

**Boston College  
Department of Economics**

**EC862, Monetary Economics II:  
Capital Market Imperfections, Financial Structure, and Investment:  
Business Cycle and Growth Effects  
Module 1**

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**A) CAPITAL MARKET IMPERFECTIONS, FINANCIAL STRUCTURE,  
INVESTMENT AND BUSINESS CYCLE FLUCTUATIONS**

**1) Corporate Finance Primer: from the State Preference Model to Asymmetric  
Information and Incomplete Contracts**

a) The Modigliani-Miller Theorem and the Irrelevance of Financial Structure

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### 3) **Capital Market Imperfections, Investment and Business Cycle Fluctuations**

#### a) Theory

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#### b) Evidence

##### (i) Bank Lending Channel

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## **B) FINANCIAL DEVELOPMENT, FINANCIAL STRUCTURE AND ECONOMIC GROWTH**

### 1) Theory

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## 2) Empirical Evidence

### a) Cross-Country Evidence on Financial Development and Growth

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### b) Country Financial Structure: Bank Based versus Market Based Financial Systems

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