



Agency Problems, Financial Contracting, and Predation (Classic Reprint) (Paperback)

By Researcher Department of Child and Adolescent Psychiatry Patrick Bolton

Forgotten Books, United States, 2015. Paperback. Condition: New. Language: English . Brand New Book ***** Print on Demand *****. Excerpt from Agency Problems, Financial Contracting, and Predation We present a theory of predation and competition based on agency problems in financial contracting. To mitigate incentive problems, investors will threaten not to provide further financing if the firm s performance is poor. This encourages competitors to ensure that their rivals performance is indeed poor. Thus, an optimal contract balances the conflicting goals of deterring predation and providing incentives; predation may or may not occur in equilibrium. Our theory of rational predation differs from existing theories which view predation as an attempt to convince rivals that remaining in the industry is unprofitable; in our model, it is common knowledge that production in each period is profitable. The analysis suggests that studying the interaction between the capital and product markets can provide useful insights into both industrial organization and corporate finance. About the Publisher Forgotten Books publishes hundreds of thousands of rare and classic books. Find more at This book is a reproduction of an important historical work. Forgotten Books uses state-of-the-art technology to digitally reconstruct the work, preserving the original format whilst...



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