

FNCE 9230
FINANCIAL ECONOMICS UNDER IMPERFECT INFORMATION

Course Syllabus

Semester: Fall 2025

Class Times: Wednesdays 1:45-4:45pm

Classroom: SHDH-116

Lead Instructor: Vincent Glode (vglode@wharton.upenn.edu)

Co-Instructors: Jules van Binsbergen (julesv@wharton.upenn.edu)
Itay Goldstein (itayg@wharton.upenn.edu)
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Chaojun Wang (wangchj@wharton.upenn.edu)
Yao Zeng (yaozeng@wharton.upenn.edu)

1. ***Course Objectives.***

This course is team-taught by a small group of Wharton Finance professors who work on topics related to information economics in financial markets. The literature covered in the course is mainly theoretical. The course aims to help future theorists and empiricists learn the related literature, develop an appreciation for the theoretical modeling process, and produce research ideas (theoretical or not) they can pursue as part of their dissertation.

2. ***Non-Negotiable Pre-Requisites.***

- A. FNCE 9110: Foundations for Financial Economics
- B. FNCE 9120: Corporate Finance and Financial Institutions

3. ***Course Material.***

Each instructor identified a few academic papers as required readings for their lectures. Students are required to read these papers prior to each lecture. In addition, students interested in information economics in financial markets can benefit from reading the following optional references:

- i) Brunnermeier: Asset Pricing under Asymmetric Information – Bubbles, Crashes, Technical Analysis, and Herding
- ii) Veldkamp: Information Choice in Macroeconomics and Finance
- iii) Vives: Information and Learning in Markets – The Impact of Market Microstructure

4. *Grading.*

The grade for this course will be based on four components, each with different learning objectives:

- Weekly quizzes about required readings 15%
- Class participation and citizenship 15%
- Simplification of an ugly model 35%
- Proposal (intro + model sketch) 35%

To ensure that everyone is ready to internalize the insights we are about to discuss, at the start of each lecture the instructor will give students a quiz about the required readings.

To optimize student engagement throughout the semester, in-class participation and overall class citizenship will be graded. Making constructive contributions to class discussions will improve a student's grade whereas violating basic norms of classroom etiquette will worsen a student's grade.

To help students understand the craft involved in writing theoretical papers, each student will need to pick a theoretical working paper, identify its central insight, and propose a simpler model that allows to make the same point. As part of the submission, the student will need to list the superfluous elements of the original model as well as explain what elements are essential to make the central point of the paper. Auxiliary insights that can and cannot be delivered with the simplified framework should also be discussed.

To improve students' abilities to think creatively and produce new research, each student will need to start a theoretical project linked to the topics covered in the class. The submitted document will have 3 parts. First, there will be an introduction that convincingly motivates the project both in terms of its real-world applications and the existing academic literature. Then, there will be a simple model that delivers at least one interesting and novel insight. Finally, there will be a discussion of what the student identifies as the remaining steps required to produce a working paper that can be circulated in the academic community (e.g., posted on SSRN, presented in brown bags).

5. *Topics and Calendar.*

<u>Date</u>	<u>Topic</u>	<u>Instructor</u>
8/27	Introduction to Information Economics	Vincent Glode
9/3	Bilateral Bargaining & Decentralized Markets	Vincent Glode
9/10	Voluntary Disclosure	Vincent Glode

9/17	Security Design	Vincent Glode
9/24	Search Markets	Chaojun Wang
10/1	Auctions	Rich Kihlstrom
10/8	Centralized Markets	Itay Goldstein
10/15	Centralized Markets	Itay Goldstein
10/22	Asset Management	Jules van Binsbergen
10/29	Strategic Information Acquisition	Yao Zeng
11/5	Limits to Arbitrage and Fire Sales	Yao Zeng
11/12	Signaling	Rich Kihlstrom
11/19	Dynamic Capital Structure and Strategic Default	Yao Zeng
11/26	NO CLASS	
12/3	Additional Topics + Course Wrap-Up	Vincent Glode

Required readings for each lecture will be shared with students on Canvas throughout the semester.