

# TOPICS IN FRONTIERS ON ECONOMICS AND FINANCE: SYLLABUS

Wuhan University, Economics and Management School  
Academic Year 2014–2015, Semester 1

**Chinese title:** 高级经济/金融理论前沿专题

**Prerequisite:** Calculus, Probability, Advanced Microeconomics, Game Theory

**Course description:**

**Modular credit:** 2 modular credits

**Modular number:** 0200568 | 20141005158 (金融学)/20141005159 (经济学)/20141005160 (数理弘毅班)

**Time:** Week 1–2, Monday, 14:05–14:50, 14:55–15:40, 15:45–16:30

**Venue:** 1 区 4-201

**Instructor:**

- 谢天, E-mail: [xietian001@hotmail.com](mailto:xietian001@hotmail.com)
- 崔静波, E-mail: [jbcui2013@gmail.com](mailto:jbcui2013@gmail.com)
- 孙祥, E-mail: [xiangsun.econ@gmail.com](mailto:xiangsun.econ@gmail.com)
- 黄擘, E-mail: [whuang.ust@gmail.com](mailto:whuang.ust@gmail.com)
- 邓筱莹, E-mail: [xdeng\\_whu@163.com](mailto:xdeng_whu@163.com)
- 庄额嘉, E-mail: [occhuang@163.com](mailto:occhuang@163.com)

**Office hours:** By appointment

**Teaching assistants:**

- 李小刚; E-mail: [xiaogang.li2013@gmail.com](mailto:xiaogang.li2013@gmail.com)
- 孙一腾; E-mail: [nnsyt@qq.com](mailto:nnsyt@qq.com)

## References

- Part 1:
  - Gerda Claeskens, Nils Lid Hjort, *Model Selection and Model Averaging*, Cambridge University Press, 2008.
  - B. E. Hansen, Least squares model averaging, *Econometrica* 75:4 (2007), 1175–1189.
  - T. Amemiya, Selection of regressors, *International Economic Review* 21:2 (1980), 331–354.
  - S. T. Buckland, K. P. Burnham, and N. H. Augustin, Model selection: An integral part of inference, *Biometrics* 53:2 (1997), 603–618.
  - S. N. Durlauf, A. Kourtellos, and C. M. Tan, Are any growth theories robust? *The Economic Journal* 118:527 (2008), 329–346.
- Part 2:
  - Melitz, Marc, 2003, “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity,” *Econometrica*
  - Konishi, Yoshifumi and Nori Taur, 2013, “Intra-Industry Reallocations and Long-run Impacts of Environmental Regulations,” Working Paper
  - Cao, Jing, Larry Qiu, and Mohan Zhou, 2013, “Who Invest More in Advanced Abatement Technology: Theory and Evidence,” Working Paper
  - Forslid, Ricard, Toshihiro Okubo, and Karen-Helene Ulltveit-Moe, 2011, “International Trade, CO2 emissions and heterogeneous firms,” Working Paper
- Part 3:
  - Xiang Sun, *Matching and Market Design: Theory and Practice*, 2014. Electronic version is available at <http://www.xiangsun.org/teaching>.
  - Alvin E. Roth and Marilda Sotomayor, *Two-Sided Matching: A Study in Game-Theoretic Modeling and Analysis*, Cambridge University Press, 1992.
  - Tayfun Sönmez and M. Utku Ünver, Matching, Allocation, and Exchange of Discrete Resources, in *Handbook of Social Economics, volume 1A* (Jess Benhabib, Alberto Bisin and Matthew O. Jackson eds.), Chapter 17, 781–852, Elsevier B.V., 2011.
  - Atila Abdulkadiroğlu and Tayfun Sönmez, *Matching Markets: Theory and Practice*.
- Part 4: Topic 1:
  - Kalai G., A. Rubinstein and R. Spiegel(2002). Rationalizing Choice Functions by Multiple Rationales, *Econometrica*, 70, 2481–2488.
  - Rubinstein, A. (1998). *Modeling Bounded Rationality*, MIT Press.
  - Sen, A. (1993). Internal Consistency of Choice, *Econometrica*, 61, 495-521.
  - Simon, H. (1955). A Behavioral Model of Rational Choice, *Quarterly Journal of Economics*, 69, 99-118.

### Topic 2:

- O’Donoghue T. and M. Rabin (2001). “Self Awareness and Self Control”. to appear as a chapter in Roy Baumeister, George Loewenstein, and Daniel Read (eds.), *Now or Later: Economic and Psychological Perspectives on Intertemporal Choice*, Russell Sage Foundation Press, forthcoming.
- O’Donoghue T. and M. Rabin (2006). “Incentives and Self Control,” in *Advances in Economics and Econometrics: Theory and Applications*, Ninth World Congress, Volume 2, Richard Blundell, Whitney Newey, and Torsten Persson, eds., Cambridge and New York: Cambridge University Press.
- Gul, F. and W. Pesendorfer (2001). ” Temptation and Self-Control”. *Econometrica* 69, 1403-1435.

- Laibson, D. (1997). "Golden Eggs and Hyperbolic Discounting," *Quarterly Journal of Economics*, 62, 443-477.
  - Lipman, B. and W. Pesendorfer (2011). "Temptation," mimeo, Boston University.
  - Spiegel, R. (2011) "Comments on "Behavioral" Decision Theory," in *Advances in Economics and Econometrics: Theory and Applications*, Tenth World Congress of the Econometric Society, forthcoming.
  - Strotz, R. (1955). "Myopia and Inconsistency in Dynamic Utility Maximization," *Review of Economic Studies* 23, 165-180.
- Part 5:
    - Myers, Stewart C., and Nicholas Majluf, 1984. Corporate Financing and Investment Decisions When Firms Have Information that Investors Do Not Have. *Journal of Financial Economics* 13, 187-222.
    - Miller, M.H., 1977. Debt and taxes. *Journal of Finance* 32, 261-275.
    - Myers, Stewart C., 1984. The Capital Structure Puzzle. *Journal of Finance* 39, 575-592.
    - Jensen, Michael C., and William Meckling, 1976. Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics* 3, 305-360.
    - Myers, Stewart C., 1977. The Determinants of Corporate Borrowing. *Journal of Financial Economics* 5, 146-175.
    - Jensen, Michael C., 1986. Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. *American Economic Review* 76, 323-29.
    - Graham, J., Harvey, C., 2001. The theory and practice of corporate finance: Evidence from the field. *Journal of Financial Economics* 60, 187-243.
    - Baker, M., Wurgler, J., 2002. Market timing and capital structure. *Journal of Finance* 57, 1-32.
    - Douglas W. Diamond, 1993. Seniority and maturity of debt contracts. *Journal of Financial Economics* 33, 341-368.
    - Hart, Oliver D., and John Moore (1994), A Theory of Deb Based on the Inalienability of Human Capital, *Quarterly Journal of Economics* 109, 841-879
    - Bolton, Patrick and David S. Scharfstein (1996), Optimal Debt Structure and the Number of Creditors, *Journal of Political Economy* 104, 1-25
    - E-L. von Thadden, E. Berglof and G. Roland (2010), The Design of Corporate Debt Structure and Bankruptcy, *Review of Financial Studies*, 2648-2679
  - Part 6:
    - Po-Hsuan Hsu, Yu-Chin Hsu, Chung-Ming Kuan (2010), *Journal of Empirical Finance*, Testing the predictive ability of technical analysis using a new stepwise test without data snooping bias
    - Oliver Linton, Kyungchul Song, Yoon-Jae Whang (2010), *Journal of Econometrics*, An improved bootstrap test of stochastic dominance
    - R. J. Aumann and R. Serrano (2008), *Journal of Political Economics*, An Economic Index of Riskiness
    - Jin-Chuan Duan and Weiqi Zhang (2013), *Management Science*, Forward-Looking Market Risk Premium

**Grading:** Performance (30%), closed-book final examination (70%)

- Date: Dec. 15
- Time: 14:00–16:30
- Venue: 1 ☒ 4-201
- Scope: all content

**Examination policy:**

- Each student should bring the student card with clear photo ID.
- Each student can bring one A4-size two-sided hand-written helpsheet.
- No permission is ever given to a student to write the final examination in advance of its date.
- Cheating = 0 mark
- The student who misses the final examination can request a make-up, if both of the following conditions are met:
  - The student notifies the instructor via e-mail and in advance of the date and time that the test or examination will be missed.
  - The student submits an official medical certificate to the instructor within 3 working days of final examination.

**Course outline:**

- Part 1: Model selection and model averaging
- Part 2: Trade model with heterogeneous firms, trade model with heterogeneous firms and environmental pollution
- Part 3: Deferred acceptance algorithm, top trading cycles algorithm, lottery mechanism
- Part 4: Topics in psychology and economics
- Part 5: Selected Topics in Corporate Finance
- Part 6: Testing for inequalities, measure of risk

**Tentative time table:**

#	Date	Instructor	Topics	Remarks
1	Sep. 8	Xie	Holiday	
2	Sep. 15	Xie	Model selection and model averaging	
3	Sep. 22	Xie	Model selection and model averaging	
4	Sep. 29	Cui	Trade model with heterogeneous firms	
5	Oct. 6	Cui	Trade model with heterogeneous firms and environmental pollution	
6	Oct. 13	Cui		
7	Oct. 20	Sun	Deferred acceptance algorithm	
8	Oct. 27	Sun	Top trading cycles algorithm	
9	Nov. 3	Sun	Lottery mechanism	
10	Nov. 10	Huang	Topics in psychology and economics	
11	Nov. 12	Deng	Selected Topics in Corporate Finance	
12	Nov. 17	Huang	Topics in psychology and economics	
13	Nov. 19	Deng	Selected Topics in Corporate Finance	
14	Nov. 24	Huang	Topics in psychology and economics	
15	Nov. 26	Deng	Selected Topics in Corporate Finance	
16	Dec. 22	Chuang	Testing for inequalities	
17	Dec. 29	Chuang	Measure of risk	
18	Jan. 5	Chuang	Final examination	