

## **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 have developed the theoretical part of this paper and continue to refine the model. While the theoretical results are nice, we need relatively strong restrictions on the contracting space in order to keep the problem tractable. Although these restrictions on the contracting space are, in our view natural, and we can motivate them by ethnographic work in sociology, this is nevertheless the main limitation of our work. Our efforts have been directed towards addressing this, and we have two work streams attacking it. First, we are trying to generalize the theory and relax the assumptions we are making on the contracting space. Second, we are exploring the possibility of running a field experiment that will help to motivate the contracting restrictions we make and provide evidence for the kind of relational contracts we find to be optimal within our restricted space.

We have given one external talk on this project, last summer at a conference hosted by the Paris School of Economic, to gauge the reaction to approach, and this confirmed the direction we need to take the project in.

### Endogenous Financial Networks: Efficient Modularity and Why Shareholders Prevent It (joint with Jonathon Hazell, MIT)

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 and we have submitted it to The Review of Financial Studies. Before that we tried The Review of Economic Studies. We were invited to submit a revision, if we could find evidence to support our theoretical results, with the understanding that the paper would be treated as a new submission (a reject and resubmit). We added an empirical part to the paper that supported the theory, but were unsuccessful with our resubmission.

We continue to promote the paper and present it regularly. Most recently we presented it at the Federal Reserve Board Conference on The Interconnectedness of Financial Systems in March.

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.

### 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)