



Speaker: Peter Kelly
Yale University

Wednesday, May 8, 2013
8:20 am
258 Hurley Hall

Title: Fractional Earnings Contracts

Abstract:

Investors often complain that "The market does not understand!", "There is mispricing!". I argue that this is the natural result of the beauty contest environment. Using a simple framework, I show how introducing contracts that are explicitly tied to fundamentals may improve the efficiency of financial markets and lower the cost of capital for firms.