Deficiency Fees, and Lines of Credit," Chun H. Lam and Kenneth J. Boudreaux, Tulane University

"Commercial Bank Adjustment and the Performance of Monetary Aggregates," Joseph Vinso and J. Kimball Dietrich, University of Southern California

Discussants: Eugene M. Lerner, Northwestern University
Peter Van den Dool, University of Santa Clara
Edward Kane, Ohio State University

10:30-12:20 p.m. COST OF CAPITAL, Antelope 2 Room

Chairperson: D. Stuart Bancroft, Pacific Lutheran University

Papers: "The Optimism-Pessimism Hypothesis and Optimal New Financing," William Beranek, University of Georgia

"Equal Access and Miller's Equilibrium," Judy Shelton,* University of Utah

"The SML and the Cost of Capital," George W. Gallinger and Glenn V. Henderson, Jr., Arizona State University

Discussants: James R. Morris, University of Houston
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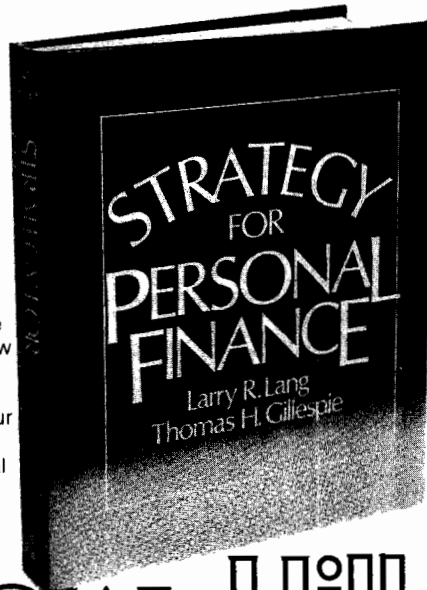
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