

## **The Political Economy of Finance**

### **Spring Term 2026**

### **Tentative**

Course Code: TBA

Course Title: The Political Economy of Finance

Instructor: Prof. Eyüb (Ubi) Yegen

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Class Dates: Mondays from 7pm to 10:20pm HK time on March 30; April 6, 13, 27; May 4, 11, 18, 25

Class Venue: All sessions will take place on Zoom

Course Add/drop deadline: TBA

Prerequisite: Corporate Finance (FINA5120)

### **COURSE OVERVIEW**

In this course, we will explore the dynamic relationship between political forces and financial systems around the globe. We will analyze how political institutions, laws, and social structures influence financial development, access to capital, and market outcomes. Additionally, we will investigate how financial power and special interest groups impact political processes and regulations, with a focus on the United States. Key topics will include financial regulation, corruption, wealth distribution, the effects of political stability on equity and fixed income markets, and the influence of campaign financing and lobbying by financial firms. A significant objective of this course is to equip students with both quantitative and qualitative tools to assess firms' exposure to political uncertainty and to understand how they can effectively navigate changes in the geopolitical landscape.

### **COURSE OBJECTIVES / LEARNING OUTCOMES**

- **Analyze Political and Financial Interplay:** Understand how political institutions and laws shape financial development and financial market outcomes.
- **Evaluate Capital Access and Wealth Distribution:** Assess the impact of political and legal decisions on how financial markets are shaped, and why some countries have a more developed equity versus debt base capital market.
- **Examine Financial Power's Political Influence:** Investigate how financial institutions and interest groups affect political processes, regulations, and campaign financing.
- **Develop Analytical Skills for Political Risk:** Equip students with tools to measure exposure to political uncertainty and navigate geopolitical risks.
- **Apply Knowledge Through Case Studies:** Engage with real-world examples to understand the practical implications of political economy on financial decision-making.

## **COURSE OUTLINE**

**Week 1:** Introduction to political economy of finance and a historical overview of political economy and financial development starting from the Roman Empire to the British Empire.

**Week 2:** Impact of legal and political institutions on the development of equity based versus debt base capital markets.

**Week 3:** Political activities of financial firms: lobbying, campaign financing, politically motivated philanthropic giving, and commenting on bills.

**Week 4:** Political risk, asset pricing, and impact on firm boundaries.

**Week 5:** Corruption and finance.

**Week 6:** Current topics in political economy of finance and geopolitics.

**Week 7:** Group presentations.

**Week 8:** Final exam.

## **GRADING / ASSESSMENT**

- Participation: 15%
  - Both quality and quantity of class participation will impact the final participation grade.
- Individual project: 27.5%
  - Individual report with more details to be announced in class.
- Group project: 27.5%
  - Project on developing quantitative approaches to measure political risk exposure by firms. This can be done in the form of developing a factor as part of an asset management portfolio optimization procedures or calculating the implied political risk factor for a specific public firm.
- Group presentation: 5%
  - Presentation of group project.
- Final Exam: 25%
  - Closed booked, comprehensive, online without access to other sources.

## **COURSE MATERIALS**

- List of required readings will be posted online. Several research studies written by Professor Yegen will be discussed.
- Case studies to be selected by the instructor.

## **INSTRUCTOR'S BIO**

Eyüb Yegen is an Assistant Professor of Finance at the Hong Kong University of Science and Technology (HKUST). He has completed his Ph.D. in Finance at the University of Toronto, Rotman School of Management where he was also an award-winning instructor of finance. Prior to his doctoral studies at the University of Toronto, he was studying at the Harvard University and the State University of New York. His educational background is mostly in quantitative finance, statistics, and mathematical economics.

His research focuses on the role of political economy on asset management, corporate governance, corruption, and public finance, and has been featured in prominent outlets such as Bloomberg, Financial Times, Yahoo Finance, Harvard Law School Forum on Corporate Governance, Chicago Booth Review, ProMarket, Hoover Institute, Centre for Economic Policy Research, National Bureau of Economic Research. Dr. Yegen has presented his research at important conferences, such as at the United Nations Principles for Responsible Investment. He actively presents at industry relevant public events and has written case studies published via Harvard Business Review.

## **Attendance Policy**

Late arrival, early departure, or (in online classes) camera turned off for 15 minutes or longer, using avatars, or adopting any form of pretense during a session may be considered as absent, subject to the instructor's discretion.

Students are required to report the absence to the course instructor and TA (and copy MBA Office) before his/her absence with solid justification and proof (e.g., work proof, doctor's letter, etc.).

Please note that reporting the absence will not waive your number of absent class(es). However, absence without a legitimate reason or prior approval by the instructor will lead to an "F" grade (representing "Fail") in the relevant course.

- Course instructor's email and TA: as listed in the course syllabus
- Copy MBA office email: mbaex@ust.hk.

It is important to note the class attendance policy as follows:

- If you are absent for less than 25% of class sessions (i.e. 1 out of the 8 sessions) with a permissible reason, no penalty will be imposed as long as prior approval from the instructor is obtained.
- For absences of 25% of the total number of sessions (i.e. 2 out of 8 sessions OR 1 out of 4 sessions), you will receive a 1/3-grade reduction (e.g. grade A- to B+).
- For absences of more than 25% of the total number of sessions (i.e. more than 2 out of 8 sessions), an "F" grade will be given unless strong justification with relevant proof and instructor's consent are provided for a late withdrawal. Late withdrawal requests are reviewed on a case-by-case basis and subject to the decisions of the faculty, the MBA Office and the University.
- If any unauthorized /unreported absence is found, you will be considered as cheating and an "F" grade can be given for the relevant course directly, subject to instructors' discretion.

## **Additional Notes for Online courses attendance**

Active participation and full engagement are required in online courses, including participating in discussions and interacting with instructors and peers. The above classroom etiquette and general expectations apply to online course attendance. Additionally, you should but not limited to:

- Engage in online classes from a quiet location, free of interruptions.
- Keep your camera turned on at all times.
- Not use avatars or any form of pretense during participation.
- Avoid multitasking or engaging in personal or unrelated activities during class.
- Refrain from using your phone, laptop or other devices for non-academic purposes during class.