

SIMON FRASER UNIVERSITY

S.74-76

MEMORANDUM

To SENATE  
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\_\_\_\_\_  
Subject NEW COURSE PROPOSALS - ECON 815-5  
~~AND ECON 817-5~~

From SENATE GRADUATE STUDIES COMMITTEE  
\_\_\_\_\_  
\_\_\_\_\_  
Date MAY 15, 1974

MOTION: "That Senate approve, as set forth in S.74-76,  
the new graduate course proposals for  
ECON 815-5 - Portfolio Theory and  
ECON 817-5 - Theory of Capital Markets."

S.74-76

# SIMON FRASER UNIVERSITY

## MEMORANDUM

To Senate

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Subject Graduate Course Proposal - Economics  
and Commerce

From J. Wheatley  
Dean of Graduate Studies

Date May 1, 1974

MOTION: "That the new courses, Econ 815-5 and 817-5,  
be approved by Senate."

MAY 1 1974

These courses were approved by the Executive Committee of the  
Senate Graduate Studies Committee, on April 29, 1974.

*Jon Wheatley*  
Jon Wheatley  
Dean of Graduate Studies

mm/  
attach.

CALENDAR INFORMATION:

Department: Dept. of Economics and Commerce Course Number: 815-5

Title: Portfolio Theory

Description: (See Outline)

Credit Hours: 5 Vector: 0-5-0 Prerequisite(s) if any: 830-5

ENROLLMENT AND SCHEDULING:

Estimated Enrollment: 5-15 When will the course first be offered: 1975-1

How often will the course be offered: once per year, subject to minimum enrollment of five

JUSTIFICATION:

The course is designed to develop a rigorous framework for allocating economic and financial resources involving outcomes that cannot be predicted with complete certainty. It has, when properly interpreted, broader relevance to asset preference theory than to the financial investment theory alone.

RESOURCES:

Which Faculty member will normally teach the course: Cheng, Herzog (Scott, when degree complete)

What are the budgetary implications of mounting the course: Nil.

Are there sufficient Library resources (append details): Yes, except computer programs and security price tapes to be acquired on the longrun basis.

- Appended: a) Outline of the Course
- b) An indication of the competence of the Faculty member to give the course.
- c) Library resources

Approved: Departmental Graduate Studies Committee: R. B. Johnson Date: Mar 19 1974

Faculty Graduate Studies Committee: J. M. Dawson Date: \_\_\_\_\_

Faculty: \_\_\_\_\_ Date: \_\_\_\_\_

Senate Graduate Studies Committee: \_\_\_\_\_ Date: \_\_\_\_\_

Date: \_\_\_\_\_

## 815-5 Portfolio Theory

General Description:

A study of optimum portfolio selections and diversification of financial assets including cash vis-a-vis different classes of utility functions of final wealth. Also, an examination of the behavior of speculative prices and rates of return.

Topical Matters and Readings:

## I. Utility Theory and Risk Aversion

Luce, R. D., and Raiffa, H., *Games and Decisions*, John Wiley and Sons, New York, 1966, Chapter 2, pp. 12-38.

Pratt, J., "Risk Aversion in the Small and in the Large," Econometrica, Vol. 32, Jan. - April, 1964, pp. 122-136.

Hadar, J., and Russell, W. R., "Rules for Ordering Uncertain Prospects," American Economic Review, Vol. LIX, No. 1, March 1969, pp. 25-34.

Arrow, K. J., "Alternative Approaches to the Theory of Choice in Riskbearing Situations," Econometrica, October 1951, pp. 404-437.

## II. The Markowitz One-Period Mean-Variance Model

Markowitz, H., "Portfolio Selection," Journal of Finance, March 1952, pp. 77-91.

Sharpe, W. F., Portfolio Theory and Capital Markets, McGraw-Hill, New York, 1970, pp. 1-73, pp. 223-256, pp. 257-273.

Tobin, J., "Liquidity Preference As Behavior Towards Risk," Review of Economic Studies, Feb. 1958, pp. 65-86.

Hakansson, N. H., "Mean-Variance Analysis of Average Compound Returns," Proceedings of the Conference on Capital Market Theory, unpublished manuscript.

Tsiang, S. C., "The Rationale of the Mean-standard Deviation Analysis, Skewness Preference, and The Demand for Money," American Economic Review, Vol. 62, 3, pp. 354-371.

## III. The Markowitz Multi-Period Mean-Variance Model

Mossin, J., "Optimal Multiperiod Portfolio Policies," Journal of Business, April 1968, pp. 215-229.

Cheng, P. L., "Efficient Portfolio Selections Beyond the Markowitz Frontier," Journal of Financial and Quantitative Analysis, December 1971, pp. 1207-1234.

IV. The Hakansson-Latane Geometric Mean Model

Latane, J., "Criteria for Choice Among Risky Ventures," Journal of Political Economy, April 1959, pp. 144-155.

Hakansson, N. H., "Capital Growth and the Mean-Variance Approach to Portfolio Selection," Journal of Financial and Quantitative Analysis, Jan. 197, pp. 517-557.

\_\_\_\_\_, "Multi-period Mean-variance Analysis: Toward A General Theory of Portfolio Choice," Journal of Finance, Sept. 1971, pp. 857-884.

V. Portfolio Model With Stable Paretian Distribution

Fama, E., "Portfolio Analysis In A Stable Paretian Model," Management Science, January 1965, pp. 404-419.

Fama, E., and Roll, R., "Some Properties of Symmetric Stable Distributions," Journal of American Statistical Association, Sept. 1968, pp. 817-836.

Samuelson, P. A., "Efficient Portfolio Selection for Pareto-Levy Investments," Journal of Financial and Quantitative Analysis, June 1967, pp. 107-122.

VI. Security Rates of Return and Behavior of Speculative Prices

Fisher, L. and Lorie, J. H., "Rates of Return on Investment in Common Stocks," Journal of Business, January 1964, pp. 1-21.

Fisher, L., "Outcomes for Random Investment in Common Stocks Listed On The New York Stock Exchange," Ibid., April 1965, pp. 149-161.

Cheng, P. L., and Deets, K., "Statistical Biases and Security Rates of Return," Journal of Financial and Quantitative Analysis, June 1971, pp. 977-994.

Fama, E., "The Behavior of Stock Market Prices," Journal of Business, January 1965, pp. 34-105.

Mandelbrot, B., "Forecasts of Future Prices, Unbiased Markets, and 'Martingale' Models," Ibid., January 1966, pp. 242-255.

Osborne, M. F. M., "Some Quantitative Tests for Stock Price Generating Models and Trading Folklore," Journal of American Statistical Association, June 1967, pp. 321-340,

Ying, Charles, "Stock Market Prices and Volume of Sales," Econometrica, January 1965, pp. 88-113.

Praetz, P. D., "The Distribution of Share Price Changes," Journal of Business, January 1972, pp. 49-55.

Cheng, P. L., and Deets, K., "Portfolio Returns and The Random Walk Theory," Journal of Finance, March 1971, pp. 11-30.

\_\_\_\_\_, "Portfolio Returns and The Random Walk Theory, Reply," Ibid., June 1973, pp. 742-745.

West, R. and Tinic, S. M., "Portfolio Returns and The Random Walk Theory, Comment." Ibid., pp. 733-741.

VIII. Portfolio Horizon Problems, Revisions and Transaction Costs

Pogue, J., "An Extension of the Markowitz Portfolio Selection Model To Include Variable Transactions Costs, Short Sales, Leverage Policies, and Taxes," Journal of Finance, Dec. 1970, pp. 1005-1027.

Cheng, P. L., "Portfolio Adjustment, Investment Horizon and Transaction Cost," unpublished manuscript.

IX. Lifetime Portfolio Selection Models

Samuelson, P. A., "Lifetime Portfolio Selection by Dynamic Stochastic Programming," Review of Economics and Statistics, August 1969, pp. 239-246.

Merton, Robert, "Lifetime Portfolio Selection Under Uncertainty: The Continuous-Time Case," Ibid., pp. 247-257.

Hakansson, N. H., "Optimal Investment and Consumption Strategies Under Risk For A Class of Utility Functions," Econometrica, September 1970.

\_\_\_\_\_, "Optimal Investment and Consumption Strategies Under Risk, An Uncertain Lifetime, and Insurance," International Economic Review, October 1969.

Choice of Text:

While the major portion of the readings will be journal articles, the book by William Sharpe, Portfolio Theory and Capital Markets, McGraw-Hill, New York, 1970, might well serve to begin the course. The capital market theory portion of the book will be excluded for class use, however.

New Graduate Course Proposal Form

CALENDAR INFORMATION:

Department: Economics and Commerce Course Number: 817-5  
 Title: Theory of Capital Markets  
 Description: A study of capital market equilibrium theories, risk allocation, valuation models under perfect and imperfect markets and their empirical testing  
 Credit Hours: 5 Vector: 0-5-0 Prerequisite(s) if any: 830-5; 835-5

ENROLLMENT AND SCHEDULING:

Estimated Enrollment: 5-15 When will the course first be offered: 1975-III  
 How often will the course be offered: Once per year (subject to min. enrolment of 5).

JUSTIFICATION:

The course will attempt to integrate financial and capital theory with macroeconomics and monetary theory. Such an integration is not possible without a solid grounding in financial theory and market institutions.

RESOURCES:

Which Faculty member will normally teach the course: Cheng, Herzog, (Scott, when degree is completed).  
 What are the budgetary implications of mounting the course: Nil

Are there sufficient Library resources (append details): Yes

- Appended: a) Outline of the Course  
 b) An indication of the competence of the Faculty member to give the course.  
 c) Library resources

Approved: Departmental Graduate Studies Committee: R.A. Holmes Date: Mar 19/77  
 Faculty Graduate Studies Committee: J.M. Newman Date: \_\_\_\_\_  
 Faculty: \_\_\_\_\_ Date: \_\_\_\_\_  
 Senate Graduate Studies Committee: \_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_ Date: \_\_\_\_\_

817-5 Theory of Capital Markets

General Description:

A study of capital market equilibrium theories, risk allocation, valuation models under perfect and imperfect markets and their empirical testing.

Topical Matters and Readings:

I. Capital Market and Valuation Models in Perfect Markets

Arrow, K. J., "The Role of Securities in the Optimal Allocation of Riskbearing," Review of Economic Studies, April 1964, pp. 91-96.

Sharpe, W. F., "Capital Assets Prices: A Theory of Market Equilibrium Under Conditions of Risk," Journal of Finance, Sept. 1964, pp. 425-442.

Lintner, J., "Security Prices, Risk and Maximal Gains From Diversification," Journal of Finance, Dec. 1965, pp. 13-37.

Fama, E., "Risk, Return and Equilibrium: Some Clarifying Comments," Journal of Finance, March 1968, pp. 29-40.

Borch, Karl, "General Equilibrium in the Economics and Uncertainty," in Karl Borch and Jan Mossin (eds.) Risk and Uncertainty, St. Martin's Press, Inc., New York, 1968.

Sharpe, W. F., Portfolio Theory and Capital Markets, McGraw-Hill, New York, 1970, Chapter 10, State Preference Theory, pp. 202-220.

Hirshleifer, J., "Investment Decision Under Uncertainty: Choice-Theoretic Approaches," Quarterly Journal of Economics, Nov. 1965, pp. 509-536.

\_\_\_\_\_, "Investment Decision Under Uncertainty, Applications of the State-Preference Approach," Ibid., May 1966, pp. 252-277.

Lintner, J., "The Market Price of Risk, Size of Market and Investor's Risk Aversion," Rev. of Econ. and Stat., Feb. 1971, pp. 87-99.

Diamond, P. A., "The Role of A Stock Market in A General Equilibrium Model with Technological Uncertainty," American Economic Review, Sept. 1967, pp. 759-776.

II. Capital Market and Valuation Models in Imperfect Markets

Brennan, M. J., "Capital Market Equilibrium with Divergent Borrowing and Lending Rates," Journal of Financial and Quantitative Analysis, Dec. 1971, pp. 1197-1205.

Black, F., "Capital Market Equilibrium with Restricted Borrowing," Journal of Business, July 1972, pp. 444-454.

Mayers, D., "Non-marketable Assets and Capital Market Equilibrium Under Uncertainty," in M. C. Jensen, ed., Studies in the Theory of Capital Markets, Praeger, New

#### I. Empirical Tests of Capital Asset Pricing Models

Black, F., Jensen, M. C., and Scholes, M., "The Capital Asset Pricing Model: Some Empirical Tests," in M. Jensen, ed. Studies in the Theory of Capital Markets, op. cit.

Miller, M., and Scholes, M., "Rates of Return in Relation to Risk: A Re-examination of Some Recent Findings," Ibid.

Jensen, M., "Capital Markets: Theory and Evidence," The Bell Journal of Economics and Management Science, Autumn 1972, pp. 357-398.

Friend, I., and Marshall, B., "Measurement of Portfolio Performance Under Uncertainty," American Economic Review, Sept. 1970, pp. 561-75.

Roll, Richard, "Evidence on the 'Growth-Optimum' Model," Journal of Finance, June 1973.

\_\_\_\_\_, "Bias in Fitting The Sharpe Model to Time Series Data," Journal of Financial and Quantitative Analysis, Sept. 1969, pp. 271-289.

Fama, E., and MacBeth, J. D., "Risk, Return and Equilibrium: Empirical Tests," Journal of Pol. Econ., May-June 1973, pp. 607-636.

#### IV. Capital Market Equilibrium, Cost of Capital and Corporate Investment Criteria

Modigliani, F., and Miller, M., "The Cost of Capital, Corporation Finance, and the Theory of Investment," American Economic Review, June 1958, pp. 261-297.

\_\_\_\_\_. "Corporate Income Taxes and The Cost of Capital: A Correction," Ibid., June 1963. pp. 433-443.

\_\_\_\_\_. "Some Estimates of the Cost of Capital to the Electric Utility Industry, 1954-1957, Ibid., June 1966, pp. 333-391.

Cheng, P. L., "Comment on 'Corporate Income Taxes and the Cost of Capital: A Correction'," Forthcoming, American Economic Review, September 1974.

Mossin, J., "Security Pricing and Investment Criteria in Competitive Markets," American Economic Review, Dec. 1969, pp. 749-756.

Kumar, P., "Security Pricing and Investment Criteria in Competitive Markets, A Comment," American Economic Review, March 1972, pp. 143-146.

Mossin, J., "Reply," Ibid., pp. 147-149.

Lintner, J., "The Valuation of Risk Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets," Review of Economics and Statistics, Feb. 1965, pp. 13-37.

Haley, C. W., "Comment" on above, Ibid., May 1969, pp. 220-221.

Hamada, R. S., "Portfolio Analysis, Market Equilibrium and Corporation Finance," Journal of Finance, March 1969, pp. 13-31.

Rubinstein, M. E., "A Mean-variance Synthesis of Corporate Financial Theory," Journal of Finance, March 1973, pp. 167-181.

Kumar, P., "Market Equilibrium and Corporation Finance, Some Issues,"  
Journal of Finance, forthcoming

Litzenberger, R. H., and Budd, A. P., "Corporate Investment Criteria and the  
Valuation of Risk Assets," Journal of Financial and Quantitative Analysis,  
Dec. 1970, pp. 395-419.

Kumar, P., "Market Equilibrium and Investment Criteria, A Critique," manuscript.

V. Capital Market Equilibrium With Default Risk on Bonds

Stiglitz, J., "A Re-examination of the Modigliani-Miller Theorem,"  
American Economic Review, Dec. 1969, pp. 784-793.

\_\_\_\_\_, "Some Aspects of the Pure Theory of Corporate Finance: Bankruptcies  
and Take-overs," Bell Journal of Economics and Management Science, Autumn 1972,  
pp. 458-482.

Smith, V., "Default Risk, Scale and the Homemade Leverage Theorem,"  
American Economic Review, March 1972, pp. 66-76.

Cheng, P. L., "Comment: Default Risk, Scale and the Homemade Leverage Theorem,"  
manuscript.

Cheng, P. L., "Valuation of Corporate Bonds, Leverage, and Security Yields,"  
manuscript.

VI. Capital Market Equilibrium and The Horizon Problem

Jensen, M., "Risk, The Pricing of Capital Assets, and the Evaluation of  
Investment Portfolios," Journal of Business, April 1969, pp. 167-247.

Cheng, P. L., and Deets, K., "Systematic Risk and The Horizon Problem,"  
Journal of Financial and Quantitative Analysis, March 1973, pp. 299-316.

Choice of Text:

Jensen, M., ed., Studies in the Theory of Capital Markets, Praeger Publishers,  
New York, 1972.

Appendix: Library Resources

Three data tapes that will be useful for empirical investigation when the development of the course reaches the stage of stimulating research by students for their Ph.D. dissertation:

Standard and Poor's Monthly security prices from 1937 - 1972

Standard and Poor's Daily security prices from 1965 - 1974

Standard and Poor's COMPUSTAT - a tape consisting of quarterly asset and financial positions of U.S. and Canadian firms

There are several portfolio selection programs as computer softwares which can be acquired with little cost.

## CURRICULUM VITAE

Name: John P. Herzog

Birthplace and Date: Canton, Ohio, August 28, 1931.

Marital Status: Married, 5 children (1 at home)

Education:

<u>Institutions</u>	<u>Degree</u>	<u>Period</u>
University of California, Berkeley	B.S. (Honors)	1956-58
University of California, Berkeley	Ph.D.	1958-62

Teaching Experience:

<u>Institutions</u>	<u>Dates</u>	<u>Rank</u>
<u>Regular Appointments</u>		
Simon Fraser University, Burnaby, B. C.	1969-	Professor (Acting Chairman, DEC, 1970- August, 1971)
Claremont Graduate School, Claremont, California	1965-1969	Associate Professor (Chairman, Business Economics, 1967-68)
University of Wisconsin, Madison	1961-1965	Assistant Professor
University of California Extension, Berkeley	1960-1961	Instructor

Visiting Appointments

University of California, Los Angeles	Summer, 1968	Visiting Associate Professor
University of California, Riverside	Winter, 1968	Visiting Associate Professor

Courses Taught Elsewhere

- Undergraduate: Corporation Finance, Financial Management, Investment Management, Securities Markets, Money and Capital Markets, Money and Banking, Financial Institutions, Urban Land Economics, Real Estate Finance, Real Estate Valuation.
- Graduate: Managerial Finance, Financial Analysis, Introduction to Moneyflows, Moneyflows Analysis, Monetary Theory, Money and the Financial System, Urban Land Economics, Real Estate Analysis.

3. Interdisciplinary Courses Developed and Taught: Business Forum, Senior Seminar in Business, Urban Dynamics (Graduate and Undergraduate).

Courses Taught at S.F.U.

1. Undergraduate: Commerce 313, Corporation Finance; Commerce 413, Financial Management; Commerce 493, Selected Topics in the Theory of Finance; Commerce 478, Administrative Policy.
2. Graduate: MBA 651, Managerial Economics; MBA 605, Market Strategies; MBA 607, Administrative Policy.

Business Experience:

Northwestern Mutual Life Insurance Company and Monterey Savings and Loan Association, Monterey, California	Appraiser and Mortgage Loan Negotiator	1954-56
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Military Experience:

U.S. Air Force Intelligence and Security Service; 1950-54, Russian Translator/Interpreter; Honorable Discharge.

Scholastic Honors:

Phi Beta Kappa, Liberal Arts Honorary.  
Beta Gamma Sigma, Business Administration Honorary, (President, U.C. Berkeley Chapter, 1958-59).  
Glenn T. Williman Foundation Scholarship, 1957.  
Real Estate Research Program Fellow, 1958-61.

Professional Societies Memberships:

American Economic Association  
American Finance Association  
American Real Estate and Urban Economics Association  
Canadian Economics Association  
Financial Management Association  
Western Economics Association  
Western Finance Association, Member, Executive Committee, 1972-74.

Professional Activities:

1. Lecturer in School for Credit Union Personnel, sponsored jointly by University of Wisconsin and Credit Union National Association.
2. Lecturer in Family Finance Program, sponsored jointly by University of Wisconsin Schools of Commerce and Education.

3. Lecturer in numerous University Extension and Management Institute programs and to business, professional, and alumni organizations. Various topics in Economics, Finance, Urban Economics, and Business Management.
4. Part-time consultant to several business, charitable, and not-for-profit organizations. Present or past Board member in most of these groups.
5. Participant in Workshop in Finance (Invited) at Harvard Business School, Summer 1967. Workshop sponsored by Ford Foundation for 25 Finance professors from across North America.
6. Participant in seminar on Urban Land Economics: Barriers to Research (Invited). Sponsored by Claremont Men's College and John C. Lincoln Institute, March 1970.
7. Participant in seminar on Econometric Method in Appraising (Invited) at Las Vegas, Nevada. Sponsored by International Association of Assessment Officers, October 1970.
8. Session Chairman and Discussant (at various times) on programs of the American Finance Association, American Real Estate and Urban Economics Association, Midwest Economics Association, Western Economics Association, and Western Finance Association.
9. Referee (at various times) for Journal of Finance, Journal of Financial and Quantitative Analysis, Land Economics, Canadian Journal of Economics, and Western Economic Journal, as well as several book publishers.
10. Invited Papers Presented before Professional Organizations:
  - a. "The Role of Capital Formation in Urban America," to John C. Lincoln Institute and Henry George School, November 1970.
  - b. "Portfolio Risk in Mortgage Insurance," to FHLBB Housing Advisory Group, January 1971.
  - c. "Default and Foreclosure Risks in Home Mortgages," (with J.S. Farley) to American Statistical Association, Applied Statistics Division, October 1966.
11. Member of numerous committees (at various times) for American Real Estate and Urban Economics Association and Western Finance Association. Western Canada Regional Director for Omicron Delta Epsilon (Economics Honor Society).

Publications:

1. "Depreciation Allowances in a Rational Urban Strategy," with T.R. Smith, Land Economics (forthcoming), (refereed).
2. "Natural Behavior Toward Risk and the Question of Value Determination: Comment," Journal of Financial and Quantitative Analysis, March 1973.
3. Home Mortgage Delinquency and Foreclosure, with J.S. Earley (Herzog is senior author), Princeton University Press for the National Bureau of Economic Research, Inc.; Princeton, 1970 (extensive review process).
4. "Structural Change in the Housebuilding Industry," Chapter contributed to Urban Housing, W.L.C. Wheaton, et al, eds., Free Press; New York, 1966 (invited).
5. "Land Value Taxation, Western City, August 1966 (Invited).
6. "Postwar Residential Mortgage Quality," Annual Report, National Bureau of Economic Research, Inc., June 1964.
7. "Investor Experience in Corporate Securities," Journal of Finance, March 1964. Abstracted in Journal of Economic Abstracts, October 1964 (both refereed).
8. "Structural Change in the Housebuilding Industry," Land Economics, May 1963 (refereed).
9. The Dynamics of Large-Scale Housebuilding, Real Estate Research Program, Institute of Business and Economic Research, University of California, Berkeley, 1963 (refereed).
10. "Big Builder - Today's Giant in the Housing Industry," California Builder, October 1962.
11. "The Large-Scale Housebuilder - Trouble Ahead?" Bay Area Real Estate Report, January 1961.
12. Trends and Factors Influencing Real Estate, Instructor's manual for use in University of California Real Estate Extension Course, 1958 (refereed).
13. Book Reviews (all invoted):
  - a. The Valuation of Real Estate, A.A. Ring, Journal of Finance, December 1963.

- b. Growth Yields on Common Stock, R.W. Soldevsky and J.T. Murphy, Journal of Finance, December 1964.
- c. The Tenement Landlord, Goerge Sternlieb, Journal of Finance, December 1965.

Research in Progress:

1. Corporate Performance, Financial Management, and Yields on Common Stock.
2. Normative Rules for Capital Budgeting Under Risk.
3. Textbook in Financial Management. Manuscript approximately one-half complete. Contract signed with Wadsworth Publishing.

RESUME

March, 1974

~~November 1972~~

I. PAO LUN CHENG

Born: May 29, 1922

II. ACADEMIC DEGRESS:

B.S., National Chiao-Tung University (China), 1944, Business Administration  
M.A., University of Missouri, 1949, Economics (Major: Economic Theory)  
Ph.D., University of Wisconsin, 1956, Economics (Major: Economic Theory)

III. ACADEMIC POSITIONS:

Instructor in Economics, University of Missouri, 1949-1951  
Instructor in Economics and Business, University of Maine, 1954-56  
Assistant Professor in Economics and Business, University of Maine, 1956-57  
Lecturer in Economics, Michigan State University, 1957-58  
Associate Professor of Finance, University of Massachusetts, 1958-62  
Professor of Finance, University of Massachusetts, 1962-

IV. ACADEMIC HONORS, FELLOWSHIPS, AWARDS, ETC.:

"University Fellowship," 1951-52, University of Wisconsin  
"Doctoral Fellowship," 1953-54, American Institute for Economic Research  
Faculty Research Grant, 1958-59, University of Massachusetts  
Faculty Research Grant, 1959-60, University of Massachusetts  
Faculty Research Grant, 1960-61, University of Massachusetts  
Ford Foundation Fellowship on "Computer Simulation and Management Games,"  
Summer of 1961 (5 weeks), Carnegie Institute of Technology  
Ford Foundation Fellowship on "Intensive Application of Mathematics and  
Statistics in Business," Summer of 1962 (8 weeks), University of Michigan  
Ford Foundation Fellowship, Research Workshop in Marketing, Summer of 1963  
(6 weeks), University of California, Berkeley  
Ford Foundation Fellowship, Research Workshop in Organizational Behavior,  
Summer of 1964 (4 weeks), Carnegie Institute of Technology  
Grant (\$3,400) from Labor Relations and Research Center, University of  
Massachusetts, 1964  
Grant (\$500) from Carnegie Institute of Technology for research in  
Experimental Economics, 1964  
Ford Foundation Fellowship, Research Workshop in Management Science,  
Summer of 1965 (6 weeks), University of California, Berkeley  
Ford Fellow, Faculty Research in Business and Economics, 1964-65, full-time  
annual research award.

V. TEACHING INTERESTS:

Undergraduate: Money and Banking, Financial Institutions, Corporation  
Finance and Investments

Graduate: Financial Analysis, Multivariate Statistical Methods for Business  
and Economics, Banking Theory, Bargaining and Game Theory, and Operations  
Research

## VI. Research Interests:

Financial and portfolio theory; management science approach to decision-making; bargaining theory and experimental games; and macro-economic theory.

## VII. PUBLICATIONS:

- "A Note on the Progressive Consumption Tax," Journal of Finance, Vol. VII, No. 3, September 1953, pp. 333-342.
- "Counter-Cyclical Property Taxation," American Journal of Economics and Sociology, Vol. 14, No. 2, January 1955, pp. 171-184.
- "Durability of Consume Goods and Business Instability," Journal of Finance, Vol. XL, No. 4, December 1956, pp. 484-486.
- "Rates of Change and Cyclical Magnitudes," Proceedings of the American Statistical Association, Business and Economic Statistics, December 1958, pp. 142-149. (Co-author, L. Lempert)
- "Compensatory Property Taxation," National Tax Journal, Vol. XII, No. 31, September 1959, pp. 270-275. (Co-author, A. Edwards)
- "Facts About Agriculture in Counties of the Commonwealth of Massachusetts," A Series of 12 monographs under the direction of Dr. John Foster and published by the University of Massachusetts Extension Service, College of Agriculture.
- "Flow-of-Funds Accounts and National Income Accounts," or Chapter III of American Financial System: Institutions and Markets, by James B. Ludtke, Allyn and Bacon, 1961, pp. 40-67. (Co-author, James B. Ludtke)
- "Optimum Bond Portfolio Selections," Management Science, Vol. 8, No. 4, July 1962, pp. 490-499.
- Above is reprinted in Analytical Methods in Banking, edited by F. Hammers and K. Cohen, Homewood, Illinois, Irwin Company, 1966.
- "Short-Run Manipulative Aspects of Common Stock Warrants," Quarterly Review of Economics and Business, (University of Illinois) Vol. 3, No. 2, Summer 1963, pp. 102-107, (Co-author Donald Savage).
- "Consumption of Non-Durable Goods and Contractual Commitment of Income," Review of Economics and Statistics (Harvard University) Vol. XLV, No. 3, August 1963, pp. 254-264.
- "A Contribution to the Theory of Capital Budgeting," Journal of Finance, No., Vol. XVIII, December 1963. (Co-author Dr. John P. Shelton)
- Above is reprinted in Management Information, A Quantitative Accent, edited by T. Williams and C. Griffin, Homewood, Illinois, 1967.

## VII. PUBLICATIONS: (Continued)

- "Diagonal Model and Portfolio Selection for IBM-1620 (40K) Computer As based upon Professor William Sharpe's Diagonal Model," IBM-1620 User's Group Library, (Co-programmer: Mr. Hugn Gardner), February 1964.
- "Toward a Theory of Competition by Promotion Among Financial Firms," New Research in Marketing, The Institute of Business and Economic Research, University of California, Berkeley, 1966, pp.17-27.
- "A Contribution to the Theory of Capital Budgeting, Reply," Journal of Finance, Vol. XIX, No.4, December 1964, pp. 671-72. (Co-author: J. P. Shelton)
- "Bargaining Power and Wage Negotiation," Industrial and Labor Relations Review, Vol. 21, No. 2, January 1968, pp. 163-182. (Lead Article)
- "Comment, Bargaining Power and Wage Negotiation," Industrial and Labor Relations Review, Vol. 22, No. 1, October 1968, pp. 95-101.
- "Counting Partitions and Evaluating Probabilities of Events Related to Hypergeometric and Multinomial Probabilities," Selected Readings for Methodology of Operations Research, An Accounting Emphasis, Editor: A. Wayne Corcoran, National Association of Accountants, 1968.
- "The Common Level of Assessment in Property Taxation," National Tax Journal, Vol. XXIII, No. 1, March 1970, pp.50-65.
- "Statistical Control of Assessment Uniformity," Management Science, Vol. 16, No. 10, June 1970, B-638 - B-655.
- "Comment, Bargaining Power and Wage Negotiation," Industrial and Labor Relations Review, Vol. 23, No. 3, April 1970, pp. 421-429.
- "Portfolio Returns and the Random Walk Theory," Journal of Finance, Vol. XXVI, No. 1, March 1971, pp.11-30, (Co-author: M. King Deets.)
- Above is reprinted in Readings in Management, Morristown, New Jersey: General Learning Press, 1972.
- "Statistical Biases and Security Rates of Return," Journal of Financial and Quantitative Analysis, Vol. VI, No. 3, June 1971, pp.977-994, (Co-author: M. King Deets.)
- "Efficient Portfolio Selections Beyond the Markowitz Frontier," Journal of Financial and Quantitative Analysis, Vol. VI, No. 5, December 1971, pp. 1207-1234.
- "Comment, Tests of Portfolio Building Rules," Journal of Finance, Vol. XXVI, No. 4, September 1971, pp. 965-972, (Co-author: M. King Deets.)

## VII. PUBLICATIONS: (continued)

"Book Review: Bargaining, Monopoly Power versus Union Power by George de Menil (The M.I.T. Press, 1971)," Industrial and Labor Relations Review, January 1973, pp. 884-6.

"Portfolio Returns and the Random Walk Theory, Reply," Journal of Finance, June 1973, pp. 742-45 (Co-author: M. King Deets.)

"Systematic Risk and the Horizon Problem," Journal of Financial and Quantitative Analysis, March 1973, pp. 299-316, (Co-author: M. King Deets.)

"Corporate Income Taxes and the Cost of Capital, A correction, Comment," forthcoming, American Economic Review, September 1974.

"A Reference Model of Assessment Performance," forthcoming, Proceedings of International Association of Assessing Officers, 1973.

## VIII. PAPERS DELIVERED IN PROFESSIONAL SOCIETIES:

"Statistical Indicators and Cyclical Amplitudes," Proceedings, Mid-west Economic Association Conference, April 1958.

"Rates of Change and Cyclical Magnitudes," Proceedings of the American Statistical Association, Business and Economic Statistics, December 1958, pp. 142-149, (Co-author: L. Lempert.)

"Optimum Capital Budgeting and Optimum Hurdle Rate," Institute of Management Science, Mohawk Chapter Conference, April 1964.

"Business Cycles and Economic Growth," New England Conference of the Deans of Schools of Business Administration, November 1960.

"Discussion: Patterns of Corporate Financial Behavior, by Donald Farrar, R. Glauber and J.R. Meyer," Econometric Society and American Finance Association Joint Conference, December 1965.

"Systematic Risk and the Horizon Problem," Conference of the Western Finance Association, August 1972, (Co-author: M. King Deets.)

"Valuation, Leverage and Equilibrium Yields of Risky Securities," Conference of the Western Finance Association, June 1974.

"Probability of Statistical Concepts in the Model of Assessment Uniformity," Miami Conference of the International Association of Assessing Officers, November 1973.

[Note: All co-authors listed in articles and papers in Sections VII and VIII are junior authors.]

IX. SERVICES AND CONSULTING:

Referee for American Economic Review  
Journal of Finance  
Management Science  
Journal of Financial and Quantitative Analysis  
Industrial and Labor Relations Review

Tax Consultant, Holyoke Water Power Company, Mass., 1968-1970.

Finance Consultant to Massachusetts Review, 1962-63.

X. MEMBERSHIP IN PROFESSIONAL SOCIETIES:

American Economic Association  
American Statistical Association  
American Finance Association  
The Institute of Management Science  
Econometric Society

XI. REFERENCES:

- Professor Martin Bronfenbrenner, Department of Economics, Duke University.
- Professor Anthony Y.C. Koo, Department of Economics, Michigan State University, East Lansing, Michigan.
- Professor John P. Shelton, Graduate School of Business Administration, University of California, Los Angeles, California.
- Professor Edwin Young, Chancellor, University of Wisconsin, Madison, Wisconsin.
- Professor Oswald Tippo, University of Massachusetts, Amherst, Massachusetts, (Chancellor of the University, 1965-1971).
- Professor H. B. Kirshen, School of Business Administration, University of Santa Clara, California, (Dean of the School of Business Administration, University of Massachusetts, 1957-67.)
- Professor Frank C. Jen, Chairman, Department of Operations Analysis, School of Management, State University of New York at Buffalo, Buffalo, New York.
- Professor Robert P. Shay, Graduate School of Business Administration, Columbia University, New York, New York.

Curriculum Vitae

- 1. Name: Ernest M. Scott
- 2. Department: Economics and Commerce
- 3. Current Rank: Instructor
- 4. Effective dates- appointment at S.F.U.: September 1, 1972  
- appointment to current rank: September 1, 1972

5. Educational Background

<u>Name of Institution</u>	<u>Degree Conferred</u>	<u>Year Degree Conferred</u>
University of Washington	MBA	1969
University of Manitoba	BScEE	1946

6. Employment Record

<u>Name of Organization</u>	<u>Rank/Title</u>	<u>Period of Employment</u>
Simon Fraser University	Instructor	Sept. 1/72 to date
Simon Fraser University	T.A.	Fall Semester, 1971
University of British Columbia	T.A.	Spring, 1971
Manitoba Hydro	Division Director	1962-1967
Manitoba Hydro	Ass't. Director	1958-1962
Manitoba Hydro	Chief, Elec. Sect.	1956-1958
Manitoba Hydro	Engineer	1954-1956
Winnipeg Electric Co.	Engineer	1947-1954
Canadian General Electric	Test Engineer	1946-1947

7. Teaching

- Comm. 311-3, Business Finance
- Comm. 436-5, Quantitative Methods in Business
- MBA 607-5, Organization Policy
- MBA 621-5, Information and Control Systems (T.A.)

8. Committee Service

MBA Steering Committee Sept. 1972 to date.

9. Honours, Awards and Grants

Doctoral Fellowship	The Canada Council	1972
Doctoral Fellowship	The Canada Council	1971
Doctoral Fellowship	The Canada Council	1970
Centennial Fellowship	Xerox of Canada Ltd.	1969

10. Publications

Journal Articles:

Published articles (up to 1967) were all in the area of electric utility engineering.

11. Research in Progress

Ph.D. Dissertation: Dividend Announcements and Efficient Markets.

12. Other Relevant Information

Coquitlam Chamber of Commerce: preparation of an application for a Government of Canada LJP grant to support an economic and social study re: the feasibility of amalgamation of Ioco-Bunzen, Port Moody, Port Coquitlam and Coquitlam.