WESTERN FINANCE

WFA

ASSOCIATION

PROGRAM

33rd Annual Conference
of the
Western Finance Association

DoubleTree Hotel
Monterey, California

June 17-20, 1998

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 1999 Conference of the Western Finance Association appears on page 32 of this program.

REGISTRATION AND HOTEL INFORMATION

All sessions and conference functions will be held at The DoubleTree Hotel. The Western Finance Association has reserved limited blocks of rooms for the conference at The DoubleTree Hotel. Please contact the facility as soon as possible to make reservations. The special WFA rate at The DoubleTree Hotel is $140 a night. There is also a special self-parking rate of $5 a night. For reservations call: The DoubleTree Hotel, Monterey: (408) 649-4511 or The DoubleTree Hotels: (800) 222-TREE. You can also visit DoubleTree Hotels' web site at http://www.doubletreehotels.com/.

On-site registration will be located in the De Anza Foyer at The DoubleTree Hotel beginning at 4:00pm, Wednesday, June 17, 1998.

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 qualify 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, by cash or by Visa/Mastercard.

FEE SCHEDULE:

	Pre-Registration	On-site Registration
WFA member/Program participant	$50	$85
Non-member	$80	$125
Student	no charge	$30
Annual meeting, luncheon and featured speaker	$25	$25

ON-SITE REGISTRATION

Wednesday, June 17, 4:00-8:00pm
Thursday, June 18, 8:00am-4:00pm
Friday, June 19, 8:00am-12 noon

Registration for the NASDAQ Breakfast and the New York Stock Exchange Luncheon 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 19 from 4:45-5:30pm in Bonzai I. All subscribers to the *Review of Financial Studies* are members of the SFS.

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WESTERN FINANCE ASSOCIATION

Officers and Executive Committee - 1997-98

President	Maureen O'Hara, Cornell University
President-Elect	Franklin Allen, University of Pennsylvania
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	Sheridan Titman, University of Texas at Austin

Presidents of the Western Finance Association 1965-97

1965-66 Kenneth L. Trefftzs	University of Southern California
1966-67 Edward Reed	University of 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	University of California at 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	University of California at 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 Brown	New York University
1992-93 Hans Stoll	Vanderbilt University
1993-94 Kenneth Singleton	Stanford University
1994-95 Milton Harris	University of Chicago
1995-96 Chester Spatt	Carnegie Mellon University
1996-97 Michael Brennan	UCLA

1998 PROGRAM COMMITTEE

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Jonathan Berk, University of Washington
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Paul Gompers, Harvard University
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Richard Lyons, University of California at Berkeley
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Dilip Madan, University of Maryland
Ananth Madhavan, University of Southern California
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Luigi Zingales, University of Chicago

WESTERN FINANCE ASSOCIATION

Distinguished Speakers
Western Finance Association Meetings
1979-98

Year	Location	Speaker
1998	Monterey	Milton Harris
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 Scholes
1991	Jackson Lake	Fischer Black
1990	Santa Barbara	Michael Brennan
1989	Seattle	William Sharpe
1988	Napa	Sanford Grossman
1987	San Diego	Edward Kane
1986	Colorado Springs	Merton Miller
1985	Scottsdale	Robert Litzenberger
1984	Vancouver	Richard Roll
1983	Long Beach	Myron Scholes
1982	Portland	Stephen Ross
1981	Jackson Lake	Eugene Fama
1980	San Diego	Kenneth Arrow
1979	San Francisco	Nils Hakansson

1998 WFA PROGRAM SUMMARY

Wednesday, June 17

4:00-8:00pm
REGISTRATION - De Anza Foyer

5:30-7:30pm
MIT PRESS RECEPTION
- Memory Garden - see p.37 - (De Anza I if weather bad)
Open to all attendees and guests

Thursday, June 18

7:00-8:15am
NASDAQ BREAKFAST - De Anza III

8:00am-4:00pm
REGISTRATION - De Anza Foyer

8:30-10:15am
Limit Orders - De Anza I
Risk Management - De Anza II
Symposium: Financial and Product Market Interactions I - Bonzai I
Valuing Stocks - Bonzai II
Investment - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
Managing Money - De Anza I
Analyzing Anomalies - De Anza II
Venture Capital - Bonzai I
Empirical Market Microstructure - Bonzai II
Factor-Based Asset Pricing Models - Bonzai III

12:30-2:00pm
NEW YORK STOCK EXCHANGE LUNCHEON
- Memory Garden (Lower Atrium if weather bad)

2:15-4:30pm
Bankruptcy - De Anza I
International Finance - De Anza II
Lending - Bonzai I
Executive Compensation - Bonzai II
Financial Econometrics - Bonzai III

4:45-6:15pm
WFA Executive Committee and Board of Directors Meeting - Cottonwood I Conference Room (on Level 3)

5:30-7:30pm
CORNERSTONE RECEPTION - Memory Garden
(Lower Atrium if weather bad)
Open to all attendees and guests

Friday, June 19

8:00am-12:00noon
REGISTRATION - De Anza Foyer

8:30-10:15am
Behavioral Finance - De Anza I
Seasoned Equity Offerings - De Anza II
Security Design and Financial Innovation - Bonzai I
Cost of Trading - Bonzai II
Estimating Continuous Time Models - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
Corporate Downsizing and Restructuring - De Anza I
Price Discovery and Disclosure - De Anza II
Banking - Bonzai I
Symposium: Financial and Product Market Interactions II - Bonzai II
Options Theory - Bonzai III

12:30-2:00pm
WFA ANNUAL MEETING AND LUNCHEON - De Anza III - Distinguished Speaker: Milton Harris, University of Chicago

2:15-4:30pm
Liquidity Constraints and Internal Capital Markets - De Anza I
Capital Structure - De Anza II
Mutual Funds - Bonzai I
Asset Pricing and Frictions - Bonzai II
Empirical Options - Bonzai III

4:45-5:30pm
Society for Financial Studies Annual Meeting - Bonzai I

5:30-7:30pm
SFS/RFS RECEPTION - Memory Garden
(Lower Lobby if weather bad)
Open to all attendees and guests

Saturday, June 20

8:30-10:15am
Asset Pricing and Learning - De Anza I
Corporate Control - De Anza II
Exchanges - Bonzai I
Term Structure Models - Bonzai II
The Legal System and Finance - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
IPO's - De Anza I
Payout Policy - De Anza II
Default and Asset Pricing - Bonzai I
Real Estate - Bonzai II
Ownership - Bonzai III

33rd ANNUAL CONFERENCE
WESTERN FINANCE ASSOCIATION
MONTEREY, CALIFORNIA
June 17-20, 1998

PRESIDENT: MAUREEN O'HARA, CORNELL UNIVERSITY

PRESIDENT-ELECT AND PROGRAM CHAIR:
FRANKLIN ALLEN, UNIVERSITY OF PENNSYLVANIA

Wednesday, June 17

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Thursday, June 18	8:30-10:15am	

LIMIT ORDERS - De Anza I
Ananth Madhavan, University of Southern California

Econometric Models of Limit-Order Executions - Andrew Lo, MIT, A. Craig MacKinlay, University of Pennsylvania, and June Zhang, ITG

Market Architecture: Limit-Order Books versus Dealership Markets - James Wang and S. Viswanathan, Duke University

Tick Size and Limit Order Execution: An Examination of Stock Splits - Tom M. Arnold, University of Indiana and Marc Lipson, University of Georgia

Discussants:
Lawrence Harris, University of Southern California
Duane Seppi, Carnegie Mellon University
Jennifer Lynch Koski, University of Washington

RISK MANAGEMENT - De Anza II

Ramu Thiagarajan, Northwestern University

Compensation, Convexity, and the Incentives to Manage Risk: An Empirical Analysis - Wayne Guay, University of Pennsylvania

A Model of Risk Management and Investment Efficiency - Clara Raposo, London Business School

Asymmetric Information, Credit Quality and the Use of Interest Rate Derivatives - Betty Simkins, Oklahoma State University

Discussants:

Tim Adam, Hong Kong University of Science & Technology
Neal Stoughton, University of California at Irvine
Catherine Schrand, University of Pennsylvania

SYMPOSIUM: FINANCIAL AND PRODUCT MARKET INTERACTIONS I - Bonzai I

Sheridan Titman, University of Texas at Austin

Strategic Responses of Incumbents to New Entry: The Effect of Ownership Structure, Capital Structure and Focus - Naveen Khanna and Sheri Tice, Michigan State University

Exchange-Rate Exposure and Industry Structure - George Allayannis and Jane Ihrig, University of Virginia

The Interaction Between Product Market and Financing Strategy: The Role of Venture Capital - Thomas Hellman and Manju Puri, Stanford University

Discussants:

Simi Kedia, Harvard University
Bruno Gerard, University of Southern California
Paul Gompers, Harvard University

VALUING STOCKS - Bonzai II

Kerry Back, Washington University, St. Louis

Stock Valuation in Dynamic Economies - Gurdip Bakshi, University of Maryland and Zhiwu Chen, Ohio State University

Asset Prices in a Continuous-Time Liquidity Model of Monetary Economies - Tan Wang, University of British Columbia

Forecasting Fundamental Stock Price Distributions - R. Glen Donaldson, University of British Columbia and University of Rochester, and Mark Kamstra, Simon Fraser University

Discussants:

Bhaskaran Swaminathan, Cornell University
Hong Liu, University of Pennsylvania
Jeremy Berkowitz, Board of Governors of the Federal Reserve

INVESTMENT - Bonzai III

Deborah Lucas, Northwestern University

Option Value, Investment Decisions, and Tobin's q - Eugene Kandel, University of Rochester and Neil D. Pearson, University of Illinois at Urbana-Champaign

Killing the Messenger: Delegation and Hurdle Rates in Capital Budgeting - Arnoud Boot, University of Amsterdam, Todd Milbourn, London Business School and Anjan Thakor, University of Michigan

The Cost of Diversity: The Diversification Discount and Inefficient Investment - Raghuram Rajan, Luigi Zingales, University of Chicago and Henri Servaes, University of North Carolina at Chapel Hill

Discussants:

Janice Eberly, Northwestern University
Bryan Routledge, Carnegie Mellon University
Vikram Nanda, University of Michigan

COFFEE BREAK: 10:15-10:30am - De Anza Foyer

Thursday, June 18 10:30-12:15am

MANAGING MONEY - De Anza I
Laura Starks, University of Texas at Austin

Are the Hundred-Million-Dollar Managers Just Like Everyone Else? An Analysis of the Stock Ownership of Large Institutions - Paul Gompers, Harvard University and NBER, and Andrew Metrick, Harvard University

High Water Marks - William Goetzmann, Jonathan Ingersoll Jr., and Stephen A. Ross, Yale University

Asset Pricing Specification Errors and Performance Evaluation - Jia He, Chinese University of Hong Kong and University of Houston, Lilian Ng, Hong Kong University of Science & Technology and University of Southern California, and Chu Zhang, University of Alberta and Hong Kong University of Science & Technology

Discussants:
Deon Strickland, Ohio State University
Judy Chevalier, University of Chicago
Bruce Lehmann, University of California at San Diego

ANALYZING ANOMALIES - De Anza II
Josef Lakonishok, University of Illinois at Urbana-Champaign

Momentum Investing and Performance Using Finland's Unique Data Set - Mark Grinblatt, UCLA and Matti Keloharju, Helsinki School of Economics and Business Administration

Industry Factors as an Explanation for Momentum in Stock Returns - Tobias Moskowitz, UCLA

The Determinants of Asymmetric Volatility - Guojun Wu, Stanford University

Discussants:
Matti Suominen, INSEAD
Kent Daniel, Northwestern University
Sanjiv Das, Harvard University

VENTURE CAPITAL - Bonzai I
Gary Gorton, University of Pennsylvania

Does Venture Capital Spur Innovation? - Samuel Kortum, Boston University and NBER, and Josh Lerner, Harvard University and NBER

Venture Capital Financing, Moral Hazard, and Learning - Dirk Bergemann, Yale University and Ulrich Hege, CentER, Tilburg University

Institutional Affiliation and the Role of Venture Capital: Evidence from Initial Public Offerings in Japan - Yasushi Hamao, Columbia University, Frank Packer, Federal Reserve Bank of New York, and Jay R. Ritter, University of Florida

Discussants:
James Linck, Arizona State University
Paul Pfleiderer, Stanford University
N. R. Prabhala, Yale University

EMPIRICAL MARKET MICROSTRUCTURE - Bonzai II
Hendrik Bessembinder, Arizona State University

Security Bid/Ask Dynamics with Discreteness and Clustering: Simple Strategies for Modeling and Estimation - Joel Hasbrouck, New York University

Information Flows and Open Outcry: Evidence of Imitation Trading - Mark Griffiths, The American Graduate School of International Management, Brian F. Smith, Wilfrid Laurier University, D. Alasdair S. Turnbull, Memorial University of Newfoundland and Robert W. White, University of Western Ontario

On Market Makers' Portfolio Considerations in Competitive Dealership Markets: Evidence from the London Stock Exchange - Narayan Naik, London Business School and Pradeep Yadav, University of Strathclyde

Discussants:
Tarun Chordia, Vanderbilt University
Elizabeth Odders-White, University of Wisconsin at Madison
Erik Sirri, Securities and Exchange Commission

FACTOR-BASED ASSET PRICING MODELS - Bonzai III

Ravi Jagannathan, Northwestern University

Costs of Equity Capital and Model Mispricing - Lubos Pastor and Robert Stambaugh, University of Pennsylvania

The Alpha Factor Asset Pricing Model: A Parable - Wayne Ferson, Sergei Sarkissian and Timothy Simin, University of Washington

Term Structure, Non-Neutral Inflation and Economic Growth: A Three-Factor Model - Andrea Berardi, London Business School

Discussants:
Nick Barberis, University of Chicago
Guofu Zhou, Washington University, St. Louis
Jun Qian, University of Pennsylvania

LUNCH BREAK 12:30-2:00pm
NEW YORK STOCK EXCHANGE LUNCHEON - Memory Garden
(Lower Atrium if weather bad)

Thursday, June 18 2:15-4:30pm

BANKRUPTCY - De Anza I

Lemma Senbet, University of Maryland

Cash Auction Bankruptcy: Costs, Recovery Rates and Auction Premiums - Karin Thorburn, Stockholm School of Economics

Economic Distress, Financial Distress, and Dynamic Liquidation - Matthias Kahl, UCLA

Conflicts of Interest and Market Illiquidity in Bankruptcy Auctions: Theory and Tests - Per Stromberg, University of Chicago

Do Bond Prices Reflect Absolute Priority Violations? Evidence from U.S. Airline Secured Bonds - Todd Pulvino, Northwestern University and Whitney Pidot, Harvard University

Discussants:
Ronald Giammarino, University of British Columbia
Raj Singh, Washington University, St. Louis
Edith Hotchkiss, Boston College
Tyler Shumway, University of Michigan

INTERNATIONAL FINANCE - De Anza II

Richard Lyons, University of California at Berkeley

Have the Gains from International Diversification Disappeared? - Vihang Errunza, McGill University, Ked Hogan, Barclays Global Investors, San Francisco and Mao-Wei Hung, National Taiwan University

Both Sides of Corporate Diversification: The Value Impacts of Geographic and Industrial Diversification - Gordon Bodnar, University of Pennsylvania, Charles Tang, Pace University and Joseph Weintrop, Baruch College, CUNY

The Exchange Rate and Purchasing Power Parity in Arbitrage-Free Models of Asset Pricing - Prakash Apte, IIM, India, Piet Sercu, Katholieke Universiteit Leuven, and Raman Uppal, University of British Columbia

Around-the-Clock Market Efficiency and Home Bias: Evidence from the International JGB Futures Markets - Yiuman Tse, Binghamton University

Discussants:
Geert Bekaert, Stanford University
Milind Shrikhande, Georgia Institute of Technology
Silverio Foresi, Salomon Brothers
Ingrid Werner, Stanford University

LENDING - Bonzai I

John Boyd, University of Minnesota

Adverse Selection in Credit Card Solicitations: Evidence from Market Experiments - Lawrence Ausubel, University of Maryland

Competition in Loan Contracts - Christine Parlour and Uday Rajan, Carnegie-Mellon University

Relationship Lending within a Bank-Based System: Evidence from European Small Business Data - Hans Degryse, CenTER, Tilburg University and Patrick van Cayseele, Katholieke Universiteit Leuven

Short-Term Collateralization: Theory and Evidence - Leora Klapper, New York University

Discussants:
Thomas Noe, Tulane University
Gilles Chemla, University of British Columbia
Gary Gorton, University of Pennsylvania
Richard Rosen, Indiana University

EXECUTIVE COMPENSATION - Bonzai II
Marc Zenner, University of North Carolina at Chapel Hill

The Endogeneity of Managerial Compensation in Firm Valuation: A Solution - Darius Palia, Columbia University

The Other Side of the Tradeoff: The Impact of Risk on Executive Compensation - Rajesh Aggarwal and Andrew Samwick, Dartmouth College

Equity-based Compensation for Employees: Firm Performance and Determinants - Melissa Frye, Georgia Institute of Technology

Implicit Contracts and the Explanatory Power of Top Executive Compensation for Future Performance - Rachel M. Hayes and Scott Schaefer, Northwestern University

Discussants:
Michael Lemmon, Arizona State University
Joseph Haubrich, Federal Reserve Bank of Cleveland
John Core, University of Pennsylvania
Laurie Hodrick, Columbia University

FINANCIAL ECONOMETRICS - Bonzai III
Craig MacKinlay, University of Pennsylvania

Data-Snooping, Technical Trading Rule Performance, and the Bootstrap - Halbert White, Allan Timmermann and Ryan Sullivan, University of California at San Diego

Empirical Pricing Kernels - Joshua Rosenberg, New York University and Robert Engle, University of California at San Diego

Estimating Portfolio and Consumption Choice: A Conditional Euler Equations Approach - Michael W. Brandt, University of Pennsylvania

A Critique of the Use of t-ratios in Model Selection - Nai-Fu Chen, University of California at Irvine and Hong Kong University of Science & Technology, Raymond Kan, University of Toronto and Chu Zhang, University of Alberta and Hong Kong University of Science & Technology.

Discussants:
David Chapman, University of Texas at Austin
Ravi Bansal, Duke University
Robert Hodrick, Columbia University
Zhenyu Wang, Columbia University

Thursday, June 18 4:45-6:15pm **WFA Executive Committee and Board of Directors Meeting** - Cottonwood I Conference Room (on Level 3)

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Friday, June 19 8:30-10:15am

BEHAVIORAL FINANCE - De Anza I
Hersh Shefrin, Santa Clara University

Naive Diversification Strategies in Defined Contribution Savings Plans - Shlomo Benartzi, UCLA and Richard Thaler, University of Chicago

Investor Sentiment, Market Evolution, and Survival - F. Albert Wang, Columbia University

A Behavioral Model of Earnings Forecasts: Top Down versus Bottom Up - Masako Darrough, University of California at Davis and Thomas Russell, Santa Clara University

Discussants:
Terrance Odean, University of California at Davis
Simon Gervais, University of Pennsylvania
Kent Womack, Dartmouth College

SEASONED EQUITY OFFERINGS - De Anza II
Jay R. Ritter, University of Florida

Insider Trading and the Equity Issue Decision - Robert Heinkel, Ronald Giammarino, Burton Hollifield and Kai Li, University of British Columbia

Underwriter Certification and Japanese Seasoned Equity Issues - John W. Cooney, Jr., Kansas State University, Kiyoshi Kato, Nanzan University, Japan, and James Schallheim, University of Utah

Long-Run Performance of Seasoned Equity Offerings: Benchmarks Errors and Biases in Expectations - Narasimhan Jegadeesh, University of Illinois, at Urbana Champaign

Discussants:
Kathleen Hagerty, Northwestern University
Robert McDonald, Northwestern University
Christopher Geczy, University of Pennsylvania

SECURITY DESIGN AND FINANCIAL INNOVATION - Bonzai I

Arnoud Boot, University of Amsterdam

The Pooling and Tranching of Securities - Peter DeMarzo, University of California at Berkeley

Information Production, Dilution Costs, and Optimal Security Design - Paolo Fulghieri and Dmitry Lukin, INSEAD

Diversification Discount and Targeted Stock: Theory and Empirical Evidence - Shlomith Zuta, New York University

Discussants:

Jose Marin, Universitat Pompeu Fabra
Jaime Zender, University of Utah
Dennis Logue, Dartmouth College

COST OF TRADING - Bonzai II

Maureen O'Hara, Cornell University

Order Flow Composition and Trading Costs In a Dynamic Limit Order Market - Thierry Foucault, Carnegie Mellon University

Institutional Trading and Soft Dollars - Jennifer S.Conrad, University of North Carolina at Chapel Hill, Kevin Johnson, Aronson & Partners, and Sunil Wahal, Emory University

Why Doesn't Decimal Trading Eliminate Payment For Order Flow and Internalization? - Robert Battalio, University of Notre Dame and NASD, and Craig Holden, Indiana University

Discussants:

James Angel, Georgetown University
Kenneth Kavajecz, University of Pennsylvania
Hendrik Bessembinder, Arizona State University

ESTIMATING CONTINUOUS TIME MODELS - Bonzai III

Robert Stambaugh, University of Pennsylvania

Maximum-Likelihood Estimation of Discretely Sampled Diffusions: A Closed-Form Approach - Yacine Aït-Sahalia, University of Chicago

A Semi-Parametric Factor Model of Interest Rates and Tests of the Affine Term Structure - Eric Ghysels, Penn State University and CIRANO, and Serena Ng, Boston College

Bayesian Analysis of the Short-Term Interest Rate: Discretization, Stationarity, and Microstructure - Chris Jones, University of Pennsylvania

Discussants:

Robert Whitelaw, New York University
Qiang Dai, Stanford University
Eric Jacquier, Boston College

COFFEE BREAK: 10:15-10:30am - De Anza Foyer

Friday, June 19 10:30am-12:15pm

CORPORATE DOWNSIZING AND RESTRUCTING - De Anza I

Henri Servaes, University of North Carolina at Chapel Hill

An Empirical Investigation of Corporate Asset Downsizing - Diane Denis, Purdue University and Dilip K. Shome, Virginia Polytechnic Institute and State University

Corporate Focusing: Who Goes? What's Left? What Happens? - Rene M. Stulz, Ralph Walkling and Frederik Schlingemann, Ohio State University

Efficiency and Distribution in Financial Restructuring: The Case of the Ferruzzi Group - Luigi Zingales, University of Chicago, NBER and CEPR, and Alessandro Penati, University of Padova

Discussants:

Philip Berger, University of Pennsylvania
Wayne Mikkelson, University of Oregon
Francesca Cornelli, University of Pennsylvania

PRICE DISCOVERY AND DISCLOSURE - De Anza II

Avanidhar Subrahmanyam, UCLA

Strategic Behavior and Price Discovery - Luis A. Medrano, Universitat Pompeu Fabra and Xavier Vives, CSIC and Harvard University

Price Discovery in Auction Markets: A Look Inside the Black Box - Ananth Madhavan and Venkatesh Panchapagesan, University of Southern California

Disclosure Requirements and Stock Exchange Listing Choice in an International Context - Steven Huddart, John S. Hughes, Duke University and Markus Brunnermeier, London School of Economics

Discussants:
Craig Holden, Indiana University
Patrik Sandas, University of Pennsylvania
Michael Fishman, Northwestern University

BANKING - Bonzai I

Anjan Thakor, University of Michigan

Bank Equity Ownership and Firm Value in Japan - , Randall Morck, University of Alberta, Masao Nakamura, University of British Columbia and Anil Shivdasani, University of North Carolina at Chapel Hill

Liquidity Provision and the Social Cost of Bank Capital - Gary Gorton, University of Pennsylvania and NBER, and Andrew Winton, Northwestern University

Why Do Markets React to Bank Loans?: A Theory of Managerial Choice between Public and Private Financing - Andres Almazan, University of Illinois and Javier Suarez, CEMFI and CEPR

Discussants:
Randall Kroszner, University of Chicago
Jianping Qi, Washington University, St. Louis
Douglas Diamond, University of Chicago

SYMPOSIUM: FINANCIAL AND PRODUCT MARKET INTERACTION II - Bonzai II

Gordon Phillips, University of Maryland

Strategic Uncertainty, Learning, and Dynamic Financial and Investment Policy - Praveen Kumar, University of Houston

Global Diversification, Growth and Welfare with Imperfect Markets for Goods - Bernard Dumas, HEC and Raman Uppal, University of British Columbia

Investment with Financing Frictions - Nathalie Moyen, University of British Columbia

Discussants:
Jonathan Berk, University of Washington
Angel Serrat, University of Chicago
Vojislav Maksimovic, University of Maryland

OPTIONS THEORY - Bonzai III

Vasant Naik, University of British Columbia

A Stochastic Mesh Method for Pricing High-Dimensional American Options - Mark Broadie and Paul Glasserman, Columbia University

Information Revelation Through Option Exercise - Steven Grenadier, Stanford University

Analytical Valuation of American - Style Asian Options - Asbjorn T. Hansen and Peter Jorgensen, University of Aarhus

Discussants:
Jennifer Carpenter, New York University
Kerry Back, Washington University, St. Louis
Jerome Detemple, McGill University

LUNCH BREAK
12:30-2:00pm **WFA ANNUAL MEETING AND LUNCHEON** - De Anza III
Distinguished Speaker: Milton Harris, University of Chicago

Friday, June 19 2:15-4:30pm

LIQUIDITY CONSTRAINTS AND INTERNAL CAPITAL MARKETS - De Anza I

Thomas Noe, Tulane University

Liquidity Constraints, Production Costs and Output Decisions - Paul Povel, University of Mannheim and LSE, and Michael Raith, University of Chicago

Internal Capital Markets, Growth Opportunities, and the Valuation Effects of Corporate Diversification - David J. Denis and Bharathram Thothadri, Purdue University

Financing Constraints and Internal Capital Market: Evidence from Korean *Chaebols* - Hyun-Han Shin, California Polytechnic State University and Young S. Park, Dongguk University

A Multinational Perspective on Capital Structure Choice and Internal Capital Markets - Mihir Desai, Harvard University

Discussants:

Avri Ravid, Rutgers University
Henri Servaes, University of North Carolina at Chapel Hill
Toni Whited, University of Maryland
Lemma Senbet, University of Maryland

CAPITAL STRUCTURE - De Anza II

Milton Harris, University of Chicago

Marginal Benefit Curves Associated with Interest Deductibility - John Graham, Duke University

Debt and Outside Equity as Information Revelation Mechanisms - Michel A. Habib, London Business School, D. Bruce Johnsen, George Mason University

Endogenous Bankruptcy, Endogenous Restructuring and Dynamic Capital Structure - Robert Goldstein, Ohio State University, Nengjiu Ju and Hayne Leland, University of California at Berkeley

Debt Valuation, Strategic Debt Service and Optimal Dividend Policy - Hua Fan and Suresh Sundaresan, Columbia University

Discussants:

Walter Novaes, University of Washington
Zsuzsanna Fluck, New York University
Alex Triantis, University of Maryland
Suleyman Basak, University of Pennsylvania

MUTUAL FUNDS - Bonzai I

Louis Ederington, University of Oklahoma

Volatility Timing in Mutual Funds: Evidence from Daily Returns - Jeffrey Busse, Emory University

The Impact of Regulatory Restrictions of Fund Performance: A Comparative Study of Hedge Funds and Mutual Funds - Carl Ackermann, University of North Carolina at Chapel Hill

The Determinants of the Flow of Funds of Managed Portfolios: Mutual Funds versus Pension Funds - Diane Del Guercio, University of Oregon and Paula Tkac, University of Notre Dame

The Japanese Open-End Fund Puzzle - Stephen Brown, NYU, William Goetzmann, Yale University, Takato Hiraki, Toshiyuki Otsuki, International University of Japan, and Noriyoshi Shiraishi, Rikkyo University

Discussants:

David Musto, University of Pennsylvania
Louis Chan, University of Illinois at Urbana-Champaign
Laura Starks, University of Texas at Austin
Kiyoshi Kato, Nanzan University

ASSET PRICING AND FRICTIONS - Bonzai II

Richard Green, Carnegie Mellon University

Dynamic Volume Return Relation of Individual Stocks - Guillermo Llorente, University of Madrid, Roni Michaely, Gideon Saar, Cornell University and Jiang Wang, MIT

The Impact of Predictability and Transaction Costs - Anthony Lynch, New York University and Pierluigi Balduzzi, Boston College

Capital Market Equilibrium with Differential Taxation - Suleyman Basak and Mike Gallmeyer, University of Pennsylvania

The Investor Recognition Hypothesis in a Dynamic General Equilibrium: Theory and Evidence - Alex Shapiro, University of Pennsylvania

Discussants:

M. Nimalendran, University of Florida
John Heaton, Northwestern University
David Mauer, University of Miami
Burton Hollifield, University of British Columbia

EMPIRICAL OPTIONS - Bonzai III

Kaushik Amin, Lehman Brothers

Can Markovian Models Explain Option Price Dynamics? Lessons From High-Frequency Option Data - Gurdip Bakshi, University of Maryland, Charles Cao, Pennsylvania State University, and Zhiwu Chen, Ohio State University

Do Equity Options Price Volatility Risk? Empirical Evidence - Nikunj Kapadia, University of Massachusetts

An Empirical Comparison of Forward and Spot Rate Models for Valuing Interest Rate Options - Wolfgang Bühler and Marliese Uhrig-Homburg, University of Mannheim, Ulrich Walter, DG Bank and Thomas Weber, Infinity Financial Technology

Is Implied Correlation Worth Calculating? Evidence from Foreign Exchange Options and Historical Data - Christian Walter, Swiss National Bank and Jose A. Lopez, Federal Reserve Bank of New York

Discussants:

David Bates, University of Iowa
Jeff Fleming, Rice University
Barbara Ostdiek, Rice University
Jose Campa, New York University

Friday, June 19 4:45-5:30pm
SOCIETY FOR FINANCIAL STUDIES ANNUAL MEETING - Bonzai I
(Open to all subscribers to the *Review of Financial Studies*)

Friday, June 19 5:30pm - 7:30pm
SFS/RFS RECEPTION - Memory Garden (Lower Lobby if weather bad)
Open to all attendees and guests

Saturday, June 20 8:30-10:15am

ASSET PRICING AND LEARNING - De Anza I

John Heaton, Northwestern University

Stock Price Volatility, Learning, and the Equity Premium Puzzle - Michael J. Brennan and Y. Xia, University of California, Los Angeles

How Does Information Quality Affect Stock Returns? Results from a Dynamic Model of Learning - Pietro Veronesi, University of Chicago

Defining Bad News: Changes in Return Distributions that Induce a Decrease in Asset Demand - Burton Hollifield and Alan Kraus, University of British Columbia

Discussants:

Raj Mehra, University of California at Santa Barbara
Vasant Naik, University of British Columbia
Richard Kihlstrom, University of Pennsylvania

CORPORATE CONTROL - De Anza II

Artur Raviv, Northwestern University

When do Bidders Purchase a Toehold? Theory and Tests - Arturo Bris, INSEAD

Financial Advisor Reputation and the Sharing of the Gains from Corporate Acquisitions - Jayant R. Kale, Georgia State University, Omesh Kini, Emory University and Harley E. Ryan, Jr., Louisiana State University

Strategic Voting and Proxy Contests - Bilge Yilmaz, University of Pennsylvania

Discussants:

Espen Eckbo, Stockholm School of Economics
Mark Zenner, University of North Carolina at Chapel Hill
Ernst Maug, Duke University

EXCHANGES - Bonzai I

S. Viswanathan, Cornell University

Competition Among Exchanges - Tano Santos and Jose A. Scheinkman, University of Chicago

Competing Mechanisms in a Common Value Environment - Bruno Biais, IEDI and University of Toulouse, David Martimort, IEDI and Jean-Charles Rochet, IDEI and University of Toulouse

Trading Halts in a Principal - Agent Model of an Exchange - Roger Edelen and Simon Gervais, University of Pennsylvania

Discussants:

Gideon Saar, Cornell University
Eric Hughson, University of Utah
Paul Weller, University of Iowa

TERM STRUCTURE MODELS - Bonzai II

Ravi Jagannathan, Northwestern University

On the Term Structure of Interest Rates in the Presence of Reflecting and Absorbing Boundaries - Robert Goldstein, Ohio State University and William P. Keirstead , Goldman Sachs

The Dynamics of the Forward Interest Rate Curve - Pedro Santa-Clara and Didier Sornette, UCLA

A Parametric Nonlinear Model of Term Structure Dynamics - Dong-Hyun Ahn and Bin Gao, University of North Carolina at Chapel Hill

Discussants:

Kaushik Amin, Lehman Brothers
Steven Heston, Washington University, St. Louis
Greg Duffee, Board of Governors of the Federal Reserve

THE LEGAL SYSTEM AND FINANCE - Bonzai III

Mark Weinstein, University of Southern California

Optimal Disclosure and Litigation Rules Around New Equity Issues - Thomas Chemmanur, Boston College and Paolo Fulghieri, INSEAD

Insider trading and CEO Turnover in Firms Subject to Securities Class Actions - Greg Niehaus, University of South Carolina and Greg Roth, St. Mary's University

Debtor-in-Possession Financing: Management Entrechment or Certification and Monitoring? - Sris Chatterjee, Fordham University, Upinder Dhillon, Binghamton University and Gabriel Ramirez, Virginia Commonwealth University

Discussants:

Patricia Hughes, UCLA
Sanjai Bhagat, University of Colorado at Boulder
Venkat Subramaniam,Tulane University

COFFEE BREAK: 10:15-10:30am - De Anza Foyer

Saturday, June 20 10:30am-12:15pm

IPO's - De Anza I

Ivo Welch, UCLA

IPO Post-Issue Markets: Questionable Predilections But Diligent Learners? - Peter Bossaerts, California Institute of Technology and Pierre Hillion, INSEAD

The Performance of Long-run Stock Returns Following Issues of Public and Private Debt - Ilia Dichev and Joseph Piotroski, University of Michigan

The IPO as the First State in the Sale of the Firm - Laura Field, Penn State University

Discussants:

Kathryn Dewenter, University of Washington
Inmoo Lee, Case Western Reserve University
Craig Dunbar, University of Western Ontario

PAYOUT POLICY - De Anza II
Roni Michaely, Tel Aviv University

Ex-Day Behavior with Dividend Preference and Limitations to Short-Term Arbitrage: The Case of Swedish Lottery Bonds - Richard Green, Carnegie Mellon University and Kristian Rydqvist, The Norwegian School of Management

The Impact of Informed Trading on Dividend Signaling: A Theoretical and Empirical Examination - Kathleen Petrie, INSEAD

Do Firms Use Dividends to Signal Large Future Cash Flow Increases? - Yaron Brook, Robert Hendershott, Santa Clara University and Billy Charlton, University of Richmond

Discussants
Peter Högfeldt, Stockholm School of Economics
Uri Loewenstein, University of Utah
Raghu Rau, Purdue University

DEFAULT AND ASSET PRICING - Bonzai I
Jiang Wang, MIT

Unknowingly Avoiding Default When the Completely Unforeseen Happens: Equilibrium in a Production Economy - Mark Loewenstein Washington University, St. Louis and Gregory Willard, MIT

A Model of Pricing Defaultable Bonds and Credit Ratings - Tao Li, Washington University, St. Louis

Term Structures of Credit Spreads with Incomplete Accounting Information - Darrell Duffie, Stanford University and David Lando, University of Copenhagen

Discussants:
Domenico Cuoco, University of Pennsylvania
Ming Huang, University of Chicago
Klaus Toft, University of Texas at Austin

REAL ESTATE - Bonzai II
Chester Spatt, Carnegie Mellon University

Organizational Form Changes: Increasing Stockholder Wealth or Serving Managerial Interests? - Aswath Damodaran, Kose John and Crocker H. Liu, New York University

Fundamental News and Price Adjustment in the Real Estate and Stock Markets: Evidence from the Hong Kong Market - Lilian Ng, University of Southern California and Hong Kong University of Science & Technology, and Yuming Fu, City University of Hong Kong

Housing Market Fluctuations in a Life-Cycle Economy - Francois Ortalo-Magne, London School of Economics and Sven Rady, Stanford University

Discussants:
Chester Spatt, Carnegie Mellon University
Andrey Pavlov, UCLA
Antonio Bernardo, UCLA

OWNERSHIP - Bonzai III
Randall Kroszner, University of Chicago

Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance - Charles Himmelberg, R. Glen Hubbard, and Darius Palia, Columbia University

Transfer Taxes and Survival of Family Firms: Evidence Across Countries - Philippe Wells, Harvard University

Corporate Equity Ownership in the US: Product Market Alliances, Investment and Contracting Costs - Jeffrey W. Allen, Southern Methodist University and Gordon Phillips, University of Maryland

Discussants:
Anup Agrawal, North Carolina State University
Utpal Bhattacharya, Indiana University
Matthew Clayton, New York University

Call for Papers and Participants
1999 ANNUAL MEETINGS OF
THE WESTERN FINANCE ASSOCIATION
June 20 – 23, 1999
Loew's Hotel
Santa Monica, California

Members and friends of the Western Finance Association are invited to submit papers to be considered for presentation at the 1999 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 1999 Program Chair no later than **November 15, 1998**. Each copy of the paper should include three parts: (i) a separate page at the beginning of the manuscript that 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, 1999. 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 Ph.D. students who have neither received their 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 Educational Research Foundation Award of $1,000 for the best paper on futures or options on futures.
NASDAQ Award of $1,000 for the best paper on capital formation.
New York Stock Exchange Award of $1,000 for the best paper on equity trading.
WFA 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 Richard C. Green
Program Chair, 1999 WFA Meetings
Graduate School of Industrial Administration
Carnegie Mellon University
Pittsburgh, PA 15213-3890

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MEETING FACILITIES AND CAPABILITIES

MONTEREY DOUBLETREE HOTEL

DOUBLETREE HOTEL MONTEREY