

Syllabus for Economics 473

Fall 2014

Logistics

Instructor

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Office Hours: Tuesday 3:00 to 5:00 or by appointment

Course Support

Admin Assistant: Addie Stag (SS138, addie.stagg@duke.edu).

Teaching Assistant:

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Exam Dates

Mid-term Exam: Oct. 9 in class (subject to change)
Paper Due Dec. 7 by midnight!
Final Exam: Dec. 13, 2:00–5:00 PM in SS 113

Course Materials

The text book for this course is *The Theory of Corporate Finance*, by Jean Tirole. I will also post lecture notes on Sakai. Please print the relevant notes and bring them to class so that you can follow along during the lecture. I am blind and do not write on the board, so it is important that you have the notes with you in class.

Grading

Course grades will be determined by performance on two tests, (a mid-term and a final), on a five to ten page paper, and on class participation and problem sets. Each exam is worth 300 points as is the paper. Class participation and problem sets are worth 100 points together. Class participation includes attendance and contributing to classroom discussions. Problem

sets will be collected but not returned – so make a copy before handing them in! There are 1,000 points possible in the course. Course grades are assigned according to the following table.

	+		-
A	$x \geq 970$	$970 > x \geq 930$	$930 > x \geq 900$
B	$900 > x \geq 870$	$870 > x \geq 830$	$830 > x \geq 800$
C	$800 > x \geq 770$	$770 > x \geq 730$	$730 > x \geq 700$
D	$700 > x \geq 670$	$670 > x \geq 630$	$630 > x \geq 600$
F	$600 > x$		

Exams and Problem Sets

- Exams are closed-book and closed-note.
- You are permitted to bring a calculator for use on exams.
- If necessary, the total number of points earned in the course by each student will be curved up by adding the number of points necessary to make the median score equal to 850.
- A Make-up test will not be given for the mid-term exam. If you miss the mid-term exam for any reason, then your final exam will be reweighted to count for 600 points. If you miss the final exam and you have a dean's excuse, then you will be given a make-up test.
- Around 10 problem sets will be distributed throughout the semester and will be due in class on the date specified.

Paper

You are required to write a five to ten page *original* paper on a topic in corporate finance. The paper may either be a theoretical extension of material covered in class or may be a case study of a topic discussed in class or from the book. A one-page outline of your paper topic must be submitted for approval by Oct. 31. The paper itself is due on Dec. 7. The outline and papers should be submitted to me electronically via email in MS Word format or as an RTF or TXT or TEX file (not as a PDF file please). Name the files lastname-firstname-outline and lastname-firstname-paper. The paper will be graded on: the originality of the topic; the use of concepts covered in class; and the clarity of exposition.

Responsibilities

- You are expected to do the relevant reading prior to class.

- On exams, you *are not* responsible for material in the book that is not covered in class, but *are* responsible for material covered in class that is not in the book.
- You are strongly encouraged to attend class. There may be material on the exams discussed in class that does not appear in the lecture notes.
- Do *not* come to class late or leave class early without receiving permission from me to do so ahead of time. Late arrivals and early departures are disruptive and disrespectful to the professor and your fellow students.

Academic Integrity

You are encouraged to work together on problem sets and discuss their solutions (outside of class). Colluding, copying, or using unauthorized reference materials during exams is strictly prohibited! In general, you are expected to uphold the Duke Community Standard (aka the Honor Code), <http://studentaffairs.duke.edu/conduct/about-us/duke-community-standard>.

DATE	TOPIC	Chapter
8-26:	Overview of Governance	1 (all)
8-28:	Overview of Financing	2 (all)
9-2:	External Financing Capacity	3.1–3.4
9-4:	Other Models of Credit Rationing	3.5–3.8
9-9:	Some determinants of borrowing capacity	4.1–4.5
9-11:	Group Lending and Sequential Projects	4.6–4.7
9-16:	liquidity-and scale and Risk Management	5.1–5.3
9-18:	Liquidity, Soft Budget Constraints, and Free Cash Flow	5.5–5.6
9-23:	Adverse Selection and Signaling	6.1–6.3
9-25:	Optimal Contracting and Applications of Signaling	6.5–6.9
9-30:	Output Markets	7.1
10-2:	Creative Accounting	7.2
10-7:	Brander and Lewis’s Model	7.3
10-9:	Mid-Term Exam	—
10-14:	Fall Break	—
10-16:	monitoring and Performance measurement	8.1–8.2
10-21:	Market and Debt monitoring	8.3–8.4
10-23:	investor activism	9.1–9.3
10-28:	Lending and Large Investors	9.4–9.5
10-30:	Pledgeable income and the allocation of control rights	10.1–10.2
10-31:	Submit 1 page outline of paper for approval	—
11-4:	Real Control and Allocation of Rights	10.3–10.4
11-6:	Internal Capital and Active monitoring	10.5–10.6
11-11:	Takeovers	11.1–11.4
11-13:	Raiders and Bidding	11.5–11.8
11-18:	Consumer Liquidity Demand	12.1–12.2
11-20:	Runs and Heterogenous consumer horizons	12.3–12.4
11-25:	Aggregate Uncertainty and uniqueness of runs	12.5–12.6
11-27:	Thanksgiving Break	—
12-2:	Capital Squeezes and Credit Crunches	13.1–13.3
12-4:	Dynamic Complementarities and Substitutabilities	13.4–13.5
12-7:	Paper Due!	—
12-13:	Final exam 2:00–5:00 PM	—