PROGRAM

16th Annual Conference of the Western Finance Association

Jackson Lake Lodge
Jackson Hole, Wyoming

June 18-20, 1981
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Suitable for courses in Introductory Finance at the undergraduate level
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... 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 ($17.00 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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Seattle, Washington 98195

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) 843-2855

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

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<th>Registration</th>
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<td>Annual meeting, luncheon and Distinguished Speaker, Eugene F. Fama</td>
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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
- 11:30-12:20 p.m. Financial Theory
- 12:30-2:20 p.m. Annual Meeting and Luncheon, Mural Room
- 2:30-4:20 p.m. President's Session: Preparing PhD's
- 5:30-7:30 p.m. Cocktails, Stockade Terrace

**FRIDAY, JUNE 19**
- 8:30-10:20 a.m. Information and Asset Values
- 10:30-12:20 p.m. Capital Markets

**SATURDAY, JUNE 20**
- 8:30-10:20 a.m. Risk Sharing and Options
- 10:30-12:20 p.m. Optimal Capital Structure

### Sixteenth Annual Conference
**Western Finance Association**
**Jackson Hole, Wyoming**
**June 16-20, 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:
    - "Phantom Wealth Transfers during Periods of Inflation," J. Clay Singleton and John K. Wamugui, University of Nebraska
  - Discussants: Eric Sorenson, University of Arizona
  - Terence C. Langetieg, University of Southern California
  - Gershon N. Mandeke, University of Pittsburgh
  - 9:30-10:20 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 J. Ekelman, 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
"The Value of Insider Trading Information," Meri Statman, University of Santa Clara, and Ivan Brick, Rutgers University
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. 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 S. 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 Diehlman, Texas Christian 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
"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 Broadbent 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
"The Effect of Differencing Interval Length on Beta," Erwin M. Saniga, Thomas H. McInish, University of Delaware, and Bruce K. Gouldie, 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.  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
“The Fair Premium for Property/Liability Insurance,” Alan Kraus, University of British Columbia, and Stephen A. Ross, Yale University

Discusants: 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 Chicago

Discusants: 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 C. Blawat, University of Oregon
Papers: “On the Microeconomics of Reserve Requirements,” Thomas Eric Kilcullen and Gerald A. Hanweck, Federal Reserve Board

Discusants: Richard W. Nelson, Chemical Bank
J. Kimball Dietrich, University of Southern California
Robert N. Barone, University of Nevada, Reno
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<th>Time</th>
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<th>Papers</th>
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| 8:30-10:20 a.m. | SECURITY VALUATION AND THE SINKING FUND PROVISION | Antelope 1 Room   | Edward A. Dyl, University of Wyoming | “On the Pricing of Preferred Stock,” Eric H. Sorensen and Clark A. Hawkins, University of Arizona  | J. Ronald Hoffmeister, University of Wyoming  
|              |                                       |                   |                                  | “Sinking Fund Provisions on the Value and Risk of Corporate Debt,” Thomas Ho and Ronald Singer, New York University | 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   | Seha Tinic, University of Alberta | “Transactions Data Tests of Efficiency of the Chicago Board Options Exchange: A Progress Report,” Mihir Bhattacharya, University of Michigan  | Avner Kalay, New York University  
|              |                                       |                   |                                  | “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  |
|              |                                       |                   |                                  | Eduard S. Schwartz, University of British Columbia  
|              |                                       |                   |                                  | “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  |
|              |                                       |                   |                                  | Giovanni Barone-Adesi, University of Alberta  |
| 10:30-12:20 p.m. | CORPORATE INVESTMENT, FINANCING AND DIVIDENDS | Wapiti 2 Room     | George E. Pinches, University of Kansas | “Risk Adjusted Capital Budgeting Using Arbitrage Methods,” Adam K. Gehr, Jr., University of Missouri  | John G. Thatcher, Virginia Polytechnic Institute and State University  
|              |                                       |                   |                                  | 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  |
|              |                                       |                   |                                  | Janet Solverson Thatcher, Virginia Polytechnic Institute and State University  
|              |                                       |                   |                                  | John G. Thatcher, Virginia Polytechnic Institute and State University  
|              |                                       |                   |                                  | “Stock Market Returns and Inflation: Evidence from Other Countries,” N. Bulent Gultekin, Dartmouth College  
|              |                                       |                   |                                  | Laurie Goodman, Federal Reserve Bank of New York  |
|              |                                       |                   |                                  | James E. Hodder, Stanford University  |
| 10:30-12:20 p.m. | ASSET RETURNS | Antelope 2 Room   | Russell J. Fuller, Washington State University | “Market Timing and Portfolio Performance Measurement,” Richard P. Castanias and Nancy L. Jacob, University of Washington  | Pat Hess, Ohio State University  
|              |                                       |                   |                                  | “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 Zions, State University of New York at Buffalo  
|              |                                       |                   |                                  | Philip H. Dybvig, Princeton University, and Stephen A. Ross, Yale University  |
|              |                                       |                   |                                  | Robert E. Venecchia, University of Chicago  |

**Session Notes:**
- The program includes sessions on security valuation, option pricing, capital markets, corporate investment, and international lending.
- Each session features a chairperson and multiple presentations on various financial topics.
- Discussants for each session are listed to provide additional context and expertise.

**Location:**
- Antelope 1 Room
- Antelope 2 Room
- Wapiti 1 Room
- Wapiti 2 Room
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, Pheilim P. Boyle and Jennifer Miao, 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 Kuldip 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 NON-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 Depositary Institutions, Paul Horvitz, University of Houston
- Innovations in Financial Activities of Non-Depositary and Non-Financial Firms, Sheridan Titman, U.C.L.A.
- 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 Bouch, James R. Morris, and Steve Wyatt, University of Houston
- A Theory of Liquidity and Risk in the Valuation of Real Estate Assets, John T. Enery and Allen A. Abrahamson, University of Arizona

Discussants: Keith Bowies, 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:
- 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 Investors, 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, Stanford University
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 P. Drzyzga, University of Wisconsin, Oshkosh

Discussants: Michael Keenan, New York University
W. Gerald Pratt, San Francisco State University
Kelly Price, Michigan State University
CALL FOR PAPERS AND PARTICIPANTS

1982 Annual Meetings of the Western Finance Association
June 9-11, 1982
Seattle, Washington

Members and friends of the Western Finance Association are invited to submit papers to be considered for presentation at the 1982 meetings. Suggested topics include, but are not restricted to:

- Corporate Finance
- Investments
- Financial Intermediation
- Financial Institutions
- Financial Theory
- Money and Capital Markets
- Real Estate Finance
- International Finance
- Monetary Policy and Practice
- Teaching of Finance

TREFFTZS AWARD

This announcement is also a call for student papers to be considered for the Annual Trefftzs Award.

SUBMISSION OF PAPERS

Send four copies of the paper to the Program Chairman no later than November 15, 1981. While we prefer a completed paper, in its absence please send a lengthy abstract, at least five pages. After the papers are reviewed, the authors will be notified in January 1982 of the Program Committee's decision. Please attach a separate sheet indicating your name, affiliation, title of the paper and whether you would be willing to serve as a discussant or as a session chairperson.

OTHER PARTICIPANTS

Persons willing to serve as Chairpersons or Discussants should submit the same information, except item 3, and indicate your field(s) of interest.

All papers and communications pertaining to participation in the program should be sent by November 15, 1981 to:

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Geoffrey A. Hirt, Illinois State University

Unusually clear and stimulating, this text takes a "problems" approach to the concepts of financial management. The problems, over half of which are changed or entirely new, are at the very essence of the intended learning experience and have all been written and tested by the authors. Accompanied by an instructor's Manual, Test Bank, and a Study Guide and Workbook.

CASE PROBLEMS IN FINANCE
F. Keith Butters, William E. Fruhan, Jr., David W. Mullins, and
Thomas R. Piper, all of Harvard University (editors)

ANALYZING CAPITAL EXPENDITURES
Private and Public Perspectives
G. David Quinn, University of Toronto; and
John C. Wiggins, Queen's University

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Principles of Corporate Finance

RICHARD A. DREALEY, London Business School, and STEWART C. MYERS, Massachusetts Institute of Technology

1981, 794 pages, $19.95

This landmark text describes both the theory and practice of corporate finance, emphasizing the importance of using theory to solve practical financial problems. Mathematics and abstract proofs are deemphasized. Broad topic coverage and an integrated, conceptual approach are two more reasons to consider this fine text. Instructor's Manual and Study Guide available.

Strategy For Personal Finance

SECOND EDITION
LARRY R. LANG and THOMAS H. GILLESPIE, both of the University of Wisconsin-Madison

1981, 816 pages, $18.95

Strategy For Personal Finance offers broad and complete coverage of all major personal finance topics, emphasizing why this material is important to students and how it can be applied to create an efficient personal money management plan. The new second edition has been completely redesigned, fully updated, and revised. It features three new chapters: "Planning Your Food Budget," "Acquiring and Using Services," and "Social Security: An Integral Part of Your Financial Plan." Instructor's Manual and Student Workbook available.

Guide to Strategic Planning

BERTON E. GUPT, University of Tulsa


Emphasizing the financial aspects of strategic planning, this comprehensive book explains the techniques necessary for effective evaluation of major corporate strategies.

Financial Markets: The Accumulation and Allocation of Wealth

RICHARD L. ROBINSON, Emeritus, Michigan State University, and DWAYNE WRIGHTSMAN, University of New Hampshire

1980, 528 pages, $24.50

This revision of a well-received book offers a complete, descriptive, and analytical treatment of financial markets and the economic sectors that participate in them. The authors cover both money markets and capital markets, and discuss the most recent developments in the field.

Introduction to Financial Management

LAWRENCE D. SCHALL and CHARLES W. HALEY, both of the University of Washington

1980, 525 pages, $20.95

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