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DOCTORAL STUDIES

Massachusetts Institute of Technology (MIT)
PhD, Economics, September 2011
DISSERTATION: "Essays in Organizational Economics"

DISSERTATION COMMITTEE AND REFERENCES

Professor Robert Gibbons
MIT Sloan School of Management
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Professor Glenn Ellison
MIT Department of Economics
50 Memorial Drive, E52-380A
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Professor Bengt Holmstrom
MIT Department of Economics
50 Memorial Drive, E52-383A
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PRIOR EDUCATION

M.A.	Economics	UCLA	2006
B.A.	Economics	UCLA	2006
A.A.	Liberal Arts	West Valley College	2003

CITIZENSHIP U.S.A. **GENDER:** MALE **YEAR OF BIRTH** 1982

FIELDS

Primary Fields: Organizational Economics, Contract Theory
Secondary Field: Industrial Organization

TEACHING EXPERIENCE

Teaching Assistant for Robert Gibbons, Graduate Organizational Economics (14.282), MIT, Fall 2010
Teaching Assistant for Joseph Ostroy, Graduate Microeconomic Theory III (Econ. 201C), UCLA, Spring 2006

RELEVANT POSITIONS

Postdoctoral Associate, MIT Sloan School of Management, 2011-present
Research Assistant for Robert Gibbons, May 2008-July 2009

Research Assistant for Amy Finkelstein and Liran Einav, 2007-2008
Research Assistant for Robert Gibbons and Richard Holden, 2007-2008
Research Assistant for Panle Jia and Steven Berry, 2007-2008

FELLOWSHIPS, HONORS, AND AWARDS

National Science Foundation Graduate Research Fellowship (2007-2008, 2009-2011)
Massachusetts Institute of Technology Presidential Fellowship (2006-2008)
Robert D. and Margaret A. Wark Memorial Scholarship (2005-2006)
UCLA Departmental Scholar in Economics (2004-2006)
SBC Foundation Scholarship (2004-2006)
Alumni Scholarship in memory of Blake Lawrence Rogers (2003-2005)

PROFESSIONAL ACTIVITIES

Invited Participant at Grossman and Hart at 25 conference, ULB (June 2011)
Price Theory Summer Camp, University of Chicago (June 2009)
Summer School in Economic Theory, Hebrew University (July 2008)
Co-President, Graduate Economics Association (2007-2008)

Referee for: *American Economic Journal: Applied Economics, Journal of Economics and Management Strategy, Journal of Labor Economics, Journal of Law and Economics*
Program committee: NBER Organizational Economics Conference (2009, 2011)

PUBLICATIONS

"Organization and Information: Firms' Governance Choices in Rational-Expectations Equilibrium" (with Robert Gibbons and Richard Holden) Conditionally accepted, *Quarterly Journal of Economics*
We analyze a rational-expectations model of price formation in an intermediate-good market under uncertainty. There is a continuum of firms, each consisting of a party who can reduce production cost and a party who can discover information about demand. Both parties can make specific investments at private cost, and there is a machine that either party can control. As in incomplete-contracting models, different governance structures (i.e., different allocations of control of the machine) create different incentives for the parties' investments. As in rational-expectations models, some parties may invest in acquiring information, which is then incorporated into the market-clearing price of the intermediate good by these parties' production decisions. The informativeness of the price mechanism affects the returns to specific investments and hence the optimal governance structure for individual firms; meanwhile, the governance choices by individual firms affect the informativeness of the price mechanism. In equilibrium the informativeness of the price mechanism can induce *ex ante* homogeneous firms to choose heterogeneous governance structures.

RESEARCH PAPERS

"Productivity and Credibility in Industry Equilibrium" (Job Market Paper)
Productivity dispersion among seemingly similar firms has been widely documented and often viewed as symptomatic of an underlying misallocation of resources. Why does a firm that is marginally more productive than others

not expand? Following Penrose and Chandler, I argue that in order to expand efficiently, a firm must decentralize operating decisions to managers. In order to decentralize, a firm's owner must make credible promises to reward judicious use of the firm's resources. I therefore develop a model of relational contracts in a competitive environment with heterogeneous firms. Credibility requires collateral, which takes the form of future competitive rents. In equilibrium, competitive rents are allocated inefficiently: high-ability firms are better able to solve their credibility problem than low-ability firms and therefore, the marginal collateral value of competitive rents is not equalized across firms. Improvements in formal contracting institutions reduce the importance of credibility and therefore disproportionately benefit low-ability firms. Cross-country differences in contracting institutions can therefore partially explain the observed pattern that misallocation is greater in developing countries.

"Influence-Cost Models of Firms' Boundaries and Control Structures"
This paper explores organizational responses to influence activities – costly activities aimed at persuading a decision maker. As Milgrom and Roberts (1988) argued, rigid organizational practices that might otherwise seem inefficient (including closed-door policies, flat incentives, defensive information acquisition, and rigid decision-making rules) can optimally arise. I show that, if more complex decisions are more susceptible to influence activities, optimal organizational design may partially account for the observed correlation between the quality of management practices and firm performance reported in Bloom and Van Reenen (2007). Further, the boundaries of the firm can be shaped by the potential for influence activities, providing a theory of the firm based on ex-post inefficiencies. Finally, boundaries and rigid organizational practices interact: more concentrated decision-making and rigid practices are complements.

"Rational-Expectations Equilibrium in Intermediate Good Markets" (with Robert Gibbons and Richard Holden)
We analyze a rational-expectations model of information acquisition and price formation in an intermediate-good market: prices and net supply are non-negative, there are no noise traders, and the intermediate good has multiple potential uses. Several of our results differ from the classic Grossman-Stiglitz approach. For example, the price mechanism is more informative at high and low prices and potentially uninformative at middle prices. Also, an informed trade by a producer of one final good amounts to a noise trade from the perspective of a producer of another final good, so (a) as the price mechanism becomes more informative for producers of one final good, it becomes less informative for producers of others, who therefore have a stronger incentive to acquire information, so information acquisition has the strategic-complements property between groups, and (b) having more producers (in multiple groups) become informed need not increase the informativeness of the price mechanism.

RESEARCH IN PROGRESS

"Handing Out Guns at a Knife Fight: Behavioral Limitations of Subgame-Perfect Implementation" (with Ernst Fehr and Tom Wilkening)
Maskin and Tirole (1999) challenge the microfoundations of incomplete contracting models by demonstrating that subgame-perfect implementation mechanisms can always be used to obtain first best outcomes when payoff-relevant information is observable but non-verifiable. These subgame-perfect implementation mechanisms add off-equilibrium arbitration clauses to a contract which either party can invoke in the event of a lie by the other party. The arbitration clauses induce truth telling by imposing large fines for both lies and false calls for arbitration, but require strong rationality assumptions and a willingness for individuals to take selfishly optimal actions which have a large impact on another agent's payoffs. In this experiment, we study two key assumptions of subgame-perfect implementation: 1) that parties are willing to accept contracts that generate fines of arbitrary size and 2) that individuals do not reciprocate punishment for contracts that go to arbitration. The mechanism performs significantly worse than Maskin and Tirole predict and players prefer not to subject themselves to it. Retaliatory preferences, loss aversion, and fear of irrationality are consistent with observed play. These findings have important implications for the optimal design of mechanisms.