學年學期 96 學年度第 2 學期

開課單位 財金碩一

課程名稱 (中) 國際財務管理

(英) INTERNATIONAL FINANCIAL MANAGEMENT

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課程目標

This course introduces the recent theoretical development in corporate finance and behavioral finance with an aim to facilitate advanced research in the areas of international finance and investment.

課程大綱

The field of corporate finance has undergone a tremendous mutation in the past twenty years. A substantial and important body of empirical work has provided a clearer picture of patterns of corporate financing and governance, and of their impact for firm behavior and macroeconomic activity. Modigliani and Miller in two papers in 1958 and 1963 proved the rather remarkable result that under some conditions a firm's financial structure, for example, its choice of leverage or of dividend policy, is irrelevant. The simplest set of such conditions is the Arrow-Debreu environment. The value of a financial claim is then equal to the value of the random return of this claim computed at the Arrow-Debreu prices. The total value of a firm is unaffected by the way it is carved.

Because we have little to say about firms' financial choices and governance in a world in which the Modigliani-Miller Theorem applies, the latter acted as a detonator for the theory of corporate finance, a benchmark whose assumptions needed to be relaxed in order to investigate the determinants of financial structures. In particular, the assumption that the size of the pie is unaffected by how this pie is distributed had to be discarded. Following the lead of a few influential papers written in the 1970s, the principal direction of inquiry since the 1980s has been to introduce agency problems at various levels of the corporate structure. This course primarily focuses on the agency considerations in corporate governance and corporate financing and provides the students with an in-depth theoretical analysis of the recent development in this challenging subject.

上課進度

Part I: An Economic Overview of Corporate Institutions (2 weeks)

This part provides the students with an overview of the key institutional features, empirical regularities, and policy issues that will motivate the subsequent theoretical analysis.

The theoretical literature on the microeconomics of corporate finance can be divided into the following several branches:

Part II: Corporate Financing and Agency Costs (3 weeks)

This branch focuses on the incentives of the firm's insiders. Outsiders (investors or lenders) are in a principal-agent relationship with the insiders (borrowers, entrepreneurs, or managers). Informational asymmetries plague this agency relationship. Insiders may have private information about the firm's technology or environment (adverse selection) or abut the firm's realized income (hidden knowledge); alternatively outsiders cannot observe the insiders' carefulness in selecting projects, the riskiness of investments, or the effort they exert to make the firm profitable (moral hazard).

Part III: Monitoring and Control Right View of Security Design (4 weeks)

The second branch addresses both insiders' and outsiders' incentives by taking a less passive view of the role of outsiders. While they are disconnected from day-to-date management, outsiders may occasionally affect the course of events by insiders. For example, the board of directors or a venture capitalist may dismiss the CEO or demand that insiders alter their investment strategy. Raiders may, following a takeover, break up the firm and spin off some divisions. Or a bank may take advantage of a covenant violation to impose more rigor in management. Insiders' discipline is then provided by their incentive scheme and the threat of external interference in management.

Part IV: The Demand Side View of Security Design (2 weeks)

The third branch takes into account the existence of investors' clienteles and thereby returns to the classical view that securityholders differ in their preferences for state-contingent claims. For instance, it emphasizes the fact that individual investors as well as corporations attach a premium to the possibility of being able to obtain a decent return on their asset portfolio if they face the need to liquidate it. It identifies potential roles for financial institutions as (a) liquidity pools, preventing the waste associated with individual investments in low-yield, short-term assets, and (b) insurers, allowing consumers to smooth their consumption path when they are hit by liquidity shocks. We then study bank runs.

Part V: Macroeconomic Implications and the Political Economy of Corporate Finance (3 weeks)

This part analyzes the implications of corporate finance for macroeconomic activity and policy. The agency approach to corporate finance implies that economic shocks tend to be amplified by the existence of financial constraints, and offers a rationale for some macroeconomic phenomena such as credit crunches and liquidity shortages. A general equilibrium model of corporate finance is set up to analyze this issue. We also endogenize the resale value of assets in capital reallocations. The latter (including mergers and acquisitions, sales of property, plants ad equipment) serve to move assets from low- to high-productivity uses and may further be driven by managerial discipline and pledgeable income concern. Law and regulations that affect the borrowers' ability to pledge income to their investors, and more generally the many public policies that influence corporate profitability and pledgeable income (tax, labor and environmental laws, prudential regulation, capital account liberalization, exchange rate management, and so forth) have a deep impact on the firms' ability to secure funding and on their design of financial structure and governance.

Part VI: Behavioral Corporate Finance (3 weeks)

An exciting line of recent research relaxes the rationality postulate that dominates the conventional microeconomics. There are two strands of research in this area. One branch of the behavioral corporate finance literature assumes irrational entrepreneurs or managers. For example, managers may be too optimistic when assessing the marginal productivity of their investment, the value of assets in place, or the prospects attached to acquisitions. The recommendation will be value-destroying financing decisions, investments, or acquisitions to their board of directors and shareholders. The other branch postulates irrational investors and limited arbitrage. Irrational investors induce a mispricing of claims that managers are tempted to arbitrage. For example, managers of a company whose stock is largely overvalued may want to acquire a less overvalued target using its own stocks rather than cash as a means of payment. Managers may want to engage in market timing by conducting SEOs when stock prices are high, Conglomerates may be a reaction to an irrational investor appetite for diversification, and so forth.

教學方式

Lecture and paper presentation

課程要求/評分標準

Class participation: 20%

Paper reading and presentation: 45%

Term paper: 35%

參考書目

Tirole, Jean. 2006. The Theory of Corporate Finance. Princeton University Press.

Thaler, Richard H. (ed.). 2005. Advances in Behavioral Finance. Vol. II. Princeton University Press.