

# Intermediate Financial Theory Solutions

## Financial economics

*the foundations of microeconomics and decision theory. Financial econometrics is the branch of financial economics that uses econometric techniques to*

Financial economics is the branch of economics characterized by a "concentration on monetary activities", in which "money of one type or another is likely to appear on both sides of a trade".

Its concern is thus the interrelation of financial variables, such as share prices, interest rates and exchange rates, as opposed to those concerning the real economy.

It has two main areas of focus: asset pricing and corporate finance; the first being the perspective of providers of capital, i.e. investors, and the second of users of capital.

It thus provides the theoretical underpinning for much of finance.

The subject is concerned with "the allocation and deployment of economic resources, both spatially and across time, in an uncertain environment". It therefore centers on decision making under uncertainty...

## Financial crisis

*economists have offered theories about how financial crises develop and how they could be prevented. There is little consensus and financial crises continue to*

A financial crisis is any of a broad variety of situations in which some financial assets suddenly lose a large part of their nominal value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that are often called financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults. Financial crises directly result in a loss of paper wealth but do not necessarily result in significant changes in the real economy (for example, the crisis resulting from the famous tulip mania bubble in the 17th century).

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## Dependency theory

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Dependency theory is the idea that resources flow from a "periphery" of poor and exploited states to a "core" of wealthy states, enriching the latter at the expense of the former. A central contention of dependency theory is that poor states are impoverished and rich ones enriched by the way poor states are integrated into the "world system". This theory was officially developed in the late 1960s following World War II, as scholars searched for the root issue in the lack of development in Latin America.

The theory arose as a reaction to modernization theory, an earlier theory of development which held that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past...

### String theory

*unknown whether string theory is compatible with a metastable, positive cosmological constant. Some putative examples of such solutions do exist, such as the*

In physics, string theory is a theoretical framework in which the point-like particles of particle physics are replaced by one-dimensional objects called strings. String theory describes how these strings propagate through space and interact with each other. On distance scales larger than the string scale, a string acts like a particle, with its mass, charge, and other properties determined by the vibrational state of the string. In string theory, one of the many vibrational states of the string corresponds to the graviton, a quantum mechanical particle that carries the gravitational force. Thus, string theory is a theory of quantum gravity.

String theory is a broad and varied subject that attempts to address a number of deep questions of fundamental physics. String theory has contributed a...

### Chaos theory

*single type chaotic solutions, studies using Lorenz models have emphasized the importance of considering various types of solutions. For example, coexisting*

Chaos theory is an interdisciplinary area of scientific study and branch of mathematics. It focuses on underlying patterns and deterministic laws of dynamical systems that are highly sensitive to initial conditions. These were once thought to have completely random states of disorder and irregularities. Chaos theory states that within the apparent randomness of chaotic complex systems, there are underlying patterns, interconnection, constant feedback loops, repetition, self-similarity, fractals and self-organization. The butterfly effect, an underlying principle of chaos, describes how a small change in one state of a deterministic nonlinear system can result in large differences in a later state (meaning there is sensitive dependence on initial conditions). A metaphor for this behavior is...

### Financial inclusion

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*"A Framework for Measuring Financial Inclusion in India: Bridging Gaps Between Theory and Practice"; Journal of Financial Counseling and Planning. 34*

Financial inclusion is the availability and equality of opportunities to access financial services. It refers to processes by which individuals and businesses can access appropriate, affordable, and timely financial products and services—which include banking, loan, equity, and insurance products. It provides paths to enhance inclusiveness in economic growth by enabling the unbanked population to access the means for savings, investment, and insurance towards improving household income and reducing income inequality.

Financial-inclusion efforts typically target those who are unbanked or underbanked, and then direct sustainable financial services to them. Providing financial inclusion entails going beyond merely opening a bank account. Banked individuals can be excluded from other financial...

Internalization theory

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Internalization theory is a branch of economics that is used to analyse international business behaviour.

Internalization theory focuses on imperfections in intermediate product markets. Two main kinds of intermediate product are distinguished: knowledge flows linking research and development (R&D) to production, and flows of components and raw materials from an upstream production facility to a downstream one. Most applications of the theory focus on knowledge flow. Proprietary knowledge is easier to appropriate when intellectual property rights such as patents and trademarks are weak. Even with strong protections firms protect their knowledge through secrecy. Instead of licensing their knowledge to independent local producers, firms exploit it themselves in their own production facilities...

Microeconomics

*microeconomic theory is by taking consumer choice as primitive. This model of microeconomic theory is referred to as revealed preference theory. The theory of supply*

Microeconomics is a branch of economics that studies the behavior of individuals and firms in making decisions regarding the allocation of scarce resources and the interactions among these individuals and firms. Microeconomics focuses on the study of individual markets, sectors, or industries as opposed to the economy as a whole, which is studied in macroeconomics.

One goal of microeconomics is to analyze the market mechanisms that establish relative prices among goods and services and allocate limited resources among alternative uses.

Microeconomics shows conditions under which free markets lead to desirable allocations. It also analyzes market failure, where markets fail to produce efficient results.

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While microeconomics focuses on firms and individuals, macroeconomics focuses on the total...

Financial transaction tax

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A financial transaction tax (FTT) is a levy on a specific type of financial transaction for a particular purpose. The tax has been most commonly associated with the financial sector for transactions involving intangible property rather than real property. It is not usually considered to include consumption taxes paid by consumers.

A transaction tax is levied on specific transactions designated as taxable rather than on any other attributes of financial institutions. If an institution is never a party to a taxable transaction, then no transaction tax will be levied from it. If an institution carries out one such transaction, then it will be levied the tax for the one transaction. This tax is narrower in scope than a financial activities tax (FAT), and is not directly an industry or sector tax...

COVID-19 lab leak theory

*The COVID-19 lab leak theory, or lab leak hypothesis, is the idea that SARS-CoV-2, the virus that caused the COVID-19 pandemic, came from a laboratory*

The COVID-19 lab leak theory, or lab leak hypothesis, is the idea that SARS-CoV-2, the virus that caused the COVID-19 pandemic, came from a laboratory. This claim is highly controversial; there is a scientific consensus that the virus is not the result of genetic engineering, and most scientists believe it spilled into human populations through natural zoonosis (transfer directly from an infected non-human animal), similar to the SARS-CoV-1 and MERS-CoV outbreaks, and consistent with other pandemics in human history. Available evidence suggests that the SARS-CoV-2 virus was originally harbored by bats, and spread to humans from infected wild animals, functioning as an intermediate host, at the Huanan Seafood Market in Wuhan, Hubei, China, in December 2019. Several candidate animal species have...

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