

**Capitalism and Regulation
Finance 6728
Spring 2018**

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

Class

Tuesday and Thursday
4:05 – 6:00 PM
HGS 240

Office Hours

Monday and Wednesday
3:00-4:00 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 Canvas 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.

- 1/9/18 **Capital Markets and Institutions**
- Lecture Outline:** Capital Markets and Institutions
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- 1/11/18 **Finance and Society Part One**
- Lecture Outline:** Finance and Society
- Saving Capitalism from the Capitalists: Chapters 1-5*
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- 1/16/18 **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*
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- 1/18/18 **Government and Society**
- Lecture Outline: Government and Society**
- Heritage Foundation, *2015 Index of Economic Freedom*

1/23/18 **The Financial Revolution and Individual Economic Freedom**

Lecture Outline: Financial Revolution

Saving Capitalism from the Capitalists: Chapter 3

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

1/25/18 Mid-Term Exam

1/30/18 **When do Financial Markets Emerge**

Lecture Outline: When do Financial Markets Emerge

Saving Capitalism from the Capitalists: Chapters 6-8

2/1/18 **The Great Reversal**

Lecture Outline: The Great Reversal

Saving Capitalism from the Capitalists: Chapters 6-8

2/6/18 **ESG Investing**

Lecture Outline: ESG Investing and the Market for Good

2/8/18, 2/13/18, and 2/15/18

Regulating Financial Institutions and the Financial Crisis

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*

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*

Charles Calomiris, *Banking Crises and the Rules of the Game*

Charles Calomiris, *Taming the Two 800 Pound Gorillas in the Room*

Charles Calomiris, Douglas Holtz-Eakin, Glenn Hubbard, Alan Meltzer, and Hal Scott, *Establishing Credible Rules for Fed Emergency Lending*

2/20/18 **Course Review**

2/22/18 **Final Exam**