



Selected Courses in Public Policy and Finance

Spring 2019

For more information, please visit registrar.princeton.edu/course-offerings

Undergraduate

ECO 361

Financial Accounting

Donal Byard

Financial accounting is the accumulation of relevant financial data for a firm, and summarizing and reporting this information in a firm's financial statements. This course examines the important accounting rules and conventions used to produce a firm's financial statements (i.e., the balance sheet, income statement, and statement of cash flows) and related disclosures. While the course provides a broad overview of the processes and procedures followed in producing an enterprise's financial statements, the course emphasizes the analysis of financial statements and related disclosures by external users such as investors and creditors.

ECO 344

Macroeconomic Policy

Iqbal Zaidi

The course focuses on fiscal and monetary policies to promote high-quality growth with price stability, but some attention will also be given to sector-specific policies



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and other aspects of macroeconomic adjustment and structural reform, including tax and financial sector reforms, external competitiveness, and public and external debt management. We will study various macroeconomic models, including models used by central banks for monetary policy analyses.

ECO 363

Corporate Finance and Financial Institutions

David Schoenherr

This course examines the determinants of corporate financing decisions and the role of financial institutions in the wider context of the working of financial markets. Topics include capital budgeting, capital structure, risk management, and corporate governance. Additionally, the course introduces various methodologies for valuing individual projects, as well as entire companies.

ECO 370/ HIS 378 (HA)

American Economic History

Elizabeth C. Bogan

Modern economic theory is used to analyze growth and fluctuations in U.S. output from colonial times to the present. The course examines the role of labor markets, property rights in land and labor, financial institutions, transportation, innovation and other factors in economic growth. Before examining twentieth century fluctuations, a week is spent on business cycle theory. Then particular emphasis is placed on The Great Depression and its relationship to the recession of 2007-2009.

ECO 461

Entrepreneurial Finance, Private Equity



Natalie Marie Bachas, Gustavo Schwed

The course will focus on two aspects of entrepreneurial finance: (1) private equity finance as a way to finance the growth of private companies and the acquisition of larger, established businesses as well as techniques used to create value in and monetize private investments. The part will entail working with 6 cases. (2) Venture Capital finance as a way to finance and to build new innovative firms.

ECO 462

Portfolio Theory and Asset Management

Caio Ibsen Rodrigues de Almeida

This course covers a number of advanced topics on the theory and empirics of financial markets and asset management. Topics on portfolio theory include mean-variance analysis, strategic asset allocation, and life-cycle theory. Topics on asset pricing theory include CAPM, APT, and macro-asset pricing. Empirical topics include predictability of returns, factor structure in returns, and asset pricing anomalies. Frictions such as taxes and liquidity risk are discussed in the context of institutional investing in practice.

ECO 468

Behavioral Finance

Natalie Marie Bachas, Wei Xiong

Traditional finance typically considers that financial markets are efficient because investors are rational and maximize their expected utility from consumption. This course departs from this view and discusses how inefficiencies arise due to psychology and limits to arbitrage. The psychology of investors shapes their preferences and may impair their judgment. Whether these psychological factors



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have an impact on financial markets ultimately depends on arbitrageurs' ability to fight against mispricings. These issues will be covered through lectures and class games and will allow discussions about cognitive illusions and speculative bubbles.

ECO 491

Cases in Financial Risk Management

Caio Ibsen Rodrigues de Almeida

This course will teach students about financial risk management through the lens of the recent financial crisis. Topics covered will include market risk, credit risk, liquidity risk, and systemic risk. Students will draw on their background in economics, finance, probability theory and statistics. The class will be in seminar format and active participation in the discussion is encouraged.

ECO 492

Asian Capital Markets

Jean-Christophe de Swaan

Course explores the increasing weight of Asia in global financial markets and its implications. It frames the discussion in the context of the globalization of financial markets, with emphasis on concepts of economic development, institutional reform of markets, and public and private market investments. Discussions and investment case studies will combine analysis of historical trends and recent data with insights from practical experience in Asian markets. Course considers China's gradual shift toward a capital market-based financial system, the potential revival of Japanese capital markets, and the development of Indian capital markets.

Spring 2019 – Graduate



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ECO 507

Topics in Empirical Macroeconomics

Atif R. Mian

This course is geared towards (i) understanding how finance and the macro economy interact with each other, and (ii) introducing micro-empirical techniques and data sets for answering traditional macro questions. The focus of the class is empirical but we begin each topic with a discussion of its theoretical foundation.

ECO 524

Public Finance II

Thomas Fujiwara, Ilyana Kuziemko

The course presents recent developments in the theory of social choice, fairness, equality of opportunity, inequality measurement, well-being measurement, and their applications in public economics. Recent developments in the analysis of collective risks, future generations, fairness in taxation, behavioral economics, and interdependent preferences are covered.

ECO 526 / FIN 526

Corporate Finance

David Schoenherr, Wei Xiong

Introduction to corporate finance covering theories and empirical evidence about principal-agent models of firm managerial structure, takeover bids, capital structure, corporate governance; regulation of financial markets; financial markets and institutions with a focus on asymmetric information, transaction costs, or both; dynamic models of market making; and portfolio manager performance evaluation. Pre-requisite: ECO 525.

ECO 554



International Monetary Theory and Policy II

Oleg Itskhoki

I Advanced topics in monetary economics, with an emphasis on open economies. Money demand and currency substitution; price-level and exchange-rate determination under alternative monetary policy rules; real effects of monetary disturbances; exchange-rate policy and macroeconomic stability; welfare consequences of inflation and exchange-rate stabilization; advantages and disadvantages of monetary union.

ECO 581H

Civitas Foundation Finance Seminar

David Schoenherr

Drafts of papers, articles, and chapters of dissertations or books, prepared by graduate students, faculty members, or visiting scholars, are exposed to critical analysis by a series of seminars organized by field. The chief objectives are for the writers to receive the benefit of critical suggestions, for all participants to gain experience in criticism and uninhibited oral discussion, and for students and faculty members to become acquainted with the research work going on in the department. Third- and fourth-year graduate students are expected to attend; first- and second-year students and faculty members are invited to attend.

FIN 502

Corporate Finance and Financial Accounting

Natalie Marie Bachas

Major topics in modern corporate finance. We study investment policy (investment decision rules, project valuation, and cost of capital) and financial policy (mostly capital structure decisions). Additional topics (private equity, bankruptcy and reorganization, merger and acquisitions) are covered if time permits.

FIN 515



Portfolio Theory and Asset Management

Caio Ibsen Rodrigues de Almeida, Sebastian Merkel

This course covers a number of advanced topics on the theory and empirics of financial markets and asset management. Topics on portfolio theory include mean-variance analysis, strategic asset allocation, and life-cycle theory. Topics on asset pricing theory include CAPM, APT, and macro-asset pricing. Empirical topics include asset pricing anomalies, predictability of returns, and factor structure in returns. Frictions such as taxes and liquidity risk are discussed in the context of institutional investing in practice.

FIN 568

Behavioral Finance

Natalie Marie Bachas, Wei Xiong

Traditional economics and finance typically use the simple "rational actor" model, where people perfectly maximize, and efficient financial markets. We will present models that are psychologically more realistic than this standard model. About 30% of the course will be devoted to economics, 70% to finance. Applications to economics will include decision theory, happiness, fairness, and neuroeconomics. Applications to finance will include theory and evidence on investor psychology, predictability of the stock market and other markets, limits to arbitrage, bubbles and crashes, experimental finance, and behavioral corporate finance.

FIN 580

Quantitative Data Analysis in Finance

Marcelo Cunha Medeiros, Caio Ibsen Rodrigues de Almeida

The course gives a broad introduction to the techniques of machine learning, and places those techniques within the context of computational finance. Topics include parametric and non-parametric regression, and supervised learning techniques. Methods covered include linear models, logistic regression, additive models, LASSO, kernel methods, clustering



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methods and applications, support vector machines and classification. We also discuss the implementation of dimension reduction techniques, including principal components analysis. Examples are taken from financial models. FIN 505 is considered the prerequisite of the course.

FIN 581

Entrepreneurial Finance, Private Equity

Natalie Marie Bachas, Gustavo Schwed

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FIN 591

Cases in Financial Risk Management

Caio Ibsen Rodrigues de Almeida

This course will teach students about financial risk management through the lens of the recent financial crisis. Topics covered will include market risk, credit risk, liquidity risk, and systemic risk. Students will draw on their background in economics, finance, probability theory and statistics. The class will be in seminar format and active participation in the discussion is encouraged.

FIN 592

Asian Capital Markets

Jean-Christophe de Swaan

Course explores the increasing weight of Asia in global financial markets and its implications. It frames the discussion in the context of the globalization of financial markets,



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with emphasis on concepts of economic development, institutional reform of markets, and public and private market investments. Discussions and investment case studies combine analysis of historical trends and recent data with insights from practical experience in Asian markets. Course considers China's gradual shift toward a capital market-based financial system, the potential revival of Japanese capital markets, and the development of Indian capital markets.

ORF 504 / FIN 504

Financial Econometrics

Jianqing Fan

Econometric and statistical methods as applied to finance. Topics include: Asset returns and efficient markets, linear time series and dynamics of returns, volatility models, multivariate time series, efficient portfolios and CAPM, multifactor pricing models, portfolio allocation and risk assessment, intertemporal equilibrium models, present value models, simulation methods for financial derivatives, econometrics of continuous time finance.

ORF 515 / FIN 503

Asset Pricing II: Stochastic Calculus and Advanced Derivatives

Ludovic Tangpi

Course covers the pricing and hedging of advanced derivatives, including topics such as exotic options, greeks, interest rate derivatives and credit derivatives, as well as covering the basics of stochastic calculus necessary for finance. Designed for Masters students.

WWS 505

Financial Management in the Corporate and Public Sectors

Adam Shrager

Designed to introduce graduate students in public and international affairs to certain



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principals and analytic tools widely used in the financial management of organizations, privately or publicly owned. Course is based on the premise that future civil servants should be familiar with this subject matter, either because they may be involved in the financial management of public agencies, or negotiate financial contracts with the private sector, or regulate financial management in the private sector.

WWS 582C

Topics in Applied Economics – Growth, International Finance & Crises

Ashoka Mody

This is a macro, international finance-oriented development course, which will focus on the political economy of policy decisions. It will cover the following themes: 1. GDP growth and volatility; 2. the size, composition, and influence of international capital flows; 3. sudden stops in capital flows and financial crises; 4. the domestic and multilateral response to crises, including the role of fiscal adjustment, external financing, and debt restructuring; 5. We will draw on several country case-studies and students will be encouraged to undertake short research assignments to deepen their own policy interests.

WWS 582F

Topics in Economics - House of Debt: Understanding Macro & Financial Policy

Atif R. Mian

Why do severe recessions happen? Could we have prevented the Great Recession and its consequences? And what actions are needed to prevent such crises going forward? We undertake an empirical exploration of these questions in this course and debate the various macro and financial policy questions that arise. Our discussions will be strictly disciplined by data and evidence. The course will analyze the role of debt in generating the Great Recession and the Great Depression, as well as the current economic malaise in Europe. The course is built around the new book, 'House of Debt' by Mian and Sufi.



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