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To CERF Board Members:

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

The ability of individuals and institutions to lend funds to each other to pursue investment opportunities is crucial for the efficiency of the financial system, but, at the same time, it augments its fragility by increasing everyone's exposure to an isolated shock. The aim of this project is to investigate the resilience of different network structures in a setting where the network is endogenous because individuals can withdraw the funds they lend to others in the event of a shock.

After the delay to the timeline of the experiments described in my last report in April 2019, we received IRB approval to run the experiments. All experimental sessions were successfully completed in June 2019. The smooth running of the experiment corroborated the choice to simplify the design from the original proposal, see the description in my CERF Fellow Report in September 2018. Furthermore, the whole experiment was coded in o-Tree which will allow us to conduct both lab and online sessions.

The RA who conducted the experiment unexpectedly decided not to continue with graduate studies and therefore we are now in the process of recruiting someone else to begin the data analysis. This delay adds up to the previously mentioned one on getting IRB approval so it is likely I may have to ask for an extension to the original deadline of July 2020. I will, however, wait until the end of Michaelmas Term before requesting an extension because I am visiting Singapore for a week in late October to work on the project and I will have a more precise picture of the timeline at that stage.

To summarize, we have completed the lab-based experiments and we are currently in the process of recruiting an RA to start the process of cleaning and analysing the data.

Yours ever,

Edoardo Gallo