PhD Course on Financial Intermediation (Fall 2007)

Contact information: Professor Darius Palia
Office: 134 MEC
Office hours: tba
Email: dpalia@rci.rutgers.edu
tel: (973)-353-5981
fax: (973)-353-1233

- Required of all 2nd and 3rd year Finance & Economics students
- Open to other PhD and MQF students

This course will discuss both theoretical and empirical papers on Financial Intermediation. Each student will have to present a paper (or two, depending on class enrollment), and class grade will depend on the quality of that presentation, the submitted write-up of the selected paper, and on general class participation. The write-up of the paper should be submitted just before class presentation. All working papers will be put on the course page on Blackboard.

Weeks 1-3: Organizational meeting, theories of financial intermediation

- Rajan, R., 1992, Insiders and outsiders: The choice between informed and arm’s length debt, JF, 1367-1400.

Week 4: The “specialness” of banks (Empirical evidence)

- James, C., 1987, Some evidence on the uniqueness of bank loans, JFE, 217-235
**Weeks 5-6: Relationship lending, soft information, and distance**

- Stein, J., Information production and capital allocation: Decentralized vs. hierarchical firms, JF, 1891-1921.

**Week 7: Collateral (constrained by time not going into the various theories of collateral-their implications will be dealt with)**


**Weeks 8 and 9: Risk factors in financial firms**

- Fraser, D., Kolari, J., Sorescu, S. and A. Viale, Common risk factors in banks, working paper, Texas A&M University.
Weeks 10 and 11: Bank Capital and Deposit Insurance

- Pennacchi, G. 1987, A reexamination of the over- (or under-) pricing of deposit insurance, JMCB, 340-360.

Weeks 12 and 13: Loan sales and loan syndicates (time permitting)


Weeks 14 and 15: Bank runs and contagion (time permitting)