



**European Summer Symposium in Financial Markets  
Studienzentrum Gerzensee, 13/24 July 1998**

**Final Programme**

**Monday 13 July**

Chair: Philippe Bacchetta (Studienzentrum Gerzensee, Université de Lausanne and CEPR)

08.15 - 08.30 **Opening Remarks**

08.30 - 09.45 **Term Structure, Non-neutral Inflation and Economic Growth:  
A Three-factor Model**  
Andrea Berardi (London Business School)

Discussant: Martin Lettau (Humboldt Universität zu Berlin and CEPR)

09.45 - 11.00 **Fickle International Investors: An Impediment to Growth?**  
Andrew Scott (London Business School and CEPR)  
Harald Uhlig (CentER, Tilburg University, and CEPR)

Discussant: Bernard Dumas (Hautes Études Commerciales, Jouy-en-Josas,  
London Business School and CEPR)

20.30 - 21.30 **Bidder Behaviour in Multiple Unit Auctions:  
Evidence from Swedish Treasury Auctions**  
Kjell G Nyborg (London Business School)  
Krystian Rydqvist (Universitetet i Oslo)  
Suresh Sundaresan (Columbia University)

**Tuesday 14 July Focus Session on Credit Risk**

Organizer: Kenneth Singleton (Stanford University)

08.30 - 09.45 **Modeling Term Structures of Defaultable Bonds**  
Darrell Duffie (Stanford University)  
Kenneth Singleton (Stanford University)

09.45 - 11.00 **Term Structures of Credit Spreads with Incomplete  
Accounting Information**  
Darrell Duffie (Graduate School of Business, Stanford)  
David Lando (Københavns Universiteit)

11.00 - 11.20 Coffee

11.20 - 12.35 **Pricing Credit Risk Derivatives**  
Philipp J Schönbucher (Universität Bonn)

20.30 - 21.30      **A Comparative Study of Structural Models of Corporate Bond Yields**  
Ronald Anderson (IRES, Université Catholique de Louvain, and CEPR)  
Suresh Sundaresan (Columbia University)

### **Wednesday 15 July**

Chair: Ernst-Ludwig von Thadden (Université de Lausanne and CEPR)

08.30 - 09.45      **Pricing the Gamble for Resurrection and the Consequences of Renegotiation and Debt Design**  
Jean-Paul Décamps (GREMAQ-IDEI, Université de Toulouse)  
Antoine Faure-Grimaud (London School of Economics and CEPR)

Discussant: Ronald Anderson (IRES, Université Catholique de Louvain, and CEPR)

09.45 - 11.00      **The Dynamics of Equity Prices in Fallible Markets**  
Peter Bossaerts (California Institute of Technology)

Discussant: Engelbert Dockner (Universität Wien)

### **Thursday 16 July      Focus Session on Asset Management and Asset Pricing**

Organizer: Lars Tyge Nielsen (INSEAD, Fontainebleau, and CEPR)

08.30 - 09.45      **Performance Measures for Dynamic Portfolio Management**  
Lars Tyge Nielsen (INSEAD, Fontainebleau, and CEPR)  
Maria Vassalou (Columbia University and CEPR)

**Portfolio Selection with Randomly Time-Varying First and Second Moments: The Role of Instantaneous Capital Market Line**  
Lars Tyge Nielsen (INSEAD, Fontainebleau, and CEPR)  
Maria Vassalou (Columbia University and CEPR)

09.45 - 11.00      **Optimal Consumption and Portfolio Selection with Stochastic Differential Utility and Stochastic Investment Opportunity Set**  
Mark Schroder (Michigan State University)  
Costis Skiadas (Northwestern University)

11.00 - 11.20      Coffee

11.20 - 12.35      **How Does Information Quality Affect Stock Returns? Results from a Dynamic Model of Learning**  
Pietro Veronesi (University of Chicago)

### **Friday 17 July**

Chair: Jean-Pierre Danthine (Université de Lausanne and CEPR)

08.30 - 09.45      **Who Should Buy Long-Term Bonds?**  
John Y Campbell (Harvard University)  
Luis M Viceira (Harvard University)

Discussant: Stephen Schaefer (London Business School)

09.45 - 11.00      **Evaluating Portfolio Performance with Stochastic Discount Factors**  
Magnus Dahlquist (IIES, Stockholm School of Economics, Duke University and CEPR)  
Paul Söderlind (Stockholm School of Economics and CEPR)

Discussant:            Erzo Luttmer (London School of Economics)

## **Monday 20 July**

Chair:                    Rafael Repullo (CEMFI, Madrid, and CEPR)

08.30 - 09.45      **Why Do Markets React to Bank Loans? A Theory of Managerial Choice between Public and Private Financing**  
Andres Almazan (University of Illinois)  
Javier Suárez (CEMFI, Madrid, and CEPR)

Discussant:            Arnoud W A Boot (Universiteit van Amsterdam and CEPR)

09.45 - 11.00      **Is Relationship Lending Special? Evidence from Credit-File Data in Germany**  
Ralf Elsas (Universität Frankfurt)  
Jan Pieter Krahen (Institut für Kapitalmarktforschung, Johann Wolfgang Goethe-Universität Frankfurt)

Discussant:            Per Strömberg (University of Chicago)

20.30 - 21.30      **Information Production, Dilution Costs, and Optimal Security Design**  
Paolo Fulghieri (INSEAD, Fontainebleau, and CEPR)  
Dmitry Lukin (INSEAD, Fontainebleau)

## **Tuesday 21 July      Focus Session on Price Discovery and Market Design**

Organizer:             Bruno Biais (Université des Sciences Sociales de Toulouse and CEPR)

08.30 - 09.45      **IPO Auctions**  
Bruno Biais (Université des Sciences Sociales de Toulouse and CEPR)  
Anne Marie Faugeron-Crouzet (Université de Toulouse)

09.45 - 11.00      **Price Discovery in Auction Markets: A Look Inside the Black Box**  
Ananth Madhavan (University of Southern California)  
Venkatesh Panchapagesan (University of Southern California, Los Angeles)

11.00 - 11.20      Coffee

11.20 - 12.35      **Market Rules and Order Strategies in the Context of the Preopening, Opening and Trading Day**  
Chester S Spatt (Carnegie-Mellon University)

## Wednesday 22 July

Chair: tba

08.30 - 09.45 **Portfolio Considerations in Inventory Risk Management in Dealership Markets: Evidence from London Stock Exchange**  
Narayan Y Naik (London Business School)  
Pradeep K Yadav (University of Strathclyde)

Discussant: Patrik Sandas (Wharton School, University of Pennsylvania)

09.45 - 11.00 **The More You See, The Less You Get: Price-Competing Insiders Under Different Trading Mechanisms**  
Mark Flood (University of North Carolina, Charlotte)  
Ronald Huisman (LIFE, Universiteit Maastricht)  
Kees Koedijk (LIFE, Universiteit Maastricht)  
Mathijs A van Dijk (LIFE, Universiteit Maastricht)  
Irma W van Leeuwen (LIFE, Universiteit Maastricht)

Discussant: Ailsa Röell (ECARE, Université Libre de Bruxelles, Tilburg University, Princeton University and CEPR)

20.30 - 21.30 **Indexation and Insurance: A Stochastic Model of Credit Cycles**  
Nobuhiru Kiyotaki (London School of Economics)  
John Moore (London School of Economics)

## Thursday 23 July **Focus Session on Internal Capital Markets**

Organizer: Jeremy Stein (Sloan School of Management, MIT)

08.30 - 09.45 **The Dark Side of Internal Capital Markets: Divisional Rent-Seeking and Inefficient Investment**  
Jeremy Stein (Sloan School of Management, MIT)

09.45 - 11.00 **Corporate Focusing and Internal Capital Markets**  
Frederik P Schlingemann  
René M Stulz (Ohio State University)  
Ralph A Walking (Ohio State University)

11.00 - 11.20 Coffee

11.20 - 12.35 **The Cost of Diversity: The Diversification Discount and Inefficient Investment**  
Raghuram Rajan (University of Chicago)  
Henri Servaes (University of North Carolina, Chapel Hill)  
Luigi Zingales (University of Chicago and CEPR)

## Friday 24 July

Chair: Marco Pagano (Università di Salerno and CEPR)

08.30 - 09.45 **Banking (Conservatively) With Optimists**  
Michael Manove (Boston University and CEMFI, Madrid)  
A Jorge Padilla (CEMFI, Madrid, Boston University and CEPR)

Discussant: Sudipto Bhattacharya (London School of Economics and CEPR)

09.45 - 11.00

**A Near-Rational Model of Persuasion - With Implications for  
Financial Markets**

Peter M DeMarzo (University of California, Berkeley)

Dimitri Vayanos (Massachusetts Institute of Technology)

Jeffrey Zwiebel (Stanford University)

Discussant:

Patrick Bolton (Princeton University and CEPR)

Organizers:

Philippe Bacchetta (Studienzentrum Gerzensee, Université de  
Lausanne and CEPR)

Marco Pagano (Università di Salerno and CEPR)

Rafael Repullo (CEMFI, Madrid, and CEPR)

Ernst-Ludwig von Thadden (Université de Lausanne and CEPR)

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