

Course title: Economic Foundations of Finance

Course Basic Information	
Academic Unit: (University/Department)	University of Zurich, Department for Banking and Finance
Course title:	Economic Foundations of Finance
Level:	Master of Science UZH ETH in Quantitative Finance
Course Status:	Core FIN
Year of Study:	Fall Semester
Number of Classes per Week:	2h (Lectures) + 2h (Exercises)
ECTS Credits:	6 ECTS
Time /Location:	According to the timetable in UZH course catalogue
Lecturer:	Prof. Dr. Thorsten Hens and Prof. Dr. Felix Kübler
Content	
Content of the course	<p>The first part of the course covers microeconomics: decision theory and general equilibrium. The second part applies these foundations to finance.</p> <p>In the course the neoclassical growth model with financial markets will be developed step-by-step. We first study the interaction of a labor, a product and a capital market in a two-period model. Then the model is extended to infinitely many time periods and finally uncertainty is included. In the last section natural resources are added so that one can study the interaction of financial markets and the environment, today called ESG-investing.</p> <p>The following famous claims in finance will get a precise economic foundation:</p> <ul style="list-style-type: none"> • The equity premium • The stochastic discount factor • The Capital Asset Pricing Model • The Modigliani-Miller Principle • The Gordon Growth Model • Increasing Economic Inequality • The Hotelling Rule • Sustainable Development
Course's objectives:	The aim of this lecture is to provide students with the theoretical foundations of the key facets of financial economics.
The expected outcomes:	<p>On successful completion of this module, students should be able to:</p> <ul style="list-style-type: none"> - Judge the quality of reasoning in empirical papers on financial economics - Design economic models in finance including firm`s and household`s decisions to check the consistency of their ideas on various topics