Outline of Part 2: Enforcement

1. Main Approaches to Enforcement

2. Costly Enforcement Model: Krasa and Villamil [8]
   (a) (Limited) Commitment and renegotiation
   (b) Payments and enforcement are chosen optimally as part of a PBNE
   (c) Information revelation
   (d) Stochastic versus deterministic contracts (debt is optimal when commitment is limited)

   (a) The model
   (b) The effect of $c$ on firm finance
   (c) The effect of $\eta$ on firm finance