

Propositions

For the Doctoral Thesis

Essays on Financial Coordination

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Proposition 1: trading speed competition is socially beneficial depends on the relationship between the marginal gain from trade and the trading speed. (Chapter 2)

Proposition 2: if asset risk and upside return are positively correlated, then it is possible that high asset risk that a bank takes decreases the probability of a bank run. (Chapter 3)

Proposition 3: considering both the asset side and liability side of the bank in one model may generate insights that were not visible when these two sides are modeled in separate models. (Chapter 3)

Proposition 4: too frequent intervention by short-sighted shareholders may hinder long term value building of the firm, such as the innovation activities. (Chapter 5)

Proposition 5: to generate more innovation output in the long run, a company has to do some explorative type of research and development first. (Chapter 5)

Proposition 6: some of the human behaviors considered irrational in the current day and age in fact have provided evolutionary advantages for the human race in evolutionary history.

Proposition 7: innovations benefit the innovators by allowing for a monopoly, at least temporarily.

Proposition 8: one can be risk averse, but that does not mean he can be decision making averse. If one procrastinate necessary risk taking, the risk

usually comes back eventually with a smaller action space, worse downside outcome and less time to make a decision for.

Proposition 9: when decisions have to be made very quickly, it is very advantageous if the decision maker has the good sense so that he is able to simplify the model greatly yet capture the first order effect.

Proposition 10: innovations can be achieved more structurally by abstracting the problem to its philosophical essence and then using the experiences of another field that is more advanced but share the same essence.

Proposition 11: as one gets more and more skillful in an activity, he may find this activity less and less exciting or fulfilling. He may choose to move on to the challenge of the next unexplored activity, but there are only a limited number of most worthy activities in life.