A B S T R A C T S

Microeconomic Corruption: Parametric Bootstraps of Point Spread Markets:Using a game theoretic general corruption definition and 1979-2004 NCAA men's basketball tournament data, I show that repeated systematic corruption can explain behavioral anomalies in *semi-strong form* efficient markets. I calibrate subjective ex ante and objective ex post empirical distributions of relative ability. Apparently, I perform the first parametric bootstrap of the NCAA men's basketball tournament. I study this elimination tournament by bootstrapping several millennia of point spread data. I document probabilistic inconsistencies that represent mispricings and specific mispricings consistent with microeconomic corruption, which has been ignored in financial economics. The mispricings do not translate into profitable market opportunities.

Do As The Romans Do: An Intertemporal Model of Social Interaction:When risk does not explain expected returns and limits to arbitrage are insignificant, unexplained returns are anomalous. Since factors that affect utility explain prices, social interactions, a subset of actions called externalities, may explain anomalous socioeconomic behavior. I present a 2-agent model of rational noncooperative individual choice with intertemporal capital formation and social interaction derived from Becker and Murphy (1988). I prove that in equilibrium simultaneous efficiency is not possible for both goods with and goods without intertemporal complementarity. The model subsumes important social economics and asset pricing models such as rational addiction, internal habit, and external habit as special cases.

Market Efficiency and March Madness: Empirical Tests of Point Spread Betting:I appear to present the first empirical documentation of gambling's entertainment value in national point spread markets and first axiomatic, efficient, and rational model of these markets. Using asset classes, I test Collegiate Basketball Tournament point spread market efficiency via latent class analysis and OLS regressions. Efficiency obtains except for lower seeded favorites, which supports additional pricing factors such as entertainment value. Point spreads' explanatory power has increased over time, but diminishes as the tournament progresses. It has more explanatory power than seeding dummy variables over both margin of victory and win incidence. I find an OLS coefficient structural break.

The Weekly Performance-based Cross-section:The asset pricing literature has clearly documented heterogeneity of daily raw returns by day of the week as well as heterogeneity of daily serial autocorrelation by day of the week. However, neither of these findings implies that contrarian returns differ by day of the week, especially when they are risk adjusted. This paper documents the significance of the formation day of the week for contrarian returns based on weekly data. I reject the null hypothesis that contrarian returns are homogeneous by formation day of the week. These findings point to the possibility that investor behavior may not be temporally homogeneous.

The Treasury Security Auction Pricing Mechanism: An Efficiency Study:We investigate the disparity between the auction mechanism price and the prevailing when issued market price for the identical treasury security asset. The price disparity, termed markup by the literature, is studied via regression analysis. Whereas, past literature has focused on the markup as a function of auction format, we study only the current uniform auction format with an emphasis on comparing pricing mechanisms. We attempt to characterize the variation in markup using several variables we theorize would have explanatory power. The most important of these is a dummy variable indicating whether the auction uses a reopening or a par pricing mechanism. We hope to support the mostly anecdotal evidence about the superior efficiency of reopenings. We believe this may obtain due to issuer risk more than traditional liquidity concerns. Current findings are actually mixed. Univariately, reopenings do not have significant explanatory power. However, the variable improves multiple regressions significantly.

Asymmetric Limit Order Execution: Does it Really Exist and Why?:This paper applies traditional statistical and econometric tests along with selected tools from survival analysis to address the perceived measurable asymmetric limit order execution with respect to trade direction. The directional asymmetry will be evaluated by both survival time and success ratio measurements. The main tools employed for these evaluations are the Cox Proportional Hazards Model and standardization. The basic models will test the fundamental precepts of asymmetric information to determine the nature of the execution asymmetry. Additionally, extensive testing of the homogeneity of the order flow of limit orders with respect to moneyness, daily returns, time of day, order size, price volatility (episodic), and contemporaneous midquote price will be performed.

References

Becker, Gary S., and Kevin M. Murphy, 1988, A theory of rational addiction, *Journal of Political Economy* 96, 675–700.