

Introduction to Entrepreneurial Finance And Venture Capital Law

General Theoretical Framework of Law and Finance

by

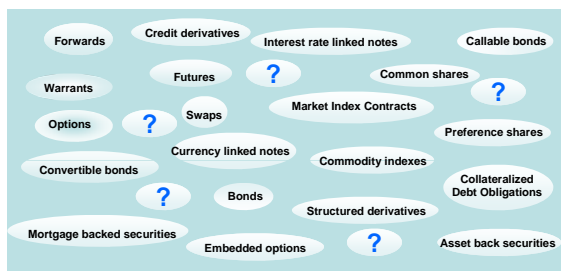
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23/04/2009

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1

The Financial Zoo



What are the common traits of the multitude of financial products?

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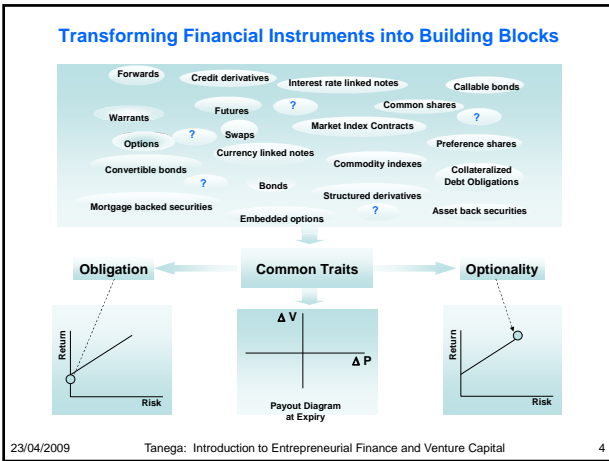
Money = Unfulfilled Promise

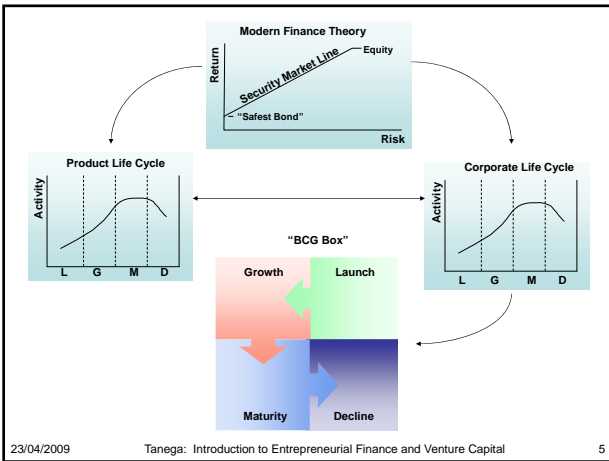
Obligation	Option
Roman Law: Table III Debt	Arrow (1964) & Debreu (1959)
Mauss The Gift (1925, 1954)	Black & Scholes (1973)
Bonds & fixed-income securities	Sharpe (1995)
Global Eurobond markets	Equity derivatives
What keeps societies together	What pulls societies apart
Zero risk, some return	High risk, high return
Graham & Dodd 1934	Speculative bubbles: Tulipmania (1634)
"Show me the money"	"Enron, Worldcom"

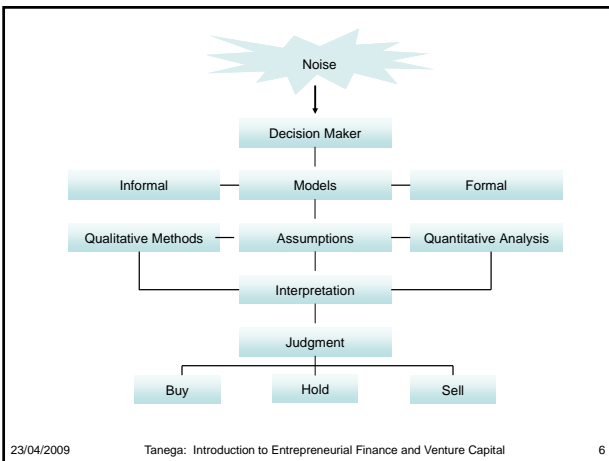
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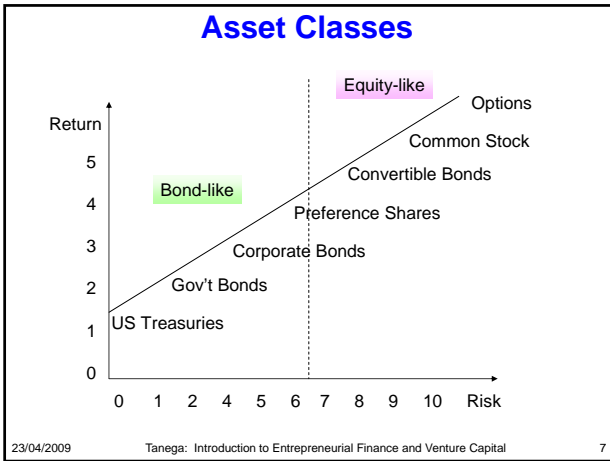
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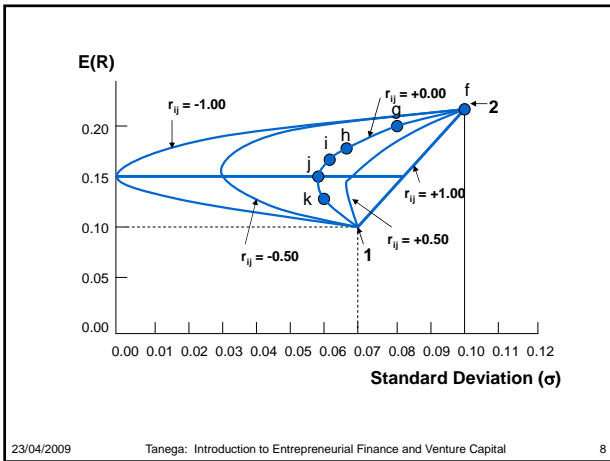
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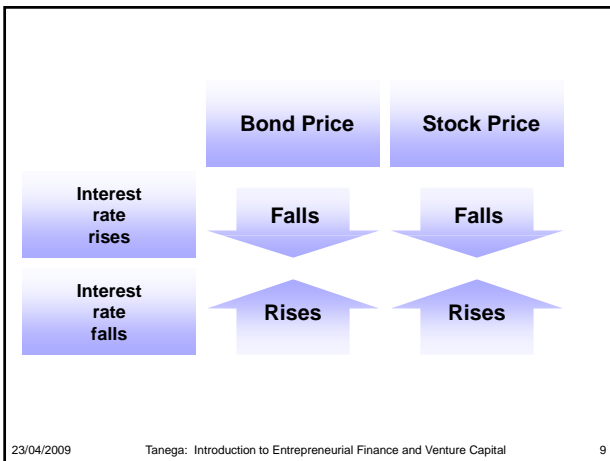


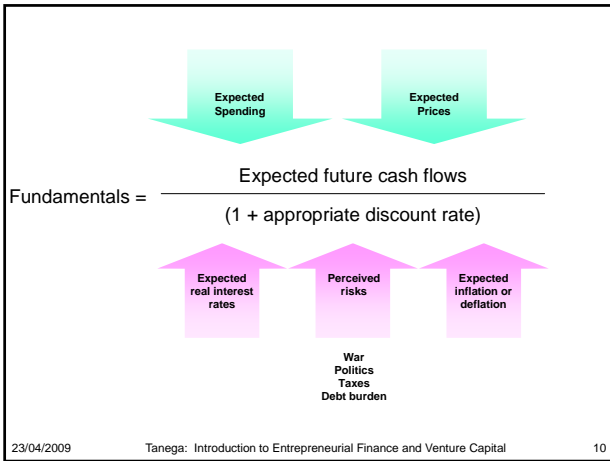












Market Premise	Business conditions Stronger than expected	Inflation higher than expected	Business conditions weaker than expected	Inflation Lower than expected
Asset Class				
Fixed income	↓	↓	↑	↑
Equities	↑	↓	↓	↑
Foreign exchange (US Dollar)	↑	↑	↓	↓

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