

**ECO 5282: Financial Economics II**  
(Fall, 2010)

Instructor: Milton Marquis

Office: BEL 270

Office Hrs: MW 2:00 - 3:00 and by appointment

TEXT: *The Theory of Corporate Finance*, Jean Tirole. 1st ed. (Princeton: Princeton University Press) 2006.

**Course Objectives:** The principal purpose of this course is to survey the major tenets of the modern theory of corporate finance. These principles are developed in a competitive, neoclassical framework, but recognize the importance of asymmetric information and agency problems in the management and governance of modern corporations. The goal is to understand the significance of these issues for asset pricing and economic efficiency, and the roles that contracting, collateral, and monitoring can play in mitigating these problems.

**Course Material:** We will begin the semester with material drawn from the Tirole text. Potential topics include the implications of capital structure, liquidity management, credit rationing, borrowing constraints, collateral, signalling, investor preferences, etc. on asset prices, the structure of corporate governance, management remuneration, merger and acquisition activity, investment selections, firm size. The next segment of the course will extend the fundamental Lucas' asset pricing model to include issues surrounding the "equity premium puzzle" and other asset-pricing anomalies. The next segment of the course will focus on the relationship between corporate finance and the macroeconomy.

We will develop a list of readings as the course progresses, based on the topics we select and how much coverage each topic receives. Included in this list will be the papers that students have selected to present to the class.

**Grades:** The grades will be based on a mid-term and a term project. For term projects, each student will select two articles from the literature, present them to the class, and write term papers based on the articles. The articles must reflect approved topics relevant to the course material and should be selected by the end of week 4. Each paper will include a detailed analysis of the article. The midterm exam should

be given around week 10, with the remainder of the course devoted to student presentations.

**FSU Honor Code:** Academic dishonesty will not be tolerated in any form. Students involved in academic dishonesty will receive a failing grade in the course. The Academic Honor system of the Florida State University is based on the premise that each student has the responsibility to: (i) uphold the highest standards of academic integrity in the student's own work; (ii) to refuse to tolerate violation of academic integrity in the university community; and (iii) to foster a high sense of integrity and social responsibility on the part of the university community.

Please see the following website for a complete explanation of the Academic Honor Code:

<http://www.fsu.edu/Books/Student-Handbook/codes/honor.html>

**American Disabilities Act:** Students with disabilities needing academic accommodations should: (1) register with and provide documentation to the Student Disability Resource Center (SDRC); (2) bring a letter to the instructor from SDRC indicating that you need academic accommodations. This should be done within the first week of class. For more information about services available to FSU students with disabilities, contact the Student Disability Resource Center.