Accepted Manuscript

A tractable model of limited enforcement and the life-cycle dynamics of firms

Hengjie Ai, Rui Li

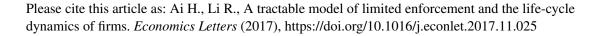
PII: S0165-1765(17)30478-0

DOI: https://doi.org/10.1016/j.econlet.2017.11.025

Reference: ECOLET 7850

To appear in: *Economics Letters*

Received date: 6 November 2017 Accepted date: 17 November 2017



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



ACCEPTED MANUSCRIPT

A Tractable Model of Limited Enforcement and the Life-cycle Dynamics of Firms

Hengjie Ai (Corresponding author)

Rui Li

Hengjie Ai is affiliated with Carlson School of Business, University of Minnesota. Address: 312 19th Ave S., Minneapolis, MN 55455, USA. Email address: hengjie.ai@gmail.com.

Rui Li is affiliated with University of Massachusetts Boston. Address: 100 Morrissey Boulevard Boston, MA 02125, USA. Email address: abclirui@gmail.com.

Abstract

We develop a continuous-time model of optimal lending contracts under limited enforcement and provide closed-form solutions. We characterize the dynamics of firms' growth rate, Tobin's Q, and capital structure over their life cycles.

Key words: Dynamic contract, limited enforcement, firm dynamics, capital structure

JEL codes: G32, D21, D82.

Download English Version:

https://daneshyari.com/en/article/7349465

Download Persian Version:

https://daneshyari.com/article/7349465

<u>Daneshyari.com</u>