YOU ARE INVITED TO ATTEND
A Research Seminar by

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“Thinking about the functionality of equity markets – let International Business and Finance meet”

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Dean’s Conference Room, North Business Complex

International Business (IB) and Finance have a potentially fruitful "collaboration." IB offers heterogeneity that can help finance to develop and test theories that cannot be done within a homogenous environment. At the same time, finance has been helpful to international - financial economics tool kits have been fruitfully used to explore international issues, like working on foreign direct investment theory.

In my presentation, I would present my work on thinking about the functionality of equity markets, and indeed the capital market in general. The financial sector accounts for a significant portion of GDP, e.g., in the U.S., that is about 9%. Globally, the figure is less prominent but is still very significant. One would think that capital markets make important contribution to the economy. The strand of literature by scholars like Ross Levine has shown that a thick capital market is correlated with economic growth. Yet, some would consider capital markets a side show, e.g., a Brookings paper explicitly questions whether the "stock market is a side show. In the international business and strategic management literature, finance and its influences are often left aside. In my opinion, the functionality of capital markets should be of strong research interest. We should be interested in questions on what the capital markets do and how they influence international business and strategic management.

The functionality of capital markets depends strongly on the institutional environment, as much recent work in the law and finance literature has shown. Institutional environments change only very gradually and generally only after a big crisis. In addition, the “institutional environment” is hard to quantify. Investigation of the question depends on having heterogeneity in the institutional environmental variables. Yet, to implement research of this sort one has to acquire a rich background understanding of an environment and the ability to quantify the institutional environment. Here is where international business and finance meet and can create synergies.

Professor Yeung joined Stern from the University of Michigan in 1999. His interests include international trade, investment policies and firm behavior; foreign direct investment and multinational firm economics; international comparison of stock markets and stock price behavior; and firm size, growth, productivity, and survival.

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