

# A Theory of Financing Constraints and Firm Dynamics

[Get access >](#)

*The Quarterly Journal of Economics*, Volume 121, Issue 1, February 2006, Pages 229–265, <https://doi.org/10.1093/qje/121.1.229>

**Published:** 01 February 2006

## Abstract

There is widespread evidence supporting the conjecture that borrowing constraints have important implications for firm growth and survival. In this paper we model a multiperiod borrowing/lending relationship with asymmetric information. We show that borrowing constraints emerge as a feature of the optimal long-term lending contract, and that such constraints relax as the value of the borrower's claim to future cash flows increases. We also show that the optimal contract has interesting implications for firm dynamics. In agreement with the empirical evidence, as age and size increase, mean and variance of growth decrease, and firm survival increases.

This content is only available as a PDF.

© 2006 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology

**Issue Section:** [Articles](#)

You do not currently have access to this article.

## Sign in

 [Get help with access](#)

### Personal account

- Sign in with email/username & password

### Institutional access



Sign in through your institution

- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

Register

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### **Institutional account management**

[Sign in as administrator](#)

## Purchase

---

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

A Theory of Financing Constraints and Firm Dynamics\* - 24 Hours access

EUR €38.00

GBP £33.00

USD \$41.00

## Rental



This article is also available for rental through DeepDyve.