WESTERN FINANCE

WFA

ASSOCIATION

PROGRAM

32nd Annual Conference
of the
Western Finance Association

Loews Coronada Bay Resort
San Diego, California

June 18-21, 1997

WESTERN FINANCE ASSOCIATION

... a professional society administered in 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.

The Association is an international organization with membership open to individuals from both the academic and professional community, and to institutions. Membership includes subscriptions to any occasional and regular publications sponsored or co-sponsored by the Association. Two classes of membership are available: lifetime membership ($100.00) and three year membership ($30.00). Members of the Association are entitled to receive (a) notice of the annual meetings and a copy of the annual program, and (b) a reduction in the registration fee at the annual meetings.

Information on the Association and membership application is available on our web site (at http://www.gsm.cornell.edu/wfa).

Correspondence regarding membership and other business aspects of the Association should be addressed to:

Professor Stephen Brown
Secretary-Treasurer, WFA
Department of Finance
New York University
Stern School of Business
44 West 4th Street, Suite 9-190
New York, NY 10012-1126
Email: sbrown@stern.nyu.edu
Telephone: (212) 998-0306

A call for papers and participants for the 1998 Conference of the Western Finance Association appears on page 28 of this program.

REGISTRATION AND HOTEL INFORMATION

All sessions and conference functions will be held at the Loews Coronado Bay Resort. The Western Finance Association has reserved limited blocks of rooms for the conference at the Loews Coronado Bay Resort. Please contact this facility as soon as possible to make reservations. The conference rate at the Loews Coronado Bay Resort is $150 per night. Reservations may be made by calling the Loews Coronado Bay Resort at (800) 81-LOEWS or by fax at (619) 424-4400.

On-Site registration will be located in the Floral Atrium at the Loews Coronado Bay Resort beginning at 4:00 p.m., Wednesday, June 18, 1997.

PRE-REGISTRATION

Pre-registration is being handled this year via our web site, which can be found at http://www.gsm.cornell.edu/wfa. Those who pre-register are entitled to a discount on registration fees, and students who pre-register can do so without charge. To quality for these discounted rates, you must pre-register before May 15. You will be billed for all charges at the Meetings, and you can pay this bill by a check in US funds payable through a US bank or by cash.

FEE SCHEDULE:

	Pre-Registration	On-Site Registration
WFA member/Program participant:	$30.00	$65.00
Non-member	$65.00	$75.00
Student	no charge	$30.00
Annual meeting, luncheon and featured speaker		$26.00

*Pre-registration must be received no later than May 15.

Make checks payable in U.S. funds only to the Western Finance Association.

ON-SITE REGISTRATION

Wednesday, June 18, 4:00 p.m. - 8:00 p.m.
Thursday, June 19, 8:00 a.m. - 4:00 p.m.
Friday, June 20, 8:00 a.m. - 12:00 p.m.

Registration for the NASDAQ Breakfast, New York Stock Exchange Luncheon, and Chicago Board of Trade Breakfast will take place on-site in the meeting registration area.

SOCIETY FOR FINANCIAL STUDIES MEMBERSHIP MEETING

All members of the SFS are invited to attend the Annual Meeting to be held on Friday, June 20 from 5:00-6:00 p.m. in the Aurora Room. All subscribers to the *Review of Financial Studies* are members of the SFS.

WESTERN FINANCE ASSOCIATION

Officers and Executive Committee - 1996-97

President	Michael Brennan, UCLA
President-Elect	Maureen O'Hara, Cornell University
Vice President	Franklin Allen, University of Pennsylvania
Secretary-Treasurer	Stephen Brown, New York University
Past-President	Chester Spatt, Carnegie-Mellon University
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Presidents of the Western Finance Association 1965-96

1965-66 Kenneth L. Trefftzs	University if Southern California
1966-67 Edward Reed	University if Oregon
1967-68 Robert Carr	Fresno State College
1968-69 Burton Kolb	University of Colorado
1969-70 Lester Stickler	Oregon State University
1970-71 Harold Stevenson	Arizona State University
1971-72 W. Scott Bauman	University of Oregon
1972-73 David Eiteman	UCLA
1973-74 James Wert	University of Arizona
1974-75 George Kaufman	University of Oregon
1975-76 John Herzog	Simon Fraser University
1976-77 A. Blaine Huntsman	University of Utah
1977-78 David Pyle	UC Berkeley
1978-79 Guilford Babcock	University of Southern California
1979-80 Donald Farrar	University of Utah
1980-81 Charles D'Ambrosio	University of Washington
1981-82 James Van Horne	Stanford University
1982-83 Edward Dyl	University of Wyoming
1983-84 Nils Hakansson	UC Berkeley
1984-85 Seha Tinic	University of Texas at Austin
1985-86 Alan Kraus	University of British Columbia
1986-87 Gerald Bierwag	University of Arizona
1987-88 Robert Litzenberger	University of Pennsylvania
1988-89 Alan Hess	University of Washington
1989-90 Lemma Senbet	University of Maryland
1990-91 Eduardo Schwartz	UCLA
1991-92 Stephen J. Brown	New York University
1992-93 Hans R. Stoll	Vanderbilt University
1993-94 Kenneth J. Singleton	Stanford University
1994-95 Milton Harris	University of Chicago
1995-96 Chester Spatt	Carnegie Mellon University

WESTERN FINANCE ASSOCIATION

Distinguished Speakers
Western Finance Association Meetings
1979-97

Year	Location	Speaker
1997	San Diego	Richard Thaler
1996	Sunriver	Joseph Williams
1995	Aspen	Kenneth French
1994	Santa Fe	Mark Rubinstein
1993	Whistler	Alan Kraus
1992	San Francisco	Myron S. Scholes
1991	Jackson Lake	Fischer Black
1990	Santa Barbara	Michael J. Brennan
1989	Seattle	William F. Sharpe
1988	Napa	Sanford J. Grossman
1987	San Diego	Edward J. Kane
1986	Colorado Springs	Merton H. Miller
1985	Scottsdale	Robert H. Litzenberger
1984	Vancouver	Richard Roll
1983	Long Beach	Myron S. Scholes
1982	Portland	Stephen A. Ross
1981	Jackson Lake	Eugene F. Fama
1980	San Diego	Kenneth J. Arrow
1979	San Francisco	Nils H. Hakansson

1997 PROGRAM COMMITTEE

Program Chairman: Maureen O'Hara, Cornell University

Anat Admati, Stanford University
Yacine Ait-Sahalia, University of Chicago
Franklin Allen, University of Pennsylvania
Kaushik Amin, Lehman Brothers
Kerry Back, Washington University at St. Louis
Warren Bailey, Cornell University
Ravi Bansal, Duke University
Geert Bekaert, Tilburg University
Sanjai Bhagat, University of Colorado at Boulder
Arnoud Boot, University of Amsterdam
Peter Bossaerts, California Institute of Technology
Jacob Boudoukh, New York University
Michael Bradley, Duke University
Kalok Chan, Hong Kong University of Science and Technology
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Bhagwan Chowdhry, UCLA
William Christie, Vanderbilt University
Jennifer Conrad, University of North Carolina at Chapel Hill
George Constantinides, University of Chicago
Sanjiv Das, Harvard University
David Easley, Cornell University
Wayne Ferson, University of Washington
Michael Fishman, Northwestern University
Silverio Foresi, New York University
Douglas Foster, University of Iowa
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Thomas George, University of Iowa
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Gary Gorton, University of Pennsylvania
Richard Green, Carnegie Mellon University
Mark Grinblatt, UCLA
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Milton Harris, University of Chicago
Lawrence Harris, University of Southern California
Campbell Harvey, Duke University
Joel Hasbrouck, New York University
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1997 PROGRAM COMMITTEE

Edward Kane, Boston College
Steven N. Kaplan, University of Chicago
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Joseph Williams, University of Arizona
Andrew Winton, Northwestern University
Jaime Zender, University of Utah
Luigi Zingales, University of Chicago

PROGRAM SUMMARY

Wednesday, June 18

4:00–8:00 p.m.
REGISTRATION—Floral Atrium

5:30–7:30 p.m.
RECEPTION—Bay Terrace

Thursday, June 19

7:00–8:15 a.m.
NASDAQ BREAKFAST—Azura Point

8:00–4:00 p.m.
REGISTRATION—Floral Atrium

8:30–10:15 a.m.
Corporate Governance—Aurora
Emerging Markets—Constellation A
Overconfidence—Constellation B
Banking—Brittania
Derivatives—Cambria

10:15–10:30 a.m.
COFFEE BREAK—Constellation Foyer

10:30 a.m.–12:15 p.m.
Symposium I–Investments—Constellation A
International Corporate Finance—Constellation B
Order Flows and Executions—Aurora
Management Compensation—Brittania
Futures & Swaps—Cambria

12:30–2:00 p.m.
NEW YORK STOCK EXCHANGE LUNCHEON
—Poolside

2:30–4:45 p.m.
Decimalization—Constellation A
Econometrics of Information—Cambria
IPO's—Aurora
Economics, News, and Returns—Brittania
Term Structure—Constellation B

5:00 –6:30 p.m.
WFA Executive Committee and Board of Directors Meeting-Board Room

6:15 –8:15 p.m.
RECEPTION-Bay Terrace

PROGRAM SUMMARY

Friday, June 20

7:00–8:15 a.m.
CHICAGO BOARD OF TRADE BREAKFAST—Azura Point

8:00 a.m.–12:00 p.m.
REGISTRATION—Floral Atrium

8:30–10:15 a.m.
Markets–Theory—Constellation A
Risk Management & Hedging—Constellation B
Capital Investment Decisions—Brittania
Financial Markets & Development—Cambria

10:15–10:30 a.m.
COFFEE BREAK—Constellation Foyer

10:30 a.m.–12:15 p.m.
Symposium–Markets—Constellation A
Dividends—Constellation B
Stock Markets & Returns—Brittania
Exchange Rates—Cambria

12:30–2:15 p.m.
WFA ANNUAL MEETING and Luncheon—Commodore A
Distinguished Speaker: Richard H. Thaler, University of Chicago

2:30–4:45 p.m.
Asset Pricing–Testing—Constellation A
Volume—Constellation B
Mutual Funds and Hedge Funds—Brittania
Financial Contracts—Cambria

5:00 –6:00 p.m.
Society for Financial Studies Membership Meeting-Aurora

6:00 –8:00 p.m.
RECEPTION-Bay Terrace

Saturday, June 21

8:30–10:15 a.m.
Insider Trading and Disclosure—Brittania
Stockholders and Bondholders—Cambria
How Rational Are Markets?—Constellation A
Financing Entrepreneurs—Constellation B

10:15–10:30 a.m.
COFFEE BREAK—Constellation Foyer

10:30 a.m.–12:15 p.m.
Symposium–Banking—Constellation A
Ownership and Control—Brittania
Options and Pricing Models—Constellation B
International Finance—Cambria

32nd ANNUAL CONFERENCE
WESTERN FINANCE ASSOCIATION
SAN DIEGO, CALIFORNIA
June 18-21, 1997

PRESIDENT: MICHAEL BRENNAN, UCLA

PRESIDENT-ELECT AND PROGRAM CHAIR:
MAUREEN O'HARA, CORNELL UNIVERSITY

Wednesday, June 18

4:00–8:00 p.m. **REGISTRATION**—Floral Atrium
5:30–7:30 p.m. **RECEPTION**—Bay Terrace

Thursday, June 19

7:00–8:15 a.m. **NASDAQ BREAKFAST**—Azura Point

Thursday, June 19

8:00–4:00 p.m. **REGISTRATION**—Floral Atrium

Thursday, June 19 8:30–10:15 a.m.

CORPORATE GOVERNANCE - Aurora
Milton Harris, University of Chicago

Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors - Laura T. Starks, University of Texas at Austin and Stuart L. Gillan, University of Hong Kong

Board Structure and Fee-Setting in the U.S. Mutual Fund Industry - Peter Tufano, Harvard University and Matthew Sevick, Monitor Company

Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite - John M. Bizjak and Christopher J. Marquette, Texas A&M University

Discussants:

Ronen Israel, University of Michigan
Luigi Zingales, University of Chicago
Todd Pulvino, Northwestern University

EMERGING MARKETS - Constellation A
Bhagwan Chowdhry, UCLA

Foreign Speculators and Emerging Equity Markets - Campbell R. Harvey, Duke University and Geert Bekaert, Stanford University

Market Segmentation and Stock Prices: Evidence from an Emerging Market - Ananth Madhavan, University of Southern California, Ian Domowitz, Northwestern University, and Jack Glen, International Finance Corporation

Raising International Capital Through ADRs: Evidence from Emerging Markets - Amar Gande, New York University

Discussants:

Giorgio DeSantis, University of Southern California
Avanidhar Subrahmanyam, UCLA
Jonathan Howe, Hotchkis & Wiley

OVERCONFIDENCE - Constellation B
Richard Thaler, University of Chicago

A Theory of Overconfidence, Self-Attribution, and Securities Returns Anomalies - David Hirshleifer, University of Michigan, Kent Daniel, Northwestern University, and Avanidhar Subrahmanyam, UCLA

Why Do Investors Trade Too Much? - Terrance Odean, University of California, Berkeley

Overconfidence, Delegated Fund Management, and Survival - F. Albert Wang, Columbia University

Discussants:

Simon Gervais, University of Pennsylvania
Richard Thaler, University of Chicago
Nick Barberis, University of Chicago

BANKING - Brittania
George Pennacchi, University of Illinois at Urbana-Champaign

Can Relationship Banking Survive Competition? - Anjan V. Thakor, University of Michigan and Arnoud W.A. Boot, University of Amsterdam

Is Investment Bank Reputation Related to the Post-Acquisition Performance of Acquiring Firms? -P. Raghavendra Rau, INSEAD

Does Corporate Lending by Banks and Finance Companies Differ? Evidence on Specialization in Private Debt Contracting - Mark Carey, Mitch Post and Steven A. Sharpe, Federal Reserve Board

Discussants:

Joseph G. Haubrich, Federal Reserve Bank of Cleveland
Vikram Nanda, University of Michigan
Joel F. Houston, University of Florida

DERIVATIVES - Cambria
Dilip Madan, University of Maryland

Stock Index Dynamics and the Valuation of Stock Index Derivatives in a General Equilibrium Model with Stochastic Interest Rates - Carsten Sorensen, Copenhagen Business School

Incomplete Information, Exercise Policy, and the Valuation of Claims on Noisy Real Assets - Steven Ott and Paul D. Childs, University of Kentucky and Timothy J. Riddiough, MIT

Constructing Binomial Trees from Multiple Implied Probability Distributions - Klaus Bjerre Toft and Gregory Brown, University of Texas at Austin

Discussants:

Zhiwu Chen, Ohio State University
Alex Triantis, University of Maryland
Joe Zhou, Washington University - St. Louis

Coffee Break 10:15–10:30 a.m.—Constellation Foyer

Thursday, June 19 10:30 a.m.–12:15 p.m.

SYMPOSIUM - Investments - Constellation A
Chester Spatt, Carnegie-Mellon University

The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence From the South African Boycott - Ivo Welch, UCLA, Siew Hong Teoh, University of Michigan, and C. Paul Wazzan, UCLA

Inflation Risk in the U.S. Yield Curve: The Usefulness of Indexed Bonds - Eli M. Remolona and Frank F. Gong, Federal Reserve Bank of New York

Reputation and Conflict of Interest in the Issuance of Public Securities: Evidence from Venture Capital - Paul A. Gompers, Harvard University and Josh Lerner, National Bureau of Economic Research

Discussants:

Robert Dammon, Carnegie-Mellon University
Steven Heston, Washington University in St. Louis
Bruno Biais, Toulouse University

INTERNATIONAL CORPORATE FINANCE - Constellation B
Lemma Senbet, University of Maryland

Financing Decisions and Investment Opportunities: Evidence from Germany - Yaron Brook, Robert J. Hendershott, and Atulya Sarin, Santa Clara University

The Determinants of Bankruptcy Procedures in Japan - Frank Packer, Federal Reserve Bank of New York

Multinational Capital Structure and Financial Flexibility - James E. Hodder, University of Wisconsin-Madison and Kuljot Singh, J.P. Morgan Securities, Inc.

Discussants:

Dennis Logue, Dartmouth College
Gordon Phillips, University of Maryland
Avri Ravid, Rutgers University

ORDER FLOWS AND EXECUTIONS - Aurora
Larry Glosten, Columbia University

Preferencing, Internalization, Best Execution and Dealer Profits - Narayan Naik and Oliver Hansch, London Business School and S. Viswanathan, Duke University and the Wharton School.

SOES Trading and Market Volatility - Brian Hatch, University of Delaware, Robert H. Battalio, University of Notre Dame, and Robert Jennings, Indiana University

Short-term Traders and Liquidity: A Test Using the Bombay Stock Exchange Data - V. Eleswarapu and Henk Berkman, University of Auckland

Discussants:

Ingrid Werner, New York Stock Exchange and Stanford University
Charles M. Jones, Princeton University
Avner Wolf, Baruch College

MANAGEMENT COMPENSATION - Brittania
Kevin Murphy, University of Southern California

Compensation Committees, Government Regulations, and CEO Pay - Ronald C. Anderson, Texas A&M University

Pay for Performance? - Marc Zenner and Tod Perry, University of North Carolina at Chapel Hill

Product Market Competition and Top Management Compensation - Simi Kedia, New York University

Discussants:

Hamid Mehran, Northwestern University
Darius Palia, Columbia University
Rajesh Aggarwal, Dartmouth (Tuck)

FUTURES AND SWAPS - Cambria
Steve Figlewski, New York University

Determinants of Interest Rate Swap Spreads - Andy L. Liu and Larry H.P. Lang, City University of Hong Kong, and Robert H. Litzenberger, University of Pennsylvania and Goldman Sachs

Liquidity Risk in Long-Term Hedging with Short-Term Futures Contracts - Paul Glasserman, Columbia University

A Model of Futures Returns and Trading Under Asymmetric Information - Harrison G. Hong, MIT

Discussants:

Silverio Foresi, New York University
N.K. Chidambaran, Tulane University
Hank Bessembinder, Arizona State University

Lunch Break 12:30–2:00 p.m. **NEW YORK STOCK EXCHANGE LUNCHEON**—Poolside

Thursday, June 19 2:30–4:45 p.m.

DECIMALIZATION - Constellation A
William Christie, Vanderbilt University

Does a Large Minimum Price Variation Encourage Order Exposure? - Lawrence Harris, University of Southern California

Minimum Price Variations, Time Priority and Quotes Dynamics - Thierry Foucault and Tito Cordella, Universitat Pompeu Fabra

Decimalization and Market Quality - Daniel G. Weaver, Baruch College and CUNY

The Impact of Decimalization on Market Quality: An Empirical Investigation of the Toronto Stock Exchange - Jeffrey M. Bacidore, Indiana University

Discussants:

James Angel, Georgetown University
Gerald Garvey, University of British Columbia
Frank Hathaway, Penn State
Hank Bessembinder, Arizona State University

ECONOMETRICS OF INFORMATION - Cambria
Joel Hasbrouck, New York University

The Econometrics of Ultra-High Frequency Data - Robert F. Engle, University of California - San Diego

Information Flow and Pricing Errors: A Unified Approach to Estimation and Testing - Thomas J. George, University of Iowa and Chuan-Yang Hwang, Hong Kong University of Science and Technology

Heterogeneous Information Arrivals and Return Volatility Dynamics: Uncovering the Long-Run in High Frequency Returns - Tim Bollerslev, University of Virginia and Torben G. Andersen, Northwestern University

Is there Private Information in the FX Market? The Tokyo Experiment - Richard K. Lyons, University of California, Berkeley and NBER, Takatoshi Ito, Hitotsubashi University, IMF, and NBER, and Michael T. Melvin, Arizona State University

Discussants:

Ian Domowitz, Northwestern University
Mark Ready, University of Wisconsin
Joshua Rosenberg, New York University
Jian Yao, New York University

IPO's - Aurora
Jay Ritter, University of Florida

The Persistence of IPO Mispricing and The Predictive Power of Flipping - Kent L. Womack, Dartmouth College, Laurie Krigman, University of Colorado at Boulder, and Wayne Shaw, Southern Methodist University

The Demand for Stocks and IPO Underpricing: An Analysis of Stock Auctions - Oded Sarig and Shmuel Kandel, University of Pennsylvania and Tel-Aviv University and Avi Wohl, Bar Ilan University and Rutgers University

Going Public and the Ownership Structure of the Firm - Antonio S. Mello, University of Wisconsin-Madison and John E. Parsons, Charles River Associates

IPOs in Previously Centrally-Planned Economies: Chinese A-Share Evidence - C. Terry Grant, University of Southern Mississippi, Chak Tong Chau, University of Texas at San Antonio, and Conrad S. Ciccotello, United States Air Force Academy

Discussants:

Robert Miller, Northern Illinois University
Mario Levis, City University (London)
Li-Aune Woo, University of New South Wales
Ann Sherman, Hong Kong University of Science and Technology

ECONOMICS, NEWS, AND RETURNS - Brittania
Deborah Lucas, Northwestern University

Stock Returns and Inflation with Supply and Demand Disturbances - Bong-Soo Lee, University of Houston and Patrick J. Hess, University of Minnesota

Inflation and Financial Market Performance - John H. Boyd, Federal Reserve Bank of Minneapolis and University of Minnesota, Ross Levine, The World Bank, and Bruce D. Smith, Federal Reserve Bank of Minneapolis and University of Texas-Austin

Macroeconomic News and Bond Market Volatility - Charles M. Jones, Princeton University, Owen Lamont, University of Chicago, and Robin Lumsdaine, Princeton University

Economic News and the Yield Curve: Evidence from the U.S. Treasury Market - Edwin J. Elton, Pierluigi Balduzzi, and T. Clifton Green, New York University

Discussants:

Kent Daniel, Northwestern University
Gary Gorton, University of Pennsylvania
John Heaton, Northwestern University
Ming Huang, University of Chicago

TERM STRUCTURE - Constellation B
Ravi Jaganathan, University of Minnesota

Do Interest Rates Really Follow Continuous-Time Markov Diffusions? - Yacine Ait-Sahalia, University of Chicago

The Short Rate Diffusion Revisited: An Investigation Guided by the Efficient Method of Moments - Jesper Lund, The Aarhus School of Business and Torben G. Andersen, Northwestern University

The Stochastic Behavior of Interest Rates - Matthew Richardson, New York University, Jacob Boudoukh, New York University, Richard Stanton, University of California-Berkeley, and Robert F. Whitelaw, New York University

Specification Analysis of Affine Term Structure Models - Qiang Dai, Stanford University and Kenneth J. Singleton, Stanford University and NBER

Discussants:

Pierluigi Balduzzi, New York University
George Pennacchi, University of Illinois
Lars Peter Hansen, University of Chicago
Erzo Luttmer, Northwestern University

Thursday, June 19 6:15–8:15 a.m. **RECEPTION**–Bay Terrace

Friday, June 20 7:00–8:15 a.m. **CHICAGO BOARD OF TRADE BREAKFAST**—Azura Point

Friday, June 20 8:00 a.m.–12:00 p.m. **REGISTRATION—** Floral Atrium

Friday, June 20 8:30–10:15 a.m.

MARKETS - Theory - Constellation A
David Easley, Cornell University

Persistent Idiosyncratic Shocks and Incomplete Markets - Chris Telmer and Amir Yaron, Carnegie-Mellon University, and Kjetil Storesletten, Stockholm University

Strategic Trading in a Dynamic Noisy Market - Dimitri Vayanos, Stanford University

Liquidity Shocks and Equilibrium Liquidity Premia - Ming Huang, University of Chicago

Discussants:

Nicholas Kiefer, Cornell University
Rangarajan Sundaram, New York University
Jiang Wang, MIT

RISK MANAGEMENT AND HEDGING - Constellation B
Peter DeMarzo, Stanford University

Risk Measurement and Hedging - Mitchell A. Petersen, Northwestern University and S. Ramu Thiagarajan, Northwestern University

Exchange Rate Exposure, Hedging, and the Use of Foreign Currency Derivatives - George Allayannis and Eli Ofek, University of Virginia and New York University

The Role of Corporate Hedging: Evidence From Oil and Gas Producers - David Haushalter, University of Oregon

Discussants:

Judy Chevalier, University of Chicago
Mike Stutzer, University of Minnesota
George Fenn, Federal Board of Governors

CAPITAL INVESTMENT DECISIONS - Brittania
Ronen Israel, University of Michigan

A Simple Approach for Deciding When to Invest - Jonathan Berk, University of Washington

Intrafirm Tournaments, Failure Aversion and Cycle Time in Capital Budgeting - Todd T. Milbourn, London Business School, Richard L. Shockley, Indiana University, and Anjan V. Thakor, University of Michigan

Market Discipline in Conglomerate Banks: Is An Internal Allocation of Cost of Capital Necessary As Incentive Device? - Arnoud Boot, University of Amsterdam and Anjolein Schmeits, Tilburg University

Discussants:

Yaniv Grinstein, Carnegie Mellon University
Eli Berkovitch, Tel-Aviv University
MP Narayanan, University of Michigan

FINANCIAL MARKETS & DEVELOPMENT - Cambria
John Boyd, University of Minnesota

Institutions, Financial Markets and Firm Debt Maturity - Asli Demirguc-Kunt, World Bank and Vojislav Maksimovic, University of Maryland

Financial Dependence and Growth - Raghuram G. Rajan and Luigi Zingales, University of Chicago and NBER

Capital Markets and the Longevity of Family Businesses - Utpal Bhattacharya and B. Ravikumar, University of Iowa

Discussants:

Tim Opler, Ohio State University
Ross Levine, University of Virginia
Franklin Allen, University of Pennsylvania

Coffee Break 10:15–10:30 a.m.—Constellation Foyer

Friday, June 20 10:30 a.m.–12:15 p.m.

SYMPOSIUM - Markets - Constellation A
Robert Schwartz, New York University

The Specialist's Discretion: Stopped Orders and Price Improvement - Mark J. Ready, University of Wisconsin-Madison

An Examination of Changes in Specialists' Posted Price Schedules - Elizabeth R. Odders-White, Northwestern University and Kenneth A. Kavajecz, University of Pennsylvania

Liquidity-Based Competition for Order Flow - Duane Seppi, Carnegie Mellon University and Universitat Wien and Christine Parlour, Carnegie Mellon University

Discussants:

James J. Angel, Georgetown University
Daniel Weaver, Baruch College and CUNY
Puneet Handa, University of Iowa

DIVIDENDS - Constellation B
Franklin Allen, University of Pennsylvania

Do Dividend Changes Signal the Future or the Past? - Shlomo Benartzi, UCLA, Roni Michaely, Cornell University, and Richard Thaler, University of Chicago and NBER

Why Do Stock Prices Drop by Less Than the Value of the Dividend? Evidence from a Country Without Taxes - Murray Frank, University of British Columbia and Ravi Jagannathan, University of Minnesota and Federal Reserve Bank of Minneapolis

Stock Returns, Dividend Yields, and Taxes - Mike Ryngaert, Andy Naranjo, and M. Nimalendran, University of Florida

Discussants:

Kathryn Dewenter, University of Washington
Kent Womack, Dartmouth College
Bong Soo Lee, University of Houston

STOCK MARKETS AND RETURNS - Brittania
Wayne Ferson, University of Washington

A Re-examination of Some Popular Security Return Anomalies - Tarun Chordia, Vanderbilt University, Michael J. Brennan, UCLA, and Avanidhar Subrahmanyam, UCLA

What Is the Intrinsic Value of the Dow? - Charles M.C. Lee, Cornell University, James Myers, University of Washington, and Bhaskaran Swaminathan, Cornell University

A Century of Global Stock Markets - Philippe Jorion, University of California at Irvine and William N. Goetzmann, Yale School of Management

Discussants:

Ravi Jagannathan, University of Minnesota
Peter Easton, Ohio State University
Jonathan Berk, University of Washington

EXCHANGE RATES - Cambria
Robert Hodrick, Columbia University

Exchange Rate Dynamics in a Multilateral Target Zone - Angel Serrat, University of Chicago

Exchange Rate Exposure, Competitiveness and Firm Valuation: Evidence from the World Automotive Industry - Rohan Williamson, Ohio State University

EMU and Re-Entry into the ERM: Sustainable Exchange Rate Bands Implied in FX Options - P.H. Kevin Chang, University of Southern California, Jose M. Campa, New York University and NBER, and Robert L. Reider, J.P. Morgan

Discussants:

Giorgio DeSantis, University of Southern California
Maria Vassalou, Columbia University
Geert Bekaert, Stanford University

Lunch Break 12:30–2:00 p.m. **WFA ANNUAL MEETING and LUNCHEON**—Commodore A
Distinguished Speaker: Richard H. Thaler, University of Chicago

Friday, June 20 2:30–4:45 p.m.

ASSET PRICING - Testing - Constellation A
Craig MacKinlay, University of Pennsylvania

Improved Methods for Tests of Long-Run Abnormal Stock Returns - Brad M. Barber, John D. Lyon and Chih-Ling Tsai, University of California, Davis

Bayesian Inference on the Efficiency Loss Associated with Constraints on Portfolio Holdings - Zhenyu Wang, Columbia University

The Efficient Use of Conditioning Information in Portfolios - Wayne E. Ferson and Andrew F. Siegel, University of Washington

Two-Pass Tests of Asset Pricing Models with Useless Factors - Raymond Kan, Washington University and University of Toronto and Chu Zhang, University of Alberta

Discussants:

N.R. Prabhala, Yale University
Gregory Bauer, University of Rochester
Bruce Grundy, University of Pennsylvania
Anthony Lynch, New York University

VOLUME - Constellation B
Michael Brennan, UCLA

Information, Trading Volume, and International Stock Market Comovements - Louis Gagnon, Queen's University and G. Andrew Karolyi, University of Western Ontario

Trading Volume, Part I: Definitions, Data Analysis, and Implications of Portfolio Theory - Jiang Wang and Andrew W. Lo, MIT

Liquidity and Information Flow in Securities Markets: The Effect of Sequential Variation in Market Structure - Susan Monaco, Indiana University

The Effects of Feedback Trading on a Securities Market - Leonard J. Schneck, University of Kentucky

Discussants:

Robert Engle, University of California, San Diego
Bruce Lehmann, University of California, San Diego
Antonio Bernardo, UCLA
Henry Cao, University of California, Berkeley

MUTUAL FUNDS AND HEDGE FUNDS - Brittania
Laura Starks, University of Texas

Momentum Investment Strategies of Mutual Funds, Performance Persistence, and Survivorship Bias - Russell R. Wermers, University of Colorado - Boulder

Waiving Fees Good-Bye - Susan E.K. Christoffersen and Anthony M. Santomero, University of Pennsylvania

Offshore Hedge Funds: Survival & Performance 1989-1995 - Stephen J. Brown, New York University and William N. Goetzmann and Roger G. Ibbotson, Yale University

Inventory Rules, Taxation, and Institutions' Trading Decision - V.G. Narayanan, Harvard University and Steven Huddart, Duke University

Discussants:

Jennifer Carpenter, New York University
Louis Ederington, University of Oklahoma
David Chapman, University of Texas
Roger Elelen, University of Pennsylvania

FINANCIAL CONTRACTS - Cambria
Anjan Thakor, University of Michigan

Monitored Finance, Liquidity, and Institutional Investment Choice - Andy Winton, Northwestern University

Client Discretion, Switching Costs and the Introduction of New Financial Products - Vikram Nanda and Sugato Bhattacharyya, University of Michigan

Information Asymmetry, Monitoring, and the Choice Between Public and Privately Placed Debt - Venkat Subramaniam and Paul Spindt, Tulane University, and Sudha Krishnaswami, University of New Orleans

Mortgage Choice: What's the Point? - Richard Stanton and Nancy Wallace, University of California, Berkeley

Discussants:

David Hirshleifer, University of Michigan
Thomas Chemmanur, Columbia University
Richard Shockley, Indiana University
Tim Riddiough, MIT

Friday, June 20 5:00–6:00 p.m. **SOCIETY FOR FINANACIAL STUDIES MEMBERSHIP MEETING**–Aurora

Friday, June 20 6:00–8:00 p.m. **RECEPTION**—Bay Terrace

Saturday, June 21 8:30–10:15 a.m.

INSIDER TRADING AND DISCLOSURE - Brittania
Michael Fishman, Northwestern University

The Importance of Common Knowledge Assumptions in Models of Insider Trading: An Experimental Investigation - Charles R. Schnitzlein, University of Arizona

Disclosure, Transactions Costs and Investor Trading Horizons: A Laboratory Study - Robert Bloomfield and T. Jeffrey Wilks, Cornell University

Can Insider Trading Patterns Predict the Resolution of Financial Distress? Empirical Evidence - Jasmine Yur-Austin, California State University, Long Beach

Discussants:

Kathleen Hagerty, Northwestern University
Terrance Odean, University of California - Berkeley
Matthew Clayton, New York University

STOCKHOLDERS & BONDHOLDERS - Cambria
Richard Green, Carnegie-Mellon University

On the Magnitude of Stockholder-Bondholder Conflicts - Robert Parrino, University of Chicago and Michael S. Weisbach, University of Arizona

Determinants of Contractual Relations Between Shareholders and Bondholders--Investment Opportunities and Restrictive Covenants - Annette B. Poulsen and Jeffry M. Netter, University of Georgia and Robert Nash, University of Baltimore

Pricing the Strategic Values of Putable Bonds - Alexander David, Federal Reserve System

Discussants:

Tony Bernardo, UCLA
Michael Lemmon, Arizona State University
Jennifer Carpenter, New York University

HOW RATIONAL ARE MARKETS? - Constellation A
Charles Lee, Cornell University

Comparing Expectations About Stock Returns to Realized Returns - Hersh Shefrin and Meir Statman, Santa Clara University

Testing Rationality of Financial Markets: An Application to S&P 500 Index Options - Oleg Bondarenko, California Institute of Technology

International Momentum Strategies - K. Geert Rouwenhorst, Yale School of Management

Discussants:

Werner DeBondt, University of Wisconsin
Narasimhan Jegadeesh, University of Illinois at Urbana-Champaign
Josef Lakonishok, University of Illinois at Urbana-Champaign

FINANCING ENTREPRENEURS - Constellation B
Kose John, New York University

Debt Priority, Observability, and the Strategic Sequencing of Negotiations with Creditors - Jun Wang and Thomas H. Noe, Georgia State University

Throwing Good Money After Bad - Eric Hughson, University of Utah, Dan Bernhardt, Queen's University, and Burton Hollifield, University of British Columbia

Stage Financing and the Role of Convertible Debt - Francesca Cornelli, London Business School and CEPR and Oved Yosha, Brown University and Tel-Aviv University

Discussants:

Laurie Hodrick, Columbia University
Zsuzsanna Fluck, New York University
Manju Puri, Stanford University

Coffee Break 10:15–10:30 a.m.—Constellation Foyer

Saturday, June 21 10:30 a.m.–12:15 p.m.

SYMPOSIUM - Banking - Constellation A
Gary Gorton, Wharton - University of Pennsylvania

Stress Tests of Capital Requirements - Elroy Dimson, London Business School

Payment System Settlement and Bank Incentives - William Roberds, Federal Reserve Bank of Atlanta and Charles M. Kahn, University of Illinois

Regulatory Competition: Why Do Banks Change Regulators? - Richard Rosen, Indiana University

Discussants:

Kent Daniel, Northwestern University
Andrew Winton, Northwestern University
Phillip E. Strachan, Federal Reserve Bank of New York

OWNERSHIP AND CONTROL - Brittania
Avner Kalay, University of Utah

The Structure of Ownership and Control in Publicly Traded Corporations - David J. Denis, Purdue University and Atulya Sarin, Santa Clara University

The Evolution of Managerial Stock Ownership and Corporate Governance Since the Great Depression - Randall S. Kroszner, University of Chicago, Clifford G. Holderness, Boston College, and Dennis P. Sheehan, University of Chicago

An Analysis of the Reincorporation Decision - Randall A. Heron, Indiana University and Wilbur G. Lewellen, Purdue University

Discussants:

Oded Sarig, Tel-Aviv University and Wharton
Mike Lemon, Arizona State University
Jonathan Karpoff, University of Washington

OPTIONS - Pricing Models - Constellation B
Kaushik Amin, Lehman Brothers

Empirical Performance of Alternative Option Pricing Model - Gurdip S. Bakshi, University of Maryland at College Park, Charles Cao, Penn State and Zhiwu Chen, Ohio State

A Jump-Diffusion Approach to Modeling Credit Risk and Valuing Defaultable Securities - Chunsheng Zhou, Federal Reserve System

Estimating the Price of Default Risk - Greg Duffee, Federal Reserve System

Discussants:

Victor Ng, Goldman Sachs
Andrew Morton, Lehman Brothers
Francis Longstaff, Salomon Brothers

INTERNATIONAL FINANCE - Cambria
Ingrid Werner, NYSE

Foreign Exchange Exposure, Risk and the Japanese Stock Market - Lilian Ng and Xueping Wu, City University of Hong Kong and Jia He, Chinese University of Hong Kong

International Portfolio Choice and Home Bias: The Effects of Commodity Market Imperfections - Piet Sercu and Cynthia Van Hulle, KU Leuven and Raman Uppal, University of British Columbia

Currency Prices, the Nominal Exchange Rate, and Security Prices in a Two Country Dynamic Monetary Equilibrium - Mike Gallmeyer and Suleyman Basak, University of Pennsylvania

Discussants:

Bruno Gerard, University of Southern California
George Allayannis, University of Virginia
Angel Serrat, University of Chicago

Call for Papers and Participants
1998 ANNUAL MEETINGS OF
THE WESTERN FINANCE ASSOCIATION
June 17-20, 1998
The DoubleTree Hotel
Monterey, California

Members and friends of the Western Finance Association are invited to submit papers to be considered for presentation at the 1997 Annual Meetings. Papers on any topic related to financial economics will be considered.

Submission of Papers:
Send **four (4)** copies of your paper to the 1998 Program Chair no later than **November 15, 1997**. Each copy of the paper should include three parts: (i) a separate page at the beginning of the manuscript which can be easily removed containing the title of the paper , author names, addressed, affiliations, telephone and fax numbers, e-mail addresses, and acknowledgments; (ii) an abstract that will assist the program chair to classify it; (iii) the manuscript itself without author identification. Incomplete papers and papers already accepted for publication should not be submitted. Papers, absent author identification, will be reviewed anonymously by two members of the program committee. Authors will be notified of the program committee's decision regarding their paper in February, 1998. Multiple submissions by the same author or submission of papers presented at other major finance meetings reduce the chance of acceptance. Those people willing to serve as a discussant or to chair a session, even if they do not have a paper on the program, should indicate their willingness to the Program Chair.

Submission Fee:
A submission fee of $20.00, payable to the Western Finance Association, is required for each submitted paper. The fee will be used to help defray the cost of processing the paper. The submission fee is waived for papers written by Ph.D. students who have neither received their degree nor assumed a regular faculty position by the submission deadline.

Best Paper Awards:
The Trefftzs Award of $1,500 for the best student paper will be presented in honor of Kenneth L. Trefftzs, Professor of Finance, University of Southern California from 1941 to 1982, and the first President of the Western Finance Association. Papers written by a Ph.D. students who has neither received her degree nor assumed a regular faculty position by the submission deadline are eligible for this award. **Please indicate your eligibility** for the award.

American Association of Individual Investors Award of $1,000 for the best paper on investments.
Chicago Board of Trade Award of $1,000 for the best paper on futures or options on futures.
New York Stock Exchange Award of $1,000 for the best paper on equity trading.
Corporate Finance Award of $1,000 for the best corporate finance paper.

Website:
Authors should check the WFA Website for final details of submission at: http://www.gsm.cornell.edu/wfa.

Submit to:

Professor Franklin Allen
Program Chair, 1998 WFA Meetings
Finance Department
Wharton School
University of Pennsylvania
3620 Locust Walk
Philadelphia, PA 19104

Call for Papers

Symposium on
Finance and Product Market Interactions

The Western Finance Association Meetings
June 17-20, 1998
The DoubleTree Hotel
Monterey, California

Authors are invited to submit papers on issues related to financial and product market interactions. Empirical and theoretical contributions are welcome. The focus of the Symposium is on how firms' strategy and operating decisions interact with their financial decisions. Topics include, but are not limited to, connections between capital structure choice and strategic decisions, the rule of debt as a commitment device, payout policy and investment decisions, the relationship between product pricing and financial decisions, the availability of venture capital and the creation of new industries, the availability of finance and entry into existing industries, the relationship between bankruptcy and industry exist, the relationship between corporate form and product markets and the connections between internal finance and conglomerate mergers. There are many interactions between financial and product markets and authors are encouraged to explore the many facets of these.

Papers for the Symposium will be selected by the 1998 Program Chair of the Western Finance Association in collaboration with the Editors of the *Review of Financial Studies*. Papers accepted for the Symposium will be considered as submissions for publication in a special issue of the *RFS* with publication decisions being made by the editors using regular editorial procedures and normal standards. The journal submission fee will be waived for such papers. If the author of a paper accepted for the Symposium wishes to make revisions prior to review for publication, the new version must be received by the Executive Editor of the *RFS* by March 1, 1978. Otherwise, the original version will be reviewed for possible publication. Papers submitted for the Symposium may not be under review at any other journals, but may be submitted separately at any stage to the *RFS*. Authors wishing to avoid the delay until March 1, 1998 for the start of the processing of their manuscripts by the *RFS* should send their papers directly to the Executive Editor who will start the *RFS* review on receipt. The journal submission fee will be waived for authors who simultaneously submit to the WFA Symposium. Submission of sufficient quality that do not fit the Symposium may be included in regular WFA sessions.

Four (4) copies of the paper specifically marked "Symposium" should be sent to the WFA Program Chair by November 15, 1997. A submission fee of $20, payable to the Western Finance Association, should accompany each submitted paper. The submission fee is waived for Ph.D. students who have neither finished their degree nor assumed a regular faculty position by the submission deadline.

Authors should check the WFA Website for final details of submission at:
http://www.gsm.cornell.edu/wfa/

Submit to:

Professor Franklin Allen
Program Chair, 1998 WFA Meetings
Finance Department
Wharton School
University of Pennsylvania
3620 Locust Walk
Philadelphia, PA 19104

INDEX OF PARTICIPANTS

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