

Summer School on Financial Intermediation and Contracting Finance Theory Group

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Syllabus for Dynamic Collateralized Finance

This lecture discusses the dynamic model of collateralized financing of Rampini and Viswanathan (2010, 2013). This class of models provides a useful framework to analyze dynamic financing of firms, intermediaries, and households. Financial contracting is subject to limited enforcement without exclusion. The optimal dynamic contract can be implemented with complete markets in one-period ahead Arrow securities subject to state-by-state collateral constraints. The focus of the lecture is on the implications for corporate capital structure and risk management in these two papers. The implications for the rental/leasing policy, the modeling of financial intermediaries, household finance, and the effect of durability of capital on financing are also discussed as time permits. Related empirical evidence as well as structural estimation/quantitative work is provided for completeness but not discussed in detail. To prepare for the lecture please read Rampini and Viswanathan (2013). A preliminary version of the lecture notes is available here (or at <https://faculty.fuqua.duke.edu/~rampini/>). You can contact me at rampini@duke.edu.

1. Theory

- Rampini, A.A., and S. Viswanathan, 2010, Collateral, risk management, and the distribution of debt capacity, *Journal of Finance* 65, 2293-2322.
- Rampini, A.A., and S. Viswanathan, 2013, Collateral and capital structure, *Journal of Financial Economics* 109, 466-492.
- Rampini, A.A., and S. Viswanathan, 2015a, Financial intermediary capital, Working paper, Duke University.
- Rampini, A.A., and S. Viswanathan, 2015b, Household risk management, Working paper, Duke University.
- Rampini, A.A., 2015, Financing durable assets, Working paper, Duke University.

2. Empirical and Structural/Quantitative Papers

- Rampini, A.A., A. Sufi, and S. Viswanathan, 2014, Dynamic risk management, *Journal of Financial Economics* 111, 271-296.
- Li, S., T.M. Whited, and Y. Wu, 2015, Collateral, taxes, and leverage, Working paper, SUFE and University of Rochester.