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To CERF Board Members:

This is the final report for the project "Financial contagion in dynamic networks" which is funded by a CERF grant.

As I explained in previous reports, feedback from reviewers on the working paper for a previous project led to a simplification of the experimental design with the objective of constructing a theoretical model to formulate precise hypotheses to test in the lab. The lab experiment has now been completed, and we presented the results at various seminars and conferences. We are now in the process of conducting further analysis to incorporate some of the feedback we received, and we plan to have a working paper by early 2021.

The simplification and reduction in scope of the lab experiment meant that we left out an investigation of how policy interventions may help with mitigating the effects of contagion. We have therefore designed a further experiment to test how policy interventions can prevent systemic contagion to occur on hub-like and regular networks. We examine a financial intervention in terms of a fine, as well as a behavioural intervention in terms of a negative informational "nudge" given to participants.

The online experiment involving approximately 400 participants has been completed using a near-representative sample of the US population. We have presented the preliminary results at one webinar, and we are now in the process of completing the analysis. We expect to have a working paper ready by early 2021.

I would like to take this opportunity to thank the Board of the CERF Fund for the support they have given to my research.

Yours ever,

Edoardo Gallo