



UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Financial Economics M

2425-2-F8204B023

Learning objectives

Learning area

Financial Economics is complementary to Macroeconomics M and Risk Management.

Learning objectives

Financial Economics focuses on the origin of risks in financial markets and the role that asymmetric information plays in explaining failures in these markets. The main topics covered, both from a theoretical and empirical point of view, are: principles of corporate governance; formation and structure of credit agreements in the event of information asymmetry; credit rationing; role and functions of financial intermediaries in the economic system; stability and competition in the banking sector; macroeconomic shocks and banks; capital requirements in banks as instruments of prudential regulation (Basel requirements); bank crisis resolution.

At the end of the course, the student will be able to understand the context in which agents participating in the direct credit and bank credit market operate. Furthermore, he will be able to measure the risk associated with the main financial contracts and the function of prudential regulation.

Contents

The course consists of two parts.

The first part of the course aims at studying some specific topics of finance, such as: origin and structure of credit agreements in the hypothesis of information asymmetry, credit rationing, role and functions of financial intermediaries in the economic system.

The analysis is both theoretical and empirical.

The second part of the course focuses on risk management in the banking system: effects of macroeconomic

shocks; the transfer of credit risk from banks to financial markets; management of banking crisis.

Detailed program

Part I.

Principles of Corporate governance
Information asymmetries and structure of credit agreements
Credit rationing
Hierarchy of funding sources
Underpricing in IPOs
The bank as a financial intermediary
Stability and competition in the banking sector
Costs of bank financing
Bank credit and direct credit.

Part II.

Macroeconomic shocks and banks
Capital requirements in banks
Resolution of banking crises (from bail-out to bail-in)

Prerequisites

It is strongly recommended to have passed the exam of Microeconomics.

Teaching methods

The following teaching methods are adopted:

30 hours of frontal lessons

12 hours of interactive lessons

Part of these lessons (no more than 15% of the total hours) are carried out remotely depending on the lesson timetable for the academic year. 2024-2025

The course will be done in English.

Assessment methods

The exam is written and it aims at verifying (i) knowledge of the material (proofs and theoretical models); (ii) analytical ability to apply the material (exercises); (iii) economic intuition and ability to use models to comment on economics cases. Students will be allowed to give an oral presentation of a team work at the end of the course. The performance of the presentation will contribute to the final mark. The team work is not compulsory.

Textbooks and Reading Materials

1. Macho-Stadler Perez Castrillo J.D., An introduction to the Economics of Information: Contracts, Oxford University Press, 1997 (all);
2. Tirole J., The Theory of Corporate Finance, Princeton Press, 2006, Cap. 2, 6.

Teaching material provided by the professor.

Semester

First Semester

Teaching language

English

Sustainable Development Goals

RESPONSIBLE CONSUMPTION AND PRODUCTION
