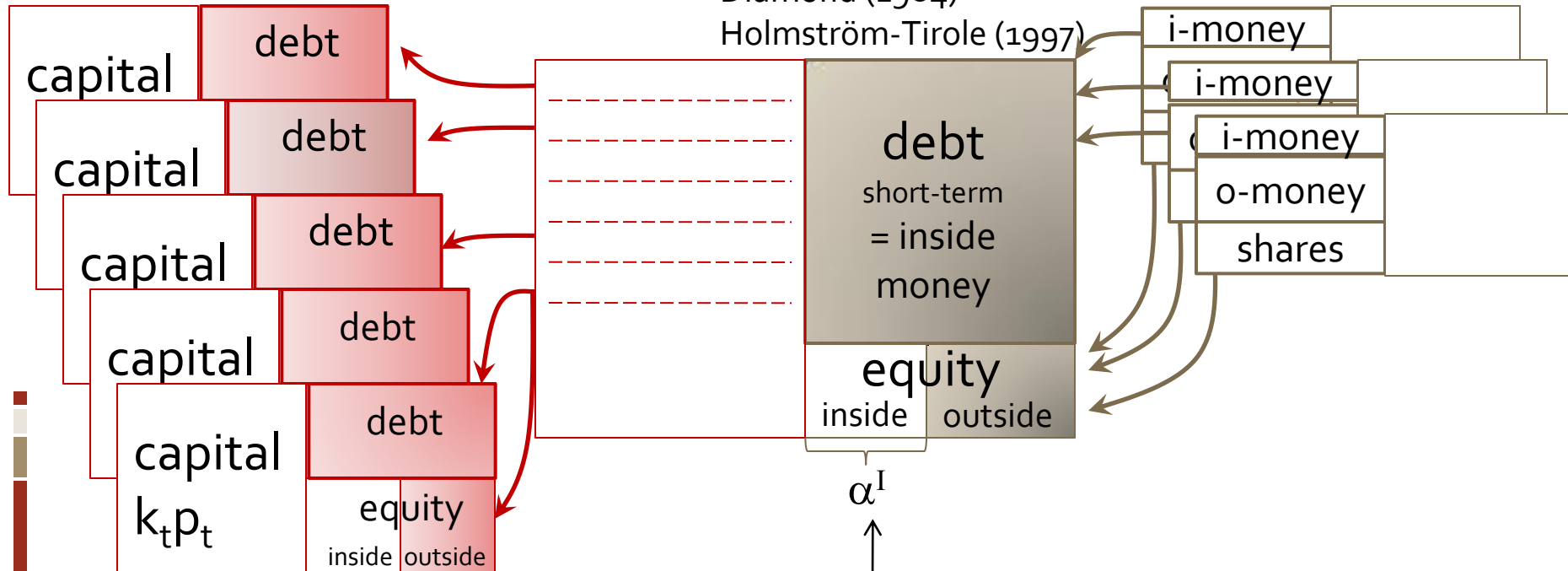


Intermediation + inside money

- Productive

- Intermediary

- Less productive



- Monitoring
Diamond (1984)
Holmström-Tirole (1997)

α^E
↑
incentive for entrepreneur
to exert effort

α^I
↑
incentive for intermediaries
to monitor
(have to hold outside equity)