

## **Project Updates**

My application to CERF consisted of two projects, I provide an update on both below.

### Networked Markets and Relational Contracts (joint with Ben Golub, Harvard and Matt Leduc, PSE).

In this paper we model relationships between businesses as relational contracts, derive the structure of these contracts and show that these contracts can be interpreted as social capital---and that this social capital is quickly lost in times of recession and takes a long time to recover.

We are continuing to work at the theory component of the paper, relaxing the assumptions we need to impose on the structure of the relational contracts (contracting space) while still deriving the form of the optimal relational contracts. We have made some progress with this, but still hope to go a little further.

We are also working on better motivating the assumptions we are retaining. This is done mainly, at present, by appealing to ethnographic work in sociology and simplicity. We are also continuing to explore the possibility of running a field experiment that will help to motivate the contracting restrictions we make and provide further evidence for the kind of relational contracts we find to be optimal within our restricted space. While we have run and analyzed a pilot using Upwork, there are some issues that we still need to resolve for rolling it out.

We gave a couple of talks on this project to gauge the reaction, but now need to make more progress before writing up and promoting the paper.

### Endogenous Financial Networks: Efficient Modularity and Why Shareholders Prevent It (joint with Jonathon Hazell, MIT and Co-Pierre Georg, Bundesbank and University of Cape Town)

In this paper we study the divergence between efficient financial networks and the financial connections banks choose to form.

The paper is now close to completion. Since the last report we have revised the paper. It is under submission at the Journal of Economic Theory where Xavier Vives is our editor.

We continue to promote the paper and present it regularly. My coauthor Professor Georg recently presented the paper at the EFA conference where it was discussed by Claudio Tebaldi from Bocconi.

This paper is available at:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2658249](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2658249)

## Other related activities

### Publications:

- A network approach to public goods (joint with Ben Golub). *Journal of Political Economy*, 2019.
- Decentralized bargaining: Efficiency and the core (with Francesco Nava). *Theoretical Economics*, 2019.
- The role of Networks in Antitrust Investigations (joint with Andrea Galeotti). *Oxford Review of Economic Policy*, forthcoming.

### Papers that are revise are resubmit:

- Commitment and (In)Efficiency: a Bargaining Experiment (joint with Marina Agranov), revise and resubmit *Journal of European Economic Association*.
- Social investments and informal risk sharing (joint with Attila Ambrus) revise and resubmit *Review of Economic Studies*.

### Professional Activities:

- Co-editor, *Oxford Review of Economic Policy* special issue on economic networks.
- Organizing Committee and local organizer, Seventh European Conference on Networks (2019).
- EIEF Fellowship, Einaudi Institute for Economics and Finance (Spring 2019)