UNIVERSITY OF PENNSYLVANIA
The Wharton School

FINANCE 912 – Financial Institutions

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Course Objective:

The objective of the course is to provide an introduction to the theory of corporate finance, financial intermediation, and financial markets. The goal is to expose students to existing work and provide basic tools to do research in the area.

Course Organization:

The course will consist of lectures, in which I will review papers from the literature. Some papers will be discussed in class in great depth, while others will be mentioned briefly and left for the students for further research. A tentative list of topics and papers appears below. Topics and papers may be dropped or added, depending on progress. The final grade will be based on an exam and on a project. Details will be discussed in class.

Course Materials:

Below, there is a list of articles for each topic. They are the core of the material for the course. In addition, I refer students to relevant chapters in the following books:


Course Overview:

Here is a tentative list of topics and relevant articles and book chapters:

1. Separation of Ownership and Control: Moral Hazard

   Book Chapters:
• Mas-Colell, Whinston, and Green, Chapter 14.

Articles:


2. Contracting and the Theory of the Firm

Book Chapters:

• Hart, Chapters 1-4.

Articles:


3. **Theories of Capital Structure**

**Book Chapters:**

- Tirole, Chapters 3 and 6.

**Articles:**


- Myers, S., and N. Majluf, 1984, “Corporate financing and investment decisions when firms have information that investors do not have,” *Journal of Financial Economics* 13, 187-221.


4. Financial Contracting and Security Design

Book Chapters:

- Hart, Chapters 5-6.
- Tirole, Chapter 10.

Articles:


5. Financial Intermediation, Credit Markets, and Financial Crises

**Book Chapters:**

- Tirole, Chapters 12-13.

**Articles:**


6. Takeovers and Corporate Control

Book Chapters:

- Tirole, Chapter 11.

Articles:


7. Financial Markets and Price Formation


Book Chapters:

• Tirole, Chapter 8.

Articles:


