

## 金融經濟學

### Financial Economics

**Class:** Thursday 9-12 a.m.

#### **Useful Books**

- Chi-fu Huang and Robert H. Litzenberger, Foundations for Financial Economics, North-Holland, 1988. (HL)
- John Cochrane, Asset Pricing, Princeton University Press, 2001
- Stephen LeRoy and Jan Werner, Principles of Financial Economics, Cambridge University Press, 2001.
- Franklin Allen and Douglas Gale, Comparing Financial Systems, MIT Press, 1999.
- The World Bank, Finance for Growth, 2001.

#### **Part I: Asset Pricing in Financial Markets**

##### **1.1 Choice Under Uncertainty: Risk Aversion and Stochastic Dominance**

HL ch.1, 2

- Rothschild, Michael, and Joseph E. Stiglitz, (1970) "Increasing Risk I : A Definition," *Journal of Economic Theory*, 225-243.
- Hart, Oliver (1975), "Some Negative Results on the Existence of Comparative Statics Results in Portfolio Theory," *Review of Economic Studies*, 615-621.
- Ross, Stephen A. (1981), "Some Stronger Measures of Risk Aversion in the Small and the Large with Applications," *Econometrica*, 621-38.
- Machina, Mark. (1982), "Expected Utility Analysis Without the Independence Axiom," *Econometrica*, 25-34.
- Machina, Mark (1987), "Choice Under Uncertainty: Problems Solved and Unsolved," *Journal of Economic Perspectives*, 121-54.
- Gollier, C. (1995), "The Comparative Statics of Changes in Risks Revisited," *Journal of Economic Theory*, 522-535.

## **1.2 Portfolio Choice, CAPM and APT**

HL ch.3, 4

Black, Fischer (1972), "Capital Market Equilibrium with Restricted Borrowing," *Journal of Business*, 444-54.

Rubinstein, Mark (1974), "An Aggregation Theorem for Securities Markets," *Journal of Financial Economics*, 225-244.

Dybrig, Philip H. and Jonathan E. Ingersoll, Jr. (1982), "Mean-Variance Theory in Complete Markets," *Journal of Business*, 233-51.

Chamberlain, Gary (1983), "A Characterization of the Distributions that Imply Mean-Variance Utility Functions," *Journal of Economic Theory*, 185-201.

Huberman, Guy (1982), "A Simple Approach to APT," *Journal of Economic Theory*, 183-191.

Dybvig, Philip H. and Stephen A. Ross (1982), "Portfolio Efficient Sets," *Econometrica*, 1525-46.

Campbell, John Y. (2000), "Asset Pricing at the Millennium," *Journal of Finance*, 1515-1568.

## **1.3 General Equilibrium and Asset Pricing: Complete and Incomplete Markets**

HL ch.5

Arrow, Kenneth J. (1964), "The Role of Securities in the Optimal Allocation of Risk Bearing," *Review of Economic Studies* 31: 91-96.

Breeden, Douglas and Robert H. Litzenberger (1978), "State Contingent Prices Implicit in Option Prices," *Journal of Business*, 621-651.

Constantinides, George (1982), "Intertemporal Asset Pricing with Heterogeneous Consumers and without Demand Aggregation," *Journal of Business*, 253-267.

Geanakoplos, John (1990), "An Introduction to General Equilibrium with Incomplete Asset Markets," *Journal of Mathematical Economics* 19:1-38.

Allingham, M. (1991), "Existence Theorems in the CAPM," *Econometrica*, 1169-1174.

Cass, David, Graciela Chichilnisky and Ho-Mou Wu (1996), "Individual Risk and Mutual Insurance," *Econometrica*, 333-342.

## **1.4 Intertemporal Models in Finance**

HL ch.6,7,8

Lucas, Robert. (1978), "Asset Pricing in an Exchange Economy," *Econometrica* 46: 1429-1446.

Constantinides, George(1987), "Theory of Valuation: Overview and Recent

- Developments,” In *Frontiers of Financial Theory*. Edited by G. Constantinides and S. Bhattacharya. Rowman and Littlefield. Totowa, New Jersey.
- Svensson, Lars (1981), “Efficiency and Speculation in a Model with Price-Contingent Contracts,” *Econometrica*, 131-151.
- Kurz, Mordecai and Ho-Mou Wu (1996), “Endogenous Uncertainty in a General Equilibrium Model with Price Contingent Contracts,” *Economic Theory*, 461-488.
- Fama, Eugene (1996), “Multifactor Explanation of Asset-Pricing Anomalies,” *Journal of Finance*, 55-84.

## **Part II: Corporation and Financial Markets**

- Hart, Oliver (1995), Firms Contracts and Financial Structure, Oxford University Press.
- Stiglitz, Joseph E. (1969), “A Reexamination of Modigliani-Miller Theorem,” *American Economic Review*, 851-866.
- Zingales, Luigi(2000), “In Search of New Foundations,” *Journal of Finance*, 1623-1654.

## **Part III: Finance and Growth**

### **3.1 Bank-Based and Market-Based Financial Systems**

- Allen, F., and D. Gale, (1999), Comparing Financial Systems, MIT Press, Cambridge, MA.
- Bencivenga, V.R., and B.D. Smith, (1991). “Financial intermediation and endogenous growth”, *Rev. Econ. Stud.* 58, 195-209.
- King, Robert, and Ross Levine, (1993) “Finance and Growth: Schumpeter Might be Right”, *Quarterly Journal of Economics*, 717-38.
- Levine, R. (1997). “Financial development and economic growth: Views and agenda”, *J. Econ. Lit.* 35, 688-726.
- Boyd, J. H., and B. D. Smith, (1998). “The evolution of debt and equity markets in economic development”, *Econ. Theory* 12, 519-560.
- Laporta, R., Lopez-de-Silanes, F., Shleifer, A., and R. W. Vishny, (2000). “Investor protection and corporate governance”, *J. Finan. Econ.* 58, 3-27.
- Levine, R. (2002), “Bank-Based or Market-Based Financial Systems: Which is Better?” *Journal of Financial Intermediation*, 398-428.

### **3.2 The Process of Financial Liberalization**

- Mckinnon, Ronald I., Money and Capital in Economic Development, Brookings

Institution, 1973.

Mckinnon, Ronald I., The Order of Economic Liberalization: 2<sup>nd</sup> Edition, Johns Hopkins University Press, 1993.

Cho, Yoon Je, (1986) “Inefficiencies from Financial Liberalization in the Absence of Well-functioning Capital Markets,” *Journal of Money Credit and Banking*, 191-99.

De Gregorio, J., and P.E. Guidotti, (1995) “Financial Development and economic Growth”, *World Development*, 433-58.

Morduch, Jonathan, (1999) “The Microfinance Promise”, *Journal of Econ. Literature*, 1569-614.

Levine, Ross, (2001) “International Financial Liberalization and Economic Growth, *Review of International Economics*, 688-702.

**Appendix:**

TA: Yiyi Zhou

Mobile: 13810125930

Email: yiyizhou@pku.edu.cn

Phone: 52762305