

**Capitalism and Regulation
Finance 6728
Spring 2017**

Professor David T. Brown
William R. Hough Professor of Finance
Warrington College of Business
University of Florida

Class

Monday and Wednesday
9:30-11:30 AM
HGS 140

Office Hours

Monday and Wednesday
12:00-1:00 PM
STZ 303G

Course Overview

The economic efficiency of capitalism is well understood by economists. However, this traditional economic analysis does not extensively consider the complications that occur as firms grow and access outside capital. In particular, important issues arise (1) for firms where ownership and day-to-day control are separated and (2) when a market for publicly traded securities arises. This course covers the economics of (1) firms that access outside capital and (2) the regulation of financial markets and institutions.

Readings

The major text for the course is “Saving Capitalism from the Capitalists” by Raghuram Rajan and Luigi Zingales. This book is available at Gator Textbooks.

Additional readings and lecture outlines are posted on the class E-Learning website.

Grading

Your course grade will be determined by your grade on a mid-term and final exam. The mid-term exam will be an in class exam and will count for 40% of your grade. The final exam will count for 60% of your course grade.

1/4/17

Financial Markets and Institutions

Lecture Outline: Financial Markets and Institutions

Finance and Society Part One

Lecture Outline: Finance and Society (pages 1-4)

Saving Capitalism from the Capitalists: Chapters 1-5

1/11/17

Separation of Ownership and Control

Lecture Outline: Separation of Ownership and Control

Michael Jensen, "Agency Cost of Free Cash Flow, Corporate Finance and Takeovers," 1986, American Economic Review.

Lucian Bebchuk and Jesse Fried, *Executive Compensation as an Agency Problem*, 2003, Journal of Economic Perspectives

Steven Kaplan, *Executive Compensation and Corporate Governance in the US: Perceptions, Facts and Challenges*

1/18/17

Government and Society

Lecture Outline: Government and Society

Heritage Foundation, *2015 Index of Economic Freedom*

Andrew Karolyi, 2006, *The World of Cross Listing and Cross Listings of the World: Challenging Conventional Wisdom*, Review of Finance

1/23/17

Finance and Society: Part 2

Lecture Outline: Finance and Society

Clair Liang, David McClean, and Mengxin Zhao, *US Financial Markets and the Real Economy*, 2013

1/25/17

The Financial Revolution and Individual Economic Freedom

Lecture Outline: Financial Revolution

Saving Capitalism from the Capitalists: Chapter 3

1/30/17

Mid-Term Exam

2/1/17

When do Financial Markets Emerge

Lecture Outline: When do Financial Markets Emerge

Saving Capitalism from the Capitalists: Chapters 6-8

2/6/17

The Great Reversal

Lecture Outline: The Great Reversal

Saving Capitalism from the Capitalists: Chapters 6-8

Regulating Financial Institutions and the Financial Crisis

2/8/17, 2/13/17, and 2/15/17

Lecture Outline: Regulating Financial Institutions and the Financial Crisis

Anjan Thakor, *Bank Capital and Financial Stability: An Economic Trade-Off or a Faustian Bargain?*

Gary Gorton and Andrew Metrick, *Getting up to Speed on the Financial Crisis: A One-Weekend-Reader's Guide*

Gary Gorton and Andrew Metrick, *Securitized Banking and the Run on Repo*

Afif Mian, and Amir Sufi, *"The Consequences of Mortgage Credit Expansion: Evidence from the 2007 Mortgage Default Crisis"*

Joseph Grundfest and Evgeniya Hochenberg, *Investor Owned and Controlled Rating Agencies: A Summary Introduction*

Richard Herring and Edward Kane, *Reforming the Role of Rating "Agencies" in the Securitization Process*

Roberta Romano, *Regulating in the Dark*

Viral Acharya and Matthew Richardson, *Implications of the Dodd-Frank Act*

Tobias Adrian, and Adam Ashcraft, *Shadow Banking Regulation*

2/25/16

Final Exam