Over the past 40 years, the Stigler Center has focused on elucidating the interaction between politics and the economy through research and teaching on regulatory capture, subversion of competition by special interests, and the role of private markets and competition in promoting welfare. Since its founding in 1977 by Nobel laureate George J. Stigler as the Center for the Study of the Economy and the State at the University of Chicago, the research center has operated as a joint enterprise of economists and legal scholars at Chicago Booth, the Department of Economics, the Law School, and other areas of the university. The center was renamed in Stigler’s memory after his death in 1991.

To carry out its mission of promoting competitive markets, the Stigler Center has embarked on a program of outreach, education, and research. The center publishes a working paper series and a case study series, and disseminates its research via conferences and lectures. In addition, the center engages with the wider community through its blog ProMarket, its Journalists in Residence Program, its podcast “Capitalisn’t” (in collaboration with Chicago Booth Review) and through outreach with students and alumni.

The Stigler Center is a significant contributor to the continuity and growth of Chicago Economics, which is known worldwide for four attributes:

- A view of economic theory as a powerful tool for understanding the world
- A deep appreciation for the role of private markets in promoting human welfare
- An understanding of the legal infrastructure that facilitates market performance
- Careful empirical testing of the predictions of economic theory

The Stigler Center is appreciative of the philanthropic support* from The Lynde and Harry Bradley Foundation; Robert C. Jones; Edward A. Snyder, AM’78, PhD’84; Daniel and Anke Tierney; and Mindee Wasserman, MBA’87.

*Gifts made July 2017–June 2018
The academic year 2017–18 marked the celebration of the 40th anniversary of the Stigler Center, a fitting event for a year characterized by accomplishments in ongoing initiatives as well as new ventures. We celebrated the occasion with a conference honoring George Stigler’s memory and reflecting on his enduring legacy in the 21st century. The forum featured contributions from family members, former colleagues, and students.

The center organized four additional conferences, including the second annual Antitrust and Competition conference. Once more it garnered prominent scholars, regulators, and industry experts, this time to focus on digital platforms and concentration. It attracted significant media interest, and culminated in my call to establish an independent interdisciplinary committee to study digital platforms, which I am delighted to report is starting to take shape.

The Stigler lecture series continues to provide high-quality and impactful public programming. In 2017–18, the center hosted six events with renowned personalities. The center’s mini-course series has also continued to explore cutting-edge ideas not incorporated into the standard curriculum. The popularity of these events is demonstrated by attendance not only by Booth students and faculty, but also undergraduates, alumni, staff, and members of the general public.

The center’s working paper series continued to expand, adding 17 new entries. This includes a buzzworthy piece by 2017–18 Bradley Fellow and Booth PhD Candidate David Finer, who researched anonymous New York City taxi records to infer interactions between insiders at major commercial banks and the New York Fed. The media coverage was extensive, with citations by The Wall Street Journal, Economist, Fortune, and more.

The Journalists in Residence program has further increased in popularity, with a remarkable 185% increase in applications in its second year. The eight fellows selected hailed from six countries and a variety of news outlets, including The Financial Times, CNN Chile, and The Wall Street Journal. The program continues to enhance the connections between the center and the larger Booth and university community, and amplifies the center’s global reach.

Last but not least, in January 2018, we launched Capitalism’s—the Stigler Center podcast, cohosted with Katherine Waldo of Georgetown University. Currently at 22 episodes, it ranks among the top 5% of podcasts. The ability to reach a younger and more diverse audience in an engaging format is an exciting opportunity for us. The podcast, together with the ProMarket blog—which continues to provide coverage of cutting-edge research and relevant topics—further highlights the center’s ongoing efforts to pursue our directive for broader outreach.

As we enter the new school year, I look forward to the richness and diversity of events we have planned. Please join me over the coming year in working to further enhance George Stigler’s legacy, just as we have for the past 40 years, with an updated focus on innovating for the 21st century.

Sincerely yours,

Luigi Zingales
Faculty Director
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The George J. Stigler Center for the Study of the Economy and the State
IMPACTING THE WORLD
Launched in 2016, the Stigler Center’s lecture series features thought leaders from academia, business, politics and policy, and the media—all of them experts in how incumbents can shape markets and political systems to their own ends. In 2017–18, the Stigler Center hosted six of these events, on topics ranging from Berlusconi’s Italy and liberalism in decline, to Harvard Business School’s role in shaping American capitalism, to the “Marketopia” imagined in the influential new book *Radical Markets.*
What a Trump America Can Learn from Italy
September 26, 2017

No other country in the European Union, according to the Pew Research Center, is as supportive of president Donald Trump as Italy. That is because in many ways, Italy has already had its own billionaire businessman in power: Silvio Berlusconi, who served as Italy’s prime minister for a total of nine years between 1994 and 2011.

During his visit to the Stigler Center, Italian journalist Beppe Severgnini expounded on the lessons the United States can learn from Italy’s experience under Berlusconi, a billionaire who disparaged women, refused to resolve his numerous conflicts of interests, passed legislation that helped his own businesses, clashed repeatedly with the judiciary, and was easily bored by details and long meetings. “Berlusconi was rich, he was a womanizer, he came from nowhere, and he was treated like an outcast by the political and financial establishment in Italy,” said Severgnini. Those factors, he added, turned out to be Berlusconi’s “blessing.”

Severgnini also discussed why populist plutocrats like Berlusconi have risen to power all over the world in the past two years. “Populist plutocrats have a chance, when societies fail to deliver… If you look at populist plutocrats, they always follow a crisis,” he said.

To combat these trends, he said, proponents of democratic principles need to do three things: take populist plutocrats “seriously, but not literally;” don’t let them become “an obsession,” since this only benefits them; and build a counternarrative. “The narrative of populists may seem naive, but it is powerful and simple,” he said. Their opponents, he said, must build a narrative that is equally powerful and passionate.
Is Western Liberal Democracy in Retreat?
October 25, 2017

While the recent victories and near-victories of far-right nativist parties in Europe and the United States have raised red flags about the future of Western liberal democracies, the current “democratic recession” began long before Trump and Brexit, said Financial Times columnist Edward Luce during a visit to the Stigler Center.

Luce, the Washington columnist for the Financial Times and former speechwriter for then Treasury secretary Lawrence Summers, is also the author of the recent The Retreat of Western Liberalism (Atlantic Monthly Press, 2017). In his Stigler talk, he surveyed what he called “the gravest challenge to Western liberal democracy since the Second World War,” arguing that the roots of the ongoing crisis of liberal democracies can be traced back to several events, including the reaction to the September 11 terrorist attacks, the 2008 financial crisis, and the rise of China, and the issue of inequality. “The War on Terror is a blunder we’re still paying for,” he said, as it severely damaged American reputation and led to an ongoing suspension of civil liberties.

But the democratic recession is not unique to the United States—it’s an international problem, ranging from the Americas across wide portions of Europe. “There are 25 fewer democracies today than 20 years ago,” said Luce, who devoted a significant part of his talk to the toxicity of inequality, which “in any context produces political capture.” In 2000, he said, “31 percent of Americans said they belonged to the lower class. In 2016, 49 percent of them did. This is an important number, as it tells how people feel.”

Luce continued to survey the global crisis of democracy, analyzing trends from Germany to India and discussing the important role played by technological changes, in particular the rise of social media and campaign micro-targeting. “There is a false debate between those who think this is economic and those who think this is cultural anxiety,” he said of the debate over the roots of the current rise of political extremism. Nevertheless, he added, “we’re in a crisis, and it’s deep.”
Americans have become too complacent and risk-averse, sapping the US economy of its innovative spirit, argued George Mason University economist Tyler Cowen during a Stigler Center debate with Luigi Zingales. “Our politics seems screwy no matter what exactly your stance might be,” said Cowen, founder of the popular economics blog Marginal Revolution and author of the recent book, The Complacent Class: The Self-Defeating Quest for the American Dream. “Real wages have largely stagnated. Productivity growth is down. Different forms of mobility are mostly down.”

During their discussion, Cowen and Zingales debated the nature of what Cowen described as America’s “complacency” problem, their diverging views on digital monopolies, and Cowen’s policy prescriptions for a more innovative America. “I think the overall patterns we see for children and teenagers indicate less concern for what I would call individual liberty and more risk aversion,” said Cowen.

“The defining feature of our current era, in Cowen’s view, is that Americans’ “individually rational” risk aversion has created negative consequences at the collective level. Yet in order to keep indulging our current taste for stability with hitting a wall in terms of innovation or fiscal health, he argued, the government needs to deregulate most sectors of the economy other than finance and climate and even some of finance. I would encourage state and local governments to deregulate building as much as they could. I would radically reform our immigration policies to make it sustainable for us to take in a much greater number of people, and I would have an actual fiscal plan to put the budget on a sustainable course. And I would significantly boost funding to science on the innovation side.”
The Golden Passport
January 18, 2018


Harvard Business School (HBS) is the largest business school in the world, but is it fulfilling its founding mission of educating businesspeople who “handle their current business problems in socially constructive ways”? In *The Golden Passport*, one of the most talked-about business books of 2017, McDonald charts the history of HBS, using it to launch a scathing critique of the impact of HBS and American business schools in general.

In his Stigler Center talk, McDonald laid out his argument against HBS. On numerous opportunities, he argued, HBS has abandoned its role as an independent academic institution, instead serving as a “cheerleader” to American corporations in the hopes of securing donations and access. “The idea that capitalism as it was introduced in this country was perfectly designed is absurd on its face… I don’t think medical schools would do that,” he said, adding that “the assumption that American capitalism is superior to other forms of capitalism or to other alternatives is an unfair generalization.”

McDonald went on to criticize HBS’s adherence to the case study method and its close relationship with the corporations it studies. “Is the case method a great way to learn certain things? I am sure it is. But it also raises all sorts of thorny questions.”

On the private consulting work some HBS professors do in addition to their teaching, he said: “If there’s nothing we should be concerned about here, disclose the consulting arrangements your professors have… If there’s nothing to hide, don’t hide it.”

McDonald, himself a graduate of Wharton, also responded to criticisms that his book is “unfair” and lacking due to him being denied access to HBS and HBS faculty. “The bulk of that book is constituted of things that people working for HBS either wrote or said. I am using their own words and holding them up to their stated intentions.”
Financial Regulation and Beyond: An Insider’s Perspective with Sharon Bowen and Guy Rolnik
February 26, 2018

“My concern is that we are preparing for the problems of 2008–09, [whereas] we have new problems now,” said Sharon Bowen, a former commissioner of the US Commodity Futures Trading Commission (CFTC), in a Stigler Center conversation with Guy Rolnik, Chicago Booth clinical associate professor for strategic management, on the challenges and opportunities facing regulators in the financial sector.

Bowen, who served as CFTC commissioner from 2014 from 2017, has more than 35 years of regulatory, securities, and public policy experience. When she announced her resignation from the CFTC, with the agency having only two commissioners on what is mandated to be a five-member bipartisan board, Bowen remarked that the CFTC was “frozen in place while the markets we regulate are moving faster every day.” In her Stigler Center appearance, Bowen reiterated her concerns that markets are moving ahead rapidly as regulators struggle to catch up.

During her fireside chat with Rolnik, Bowen also discussed the challenges of regulating “dark markets,” such as derivatives prior to the 2008 financial crisis, and examined the challenges of regulating cryptocurrencies today. “Regulators are doing the right thing. They’re taking it seriously, as something that is not yet a threat but could become a threat,” she said, adding that “caution is good, as long as it doesn’t stifle innovation.”

Bowen also shared her own experiences as a regulator dealing with attempts by special interest groups to influence regulation (“There were lobbyists that came to see me all the time. There is record of every meeting we had,” she noted) and the future of Dodd-Frank reforms. “I don’t think we see this huge rollback of Dodd-Frank. I think there are some tweaks around the edges,” she said. “[CFTC] commissioners made clear that there’s no intention to roll back Dodd-Frank, at least in the derivatives market.”
Radical Markets and the Captured Economy
May 1, 2018

The authors of two of the most talked about books of the past year visited the Stigler Center in May for a fascinating debate on rent-seeking, regulatory capture, and the limits of free markets. Brink Lindsey, vice president for policy at the Niskanen Center, presented his book (coauthored with Steven Teles) *The Captured Economy: How the Powerful Enrich Themselves, Slow Down Growth, and Increase Inequality*, while Eric Posner and Glen Weyl presented their ambitious book *Radical Markets: Uprooting Capitalism and Democracy for a Just Society*. The debate, moderated by Georgetown University’s Katherine Waldock, spanned a wide array of subjects, from money in politics and patent law, through antitrust, to the importance of users owning their own online data.

*The Captured Economy*, explained Lindsey, is about “slow growth and high inequality,” and why the growing influence of industry interest groups has both increased inequality and harms economic growth. Widespread rent-seeking, he said, has already caused a crisis of democracy in the United States, stemming from a loss of faith in institutions and governing elites. A change to the political system is needed, he argued, one that would make policy decisions more contestable.

Weyl, meanwhile, spoke about “Marketopia,” his and Posner’s vision of a society in which two-thirds of all property—land, houses, cars—is mostly publicly owned and perpetually auctioned off to the highest bidder. Weyl went on to describe property rights and contracts as “monopolistic restrictions” and said that his and Posner’s book attempts to revive the thought of Henry George, who famously advocated for socializing land through taxing its value. While some of the suggestions they make in their books are very radical, Posner said that large amounts of property are already publicly owned, and that their ideas can be experimented with incrementally, to see if they work. Weyl, for his part, said that the point of the book is to inspire and generate political engagement, particularly among young people.
MINI-COURSE SERIES

In 2017–18, the Stigler Center continued the mini-course series it launched in the previous academic year. In this series, targeted to MBA and PhD students, the center invites leading scholars from other universities and experts from different fields to teach a series of standalone, interrelated seminars on cutting-edge ideas not incorporated into the standard curriculum. Three mini-courses were held this year. Videos of the mini-courses can be found on the Stigler Center website.
Fintech and Banking in Europe: A Steady Revolution
February 14–15, 2018

In February, the Stigler Center hosted two standalone, interrelated lunch seminars with Italian banker and investor Roberto Nicastro on fintech and banking in Europe. Nicastro is a veteran businessman who has served as chair of the Italian financial company Cassa del Trentino since 2015. He is also an angel investor in several fintech and various other startups.

How Fintech Is Transforming Retail Financial Services in Europe

In the first part of his mini-course, Nicastro discussed fintech’s enormous influence on retail financial services in Europe, the impact of these changes on customers and incumbent players/banks, the continent’s digital divide, the monetization of data, and recent regulatory initiatives, reviewing these developments from the perspective of an investor and former banker.

Nicastro used PayPal as an example of what he called “proto-fintech,” a harbinger of the current revolution taking place in financial services. Fintech, he said, is a truly global phenomenon and ultimately strengthens consumers in the long term and mitigates the impact of information asymmetries. In Europe, unlike the United States, fintech is comparatively more B2B than B2C, located in proximity to financial centers, and made up of many startups by mid-career professionals. Also, Europe’s more fragmented economic structure is reflected in the structure and role of financial markets, which makes bank lending more relevant than capital markets to the economy.

Nicastro also discussed two recent European regulatory pushes, PSD2 (Payment Services Directives) and GDPR (General Data Protection Regulation). The regulatory environment in Europe, he opined, is friendly to fintech, which “distinctively impacts” the fintech’s growth.

Banks’ Reaction to Fintech: Strategies, Legacies, “Coopetition”

In his second lecture, Nicastro discussed the reaction of incumbent banks to the growth of fintech, the possibilities of banks partnering with fintech firms or investing in fintech venture capital initiatives, and “legacy issues” and short-termism as “hurdles to the digital drive.” Nicastro began, “In this moment, it’s completely unclear what will happen.” Fintech, he said, provides banks with risks and opportunities: on the risk side, fintech would give more power to bank consumers, creating more transparency and ultimately eroding bank margins. Another risk is the “cannibalization” of banking services and customers by fintech firms, targeting the most profitable and sophisticated customers and sectors first, which imperils banks’ reliance on cross-subsidies.

Nevertheless, he said, fintech presents banks with opportunities to increase revenues as well. When discussing possible strategies through which banks could benefit from the rise of fintech, one is big data: by employing big data technologies, banks could arrive at better “price sophistication” and reduce churn, said Nicastro. Another would be “focused alliances” with fintech companies—which Nicastro dubbed “cooperation.” Even the role of bank branches, he said, is far from over, though its success in the future lies in service upgrade. Ultimately, said Nicastro, banks have to reduce costs and simplify their business model. Such a maneuver, he added, would be a “no-regret move.”
Paul Tucker, research fellow at the Harvard Kennedy School of Government and former deputy governor at the Bank of England, visited the Stigler Center to give three lunch seminars on central banking and democracy. Tucker, chair of the Systemic Risk Council and author of the recent book *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State*, spoke about central banking’s legitimacy problem and how to ensure that central bankers are not considered “over-mighty citizens.”

**Constraining Central Banks in Democracies**

At the beginning of his first seminar, Tucker offered a revised title to his Stigler mini-course: “How Technocracy Should Retreat to Preserve Our System of Government (and Its Own Contribution to Welfare).” Our current system, he said, puts too much power in the hands of unelected technocrats. Central bankers in particular, he said, have become the “poster boys and girls of today’s unelected power.”

Many defenders of technocratic power ignore the risk of public backlash and subsequent reduction of allegiance to the democratic system of government. Legitimacy, according to Tucker, makes a system of government resilient in the face of inevitable policy failures and catastrophes. He went on to present his principles of delegation to independent agencies. When regulatory power is delegated, it must be done by the legislature after public debate, with a clear and monitorable objective, and powers that don’t interfere with liberal freedoms.

**Applying the Principles for Delegation**

In his second seminar, Tucker examined how the principles he laid out for delegation of power to independent agencies (IA) fit within the constitutional structures and norms of the US, UK, and Germany, and how constitutionalism affects the incentives to delegate power to IAs. Tucker went on to discuss the incentives for the three branches of government in the US to maintain the administrative state. American IAs are only semi-independent and all have multiple vague objectives, he said. With little guidance, agencies are incentivized to fill in the details, but often they do more than that and actively create policy. While this is lawful, he said, it’s not necessarily politically legitimate. It also gives Congress incentive to shift blame toward IAs, while the Supreme Court has an incentive to let the administrative state remain.

**The Post-Crisis Central Banks**

Is monetary policy independence out of date? At the beginning of his third seminar, Tucker cited a critique of present-day central banking by former Treasury Secretary Lawrence Summers: “At a minimum, central bank independence needs reconsideration and it’s possible that it can no longer be justified in its current form.”

The mission of central banks, argued Tucker, should be twofold: 1) to maintain the “stability of the value of central bank money in terms of goods and services;” and 2) to maintain “the stability of the value of the private-banking system in terms of central bank money.” The concept of financial stability, he argued, should instead be changed to a concept of “system resilience,” the degree of which should be decided by elected politicians. Central bankers can offer their opinion in public, so long as they make explicit the connection between this opinion and their formal mandate. As “legitimacy seekers,” he added, they should explain the institution to the public and must be ready to take criticism.
Corporate Political Influence in the United States
May 23–24, 2018

In May, the Stigler Center hosted two seminars with Brian Richter, an assistant professor in the business, government, and society department at the University of Texas at Austin’s McCombs School of Business. Richter, a Stigler Center visiting researcher, explored such topics as corporations’ efforts to capture the government and influence policy outcomes, the proliferation of corporate money in politics, and the connection between corporate political influence, gerrymandering, and corporate social responsibility.

Corporate-Linked Money

Debates over the involvement of corporate money in American politics in America, explained Richter during his first seminar, stretch back to the early 20th century, when the Tillman Act first prohibited corporate contributions to national campaigns. In his talk, Richter outlined the various ways in which corporations can use money to influence politics in the United States, from corporate-linked PAC money to personal contributions by corporate CEOs, and discussed the tension between the public perception that there is too much corporate money in politics and the Tullock paradox: given the high, why don’t firms spend more on politics? All of these views, he argued, miss the many ways corporations can spend to influence politics, and the different types of politics they can spend on.

Richter focused on three main avenues of corporate political influence: campaign contributions, lobbying, and charitable contributions. He explained the mechanisms that drive these forms of corporate political engagement, how each is regulated, and the creative ways in which firms try to bypass these regulations. Richter also explored the challenges involved with tracking and measuring some of these forms of corporate political spending, like charitable contributions and independent expenditures. The big problem with money in politics, he said, is transparency.

Alternative Sources of Influence

In his second seminar, Richter explored the limits to corporate political spending and nonmonetary forms of political influence, such as gerrymandering. Votes and constituency support, for instance, can be important factors for firms interested in shaping policy outcomes. Richter especially focused on redistricting and how firms interested in obtaining beneficial policy outcomes can use political districts in their favor. Bridging political science and economics, he said, is crucial if we want to better understand corporate political influence, citing research on the tradeoffs politicians make between votes and campaign contributions.

Richter then talked about the limits of regulating those kinds of nonmonetary forms of influence, and, citing such cases as HP and e-waste regulation, he reviewed recent studies on the effect of negative reputation on corporate political activity. Embedding corporate social responsibility practices in the law, he said, might be the socially optimal policy.
Populist Plutocrats: Lessons From Around the World  
September 23, 2017, Harvard Law School, Cambridge, MA

How can a rich man successfully pose as representative of the poor and disenfranchised and become the leader of a populist movement? While the election of Trump seemed shocking and unprecedented to many Americans, it struck a familiar note with citizens of countries like Italy, Thailand, Peru, the Philippines, Argentina, South Africa, and Russia. Those countries, along with many others, are or have been ruled by leaders who could be described as “populist plutocrats.”

Populist plutocrats exploit the cultural and economic grievances of poorer, less-educated voters against traditional elites to achieve and retain power but, once in office, seem substantially or primarily interested in enriching themselves and their circle of family members, cronies, and allies. Americans have much to learn about populist plutocracy—both how it functions and how to fight it—from those who have confronted this phenomenon elsewhere.

In September, Harvard Law School and the Stigler Center organized a one-day conference in Cambridge, Massachusetts, bringing together academics, journalists, politicians, policymakers, and civil society activists from countries with their own experiences with populist plutocrats to share.

“Too often, we in politics and academia are obsessed with details. We think that the context and social economic environment in each country is different, and we fail to see the common trends and similarities between what’s been happening in our countries,” said Abhisit Vejjajiva, the former prime minister of Thailand and current Democrat Party leader, who discussed his time in opposition to Thaksin Shinawatra, the telecommunications mogul who served as Thailand’s prime minister between 2001 and 2006, when he was deposed in a coup. Other participants discussed the regimes of Joseph Estrada, a former action movie star who was president of the Philippines from 1988 to 2001, Jacob Zuma in South Africa, and Alberto Fujimori in Peru, and what these very different countries and political movements had in common.

There are a number of necessary conditions under which populist plutocrats arise, Luigi Zingales concluded, chief among them a major failure by the ruling class. “The reason why people revolt and they are willing to take anything from new leaders is because the current system doesn’t work,” he said. “The same story of failure makes many people go for crazy alternatives.” The challenge, he added, is “to create a system that works not only for us, but for everyone.”
Stigler in the 21st Century
November 8–9, 2017, Chicago

To celebrate the 40th anniversary of its founding, the George J. Stigler Center for the Study of the Economy and the State held a special conference honoring the legacy and life of George Stigler. Titled “Stigler in the 21st Century,” the event brought together academics and intellectuals to discuss Stigler’s legacy as well as current research on the role of private markets in promoting human welfare and the role that legal infrastructure has on market performance.

Among the participants were statesman and former Chicago Booth dean George Shultz, who prepared a special video tribute celebrating Stigler as a “sensational human being” and a “brilliant researcher who produced astonishing and worthwhile” empirical and theoretical works.

Stigler’s colleagues and protégés, including Nobel prizewinner Eugene Fama, Booth professor Sam Peltzman, Harvard economics professor Andrei Shleifer, and Stigler’s longtime research assistant and collaborator Claire Friedland, reminisced about the late economist and his impact on the development of economic thought. “He didn’t want to form policy and he didn’t even want to inform policy. He just wanted to understand it, and that’s how he ran the Stigler Center,” said Booth professor Robert Topel, himself a former director of the center.

Throughout the conference, participants commemorated Stigler’s warmth and wit, as well as his famous candor as a teacher and colleague, particularly in his industrial organization workshop. Every year, said Topel, Stigler would host an end-of-year workshop party at his house, where faculty would play charades with phrases he had selected from Adam Smith’s *The Wealth of Nations*, acting out such famous ideas as “the division of labour, limited by the extent of the market.” Other participants discussed Stigler’s work and its lasting importance in economics today. Stigler, said Shleifer and Peltzman, played a key role in what they called the “great convergence” of economics, whereby Chicago ceased to be an outlier and started setting the tone for the rest of the field.

Dartmouth professor Douglas Irwin discussed the development of Stigler’s views on monopolies and antitrust, which he argued was consistent through the decades. While Shleifer explored Stigler’s influence on the enforcement theory of regulation, Booth professor Dennis Carlton discussed his lasting influence on industrial organization. University of Chicago Law School professor and retired judge Richard A. Posner, formerly of the Seventh Circuit Court of Appeals, offered his own recollections of Stigler as a colleague, economist, and friend.
On April 19–20, the Stigler Center hosted its second annual Antitrust and Competition conference. This year, the conference was dedicated to the topic of “Digital Platforms and Concentration.” The invitation-only event brought together economists, law scholars, journalists, venture capitalists, and businesspeople. Among them were Makan Delrahim (assistant attorney general for the Department of Justice’s antitrust division), Alvin Roth (the 2012 Nobel laureate in economics), and Jean Tirole (the 2014 Nobel laureate in economics), who all delivered keynote lectures.

The economic and societal role of the handful of large companies known as the “digital platforms” has grown dramatically in the past decade. Google, Amazon, and Facebook are not only transforming communication, media, and retail but have the potential to transform many other industries. While they invest billions in research and development and propel important innovation, they also raise many policy questions with regard to their dominance in many markets, the vast consumer data they collect and own, and their influence on the markets for news, information, and ideas. Once celebrated as brilliant innovators that make the world a better place, big tech firms have experienced an intense public and political backlash.

During the Stigler conference, participants discussed issues related to the political power of digital platforms and their impact on the marketplace of ideas; the negative implications that the tactics and power of tech giants have for innovation and the startup ecosystem; and how to best address tech platforms’ power to shape opinions and democratic outcomes. Former Italian prime minister Mario Monti, who served as the European Commissioner for Competition between 1999 and 2004, argued that antitrust enforcement is “more vigorous” in Europe than in the US—a conclusion agreed upon by the majority of conference participants.

While opinions on how to regulate digital platforms differed, a majority of voices at the conference agreed that some form of government intervention is needed to address the power of tech giants. In a lengthy speech on US antitrust policy, Delrahim noted the change in public perception of tech firms and said enforcers “should be open and receptive to empirical evidence that companies in digital markets may be engaging in predatory pricing or other exclusionary conduct to drive out competition and cause long-run harm to consumers.”

At the end of the conference, Luigi Zingales proposed the creation of an interdisciplinary committee of academics and industry experts. While the conference was characterized by “wild disagreement” over how to regulate digital platforms, said Zingales, “there was an overwhelming consensus that something needs to be done. People disagree where, how, what, but something needs to be done.”
Political Economy of Finance
May 17–18, 2018, Chicago

Following the success of its first conference dedicated to the relationship between politics and financial markets in 2017, the Stigler Center held its second Political Economy of Finance conference in May. Despite the growing importance of political considerations in financial economics, the interplay between finance and politics remains understudied. For this reason, the Stigler Center brought together top researchers and academics to discuss and present new and exciting research on how politics might shape the rules that govern markets.

The conference featured a number of innovative papers exploring various themes related to the connection between finance and politics. The papers covered topics spanning across countries and historical periods, from China’s anti-corruption campaign and its impact on credit reallocation to the effect of political cycles on stock market returns.

Among the studies presented at the conference was a paper by Marianne Bertrand, Matilde Bombardini, Ray Fisman, and Francesco Trebbi examining how firms use charitable giving to influence politics, finding that companies can influence legislators by donating money to charities in lawmakers’ districts. Another paper by Efraim Benmelech, Nittaí Bergman, and Hyunseob Kim looked into the effect of labor market concentration on wages and found that wages are significantly lower in concentrated labor markets—and even lower in labor markets where unionization rates are low.

Another fascinating paper by Mikael Homanen examined the Dakota Access Pipeline controversy and suggests that banks see significant decreases in deposit growth after experiencing environmental, corruption, and tax evasion scandals. Another, by Kun Li and Phong T. H. Ngo, tracked how China punishes countries whose heads of state accept meetings with the Dalai Lama by curbing bilateral lending flows from its state banks. A paper by Fabio Braggion, Alberto Manconi, and Haikun Zhu used the US’s 1933 Silver Purchase program—which raised silver prices worldwide, drained China’s silver stock, and caused credit to Chinese firms to contract sharply—as a natural experiment to examine whether economic shocks can trigger labor unrest and boost support for fringe political parties. Bo Li, Zhengwei Wang, and Hao Zhou examined the efficacy of China’s anti-corruption reforms and found that anti-corruption investigations in China are associated with credit reallocation from less productive state-owned enterprises to more productive private firms.
This year the Stigler Center dedicated its third annual Theory of the Firm conference to corporate political engagement in Europe and the United States. Participants in this invitation-only conference, co-organized by University of Oxford’s Blavatnik School of Government, debated several questions that stem from the tension between the current economic theory of the firm and widespread political engagement by corporations.

The standard (economic) theory of the firm is silent on the role firms can play in shaping the rules of the game under which they operate. In reality, many firms lobby politicians and try to capture regulators in order to modify the rules of the game in their favor. The two previous Theory of the Firm conferences and a subsequent sequence of Stigler Center papers suggested that there is a “crisis” in the neoclassical theory of the firm. The researchers read the theory as suggesting that managers are positively required to invest in political activity—including political activity that weakens institutions on which the free market relies—if such investments are likely to increase shareholder value of individual firms.

Notably, Milton Friedman argued that firms should maximize profits “while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.” He did not argue that firms should maximize profits through investments designed to change the basic rules of the game to their advantage. Yet this is exactly what seems to be required under the prevailing theory of the firm.

The questions raised and discussed during this year’s conference included the following: What kinds of institutional mechanisms are effective at containing corporate political pressure? To what extent are they country-specific? Do differences in corporate law across jurisdictions shape corporate political engagement? Do norms of corporate behavior with respect to these issues differ across countries, and if so, why? How have states approached the problem of informing policymakers in those cases in which firms have privileged access to information, and how successful have these mechanisms proved to be?
A new podcast about economic research? “But that’s boring.” Luigi Zingales shrugs in the trailer for the new Stigler Center—Chicago Booth Review podcast Capitalisn’t.

Not so fast, says his cohost Kate Waldock, a finance professor at Georgetown. Underneath the dry research that is economists’ daily bread are the big questions that shape Americans’ daily lives: Is capitalism the engine of prosperity? Does capitalism sow the seeds of its own demise? At the nexus of both our economy and our politics there’s capitalism, and what Zingales and Waldock want to know is how well it is—or isn’t—working.

For Waldock, this question is something to get excited about. “Inequality, restraints on competition, powerful special interests—all of these things make me emotional,” she says. “So emotional that I want to, oh, talk about facts and economic research.”

Zingales decided to do a podcast for rather more functional reasons: “It is incumbent upon us academics to experiment with new media to diffuse knowledge,” he noted in a statement prior to the release of the podcast’s pilot. “The new podcast of the Stigler Center is such an experiment to reach a broader and younger public who is currently faced with huge economic problems, but not always with the knowledge to cope with them.”

Pedagogical aims notwithstanding, in the recording studio the buzz of their chatter over capitalism is infectious—“the sort of irreverent banter you’d hear between economists at a bar, if economists were capable of sarcasm and social enough to go out to bars,” as they describe it on the Capitalisn’t website.

Covering everything from Italian history to class warfare to the decline in workers’ rights to Facebook to retirement funds, Capitalisn’t shows that economics is so much more than most people think it is. And certainly not boring.

Recent episodes include:

“Abdomenable Transactions”
Should a kidney be sold to the highest bidder? Zingales and Waldock debate Nobel-winning economist Al Roth whose algorithm for kidney transplants has saved more than 6,000 lives. Roth says matching markets could be used for everything from online dating to the global refugee crisis.

“Worse than Brexit”
‘Quitaly.’ ‘Italeave.’ Whatever you call it, Italy’s recent election results are stoking fears that the once staunch supporter of the EU may be the next country to exit. Waldock asks Zingales, our resident Italian expert, how we got here and why it matters.

“O. Contin Pusher, MD”
Are doctors and pharmaceutical companies to blame for the opioid epidemic? Waldock and Zingales look at the role of supply and demand in fueling the distribution of prescription painkillers, and discuss the regulatory ramifications for medical marijuana.
The Stigler Center launched *ProMarket* on March 12, 2016, with the aim of promoting discussion of issues that receive little attention in the media and academia: the subversion of competition by special interests, barriers to entry, and regulation that protects incumbents and discourages competition. The blog’s goal is to gather information on the nature and costs of subversion of competition and educate the public about the importance of competitive markets. While other publications and economic blogs devote little attention to these issues, and when they do so they do it from a partisan standpoint, *ProMarket*’s loyalty doesn’t lie with one political faction, but with the economic principle that competition enhances welfare.

The 2017–18 academic year has been a transformative one for the blog. With a new managing editor, Samantha Eyler-Driscoll, and an expanded editorial board, *ProMarket* has featured coverage of original research done at the Stigler Center (such as David Finer’s much-discussed working paper “What Insights Do Taxi Rides Offer into Federal Reserve Leakage?” Simcha Barkai’s and Seth G. Benzell’s “70 Years of US Corporate Profits,” and John G. Matsusaka’s “Special Interest Influence under Direct versus Representative Democracy”), cutting-edge academic studies, and longform interviews with influential scholars and thinkers from a variety of disciplines such as economics, law, and political science, as well as industry experts and former policymakers. In the past year *ProMarket* has significantly widened its array of guest contributors. A well-functioning market economy necessitates vigorous public debate, and we believe that featuring many different voices and viewpoints allows for a richer debate on complex issues. With article series on such crucial issues as extreme inequality, globalization and political populism, the blog has gained a prominent foothold in economic and public policy debates.

As the dominance of digital platforms became salient in the public debate worldwide, and ahead of the Stigler Center’s Digital Platforms and Concentration conference in April, *ProMarket* hosted a series of essays on the dangers of digital concentration and the challenges facing the regulators of tech giants today. Notable articles included an examination by University of Chicago professor Randy Picker of previous regulatory remedies to anticompetitive behavior by technology firms; an article by Ariel Ezrachi and Maurice E. Stucke discussing how “data-opolies” are dissipating the internet’s potential; an essay by Sandra Matz, Guy Rolnik and Moran Cerf offering solutions to several risks posed by the dominance digital platforms; and an article by former FTC chair William E. Kovacic comparing modern US antitrust doctrine with its European counterpart.
THE MARKET FOR FINANCIAL ADVISER MISCONDUCT

A new website created by ProMarket board member Amit Seru (Stanford) and coauthors Mark Egan (Harvard) and Gregor Matvos (UT Austin) offers free data and analysis on the financial advisory industry, including rankings for each firm, county, and state in terms of financial adviser misconduct.

After the far-reaching media buzz caused last year by Stigler Center Working Paper No. 1 on the job market for financial advisers with a history of professional misconduct, the authors are back with a user-friendly new resource for anyone who wants to know more. ProMarket board member Amit Seru of Stanford and coauthors Mark Egan of Harvard and Gregor Matvos at UT Austin have now made the data from their groundbreaking research publicly available.

EganMatvosSeru.com is a free resource created for anyone interested in the financial advisory industry—from policymakers and academics to journalists or members of the 56 percent of American households who have sought advice from a financial adviser. The site offers free data and analysis on the industry, including, for example, rankings for each firm, county, and state in terms of financial adviser misconduct. Egan, Matvos, and Seru have also constructed a new investment adviser dataset from public records that is now available for free from their site. The investment adviser dataset includes the employment and disclosure history for 462,000 investment advisers over the period 2005–15.

The much-publicized paper that inspired the launch of the web app provided the first countrywide look at how prevalent misconduct is among financial advisers in the United States and how advisers’ careers progress in the aftermath of episodes of misconduct. They found that some 7 percent of the advisers in their sample (which covered some 10 percent of all employees in finance and insurance) have records of misconduct, and a third of those are repeat offenders. And although around half of advisers lose their jobs after episodes of misconduct, some 44 percent of offenders are able to find new jobs within the same industry within a year—typically in firms that have higher-than-average rates of misconduct themselves. The result is an uneven geographical and firm-level concentration of misconduct, with up to 15 percent of advisers in some of the largest firms having misconduct records. Counties with lower education levels, large elderly populations, and high incomes are more likely to be home to firms with poor misconduct records.
As part of its focus on regulatory capture and distortions created by special interest groups, the Stigler Center develops courses for MBA and undergraduate students. The center also continues to develop business case studies to enhance teaching on issues related to regulatory capture, lobbying, and the subversion of competition by special interest groups.
Crony Capitalism

The economic system prevailing in most of the world today differs greatly from the idealized version of free markets generally taught in economic classes. In his course, Luigi Zingales analyzes the biggest problems facing the global economy—slow growth, inequality, pollution, the eurozone crisis—and examines the role that corporate governance, wealth inequality, regulation, the media, and the political process in general play in producing these deviations from the free market ideal. Zingales explains why all of these problems can be traced back to some form of crony capitalism, such as excessive lobbying and rent-seeking, not enough competition, the political power of producers, or nepotism, and why the crony capitalism that prevails in much of the world today is becoming more entrenched in the United States. This multidisciplinary course, which combines elements of history, politics, and sociology, is taught to both undergraduate and graduate students.

The Fintech Revolution

Between the 11th and the 14th centuries, three legal innovations changed the economic and financial history of the world: fiat money (11th-century China), double-entry accounting (14th-century Italy), and limited liability corporations (11th-century Italy). Accounting, banking, financing, and monetary policy as we know them today were all the result of these innovations. Blockchain, virtual currencies, and smart contracts promise to trigger an equally important revolution in the 21st century. This course walks students through the challenges and opportunities this technology offers, as well as the regulatory problem it raises.

In 2017–18, Stigler Center director Luigi Zingales created a new course, “The Fintech Revolution.” He also taught one section of his “Crony Capitalism” course, which was launched in 2016–17 and is primarily aimed at undergraduate students.
In the Autumn Quarter, Guy Rolnik taught two sections of his “Reputation, Regulation, and Communications—How Media Influences Business” course that was launched in 2015–16. In the Spring Quarter of 2017–18 he launched the course “Narrative, Storytelling, and Power in Business,” which teaches students how to tell effective stories in the business world—where companies and people compete for attention, market share, and power—and how power is acquired and maintained through the creation and dissemination of a potent narrative.

Reputation, Regulation, and Communications: How Media Influences Business

All businesses face multiple stakeholders: shareholders, customers, employees, activists, NGOs, politicians, and regulators. Businesses interact with all these stakeholders mainly through the media. The media shape their reputation vis-a-vis their stakeholders, the way they are regulated, their costs, and their opportunities. This course explains how media influences companies and industries and how companies can affect this interaction. It starts by analyzing the economics of media companies and how they work on the commercial and editorial sides. It continues by going deeper into the interplay between media, regulators, and companies and focuses in-depth on media and financial markets, crisis communication management, and the role of the internet and social networks. Students will participate in a simulation on the influence of the media on the stakeholders of a company, including shareholders and potential investors, customers, employees, activists, NGOs, politicians, and regulators. The simulation gives students the opportunity to put into practice some of the skills and strategies they will learn during the course.

Narrative, Storytelling, and Power in Business

Whether interviewing for a job, advancing in your career, leading organizations, motivating people, creating strong brands, building and sustaining reputations, or working effectively with politicians, regulators, and the media—successful managers, entrepreneurs, and companies share a few common, potent skills. They appreciate the importance of stories, they develop and maintain coherent strategic narratives, and they know how to tell them. This course studies the critical role of stories in driving success in many real-life situations. It delivers an understanding of how our reality is comprised of stories, establishing a critical perspective on stories in the arenas of business, economics, and politics, and examining the characteristics of successful stories and storytellers. All the while, students practice and hone the telling of their own powerful, personal stories.
In 2017–18, the Stigler Center published one business case, Disney, and continued work on five more.

**COMPleted CASES**

**Walt Disney Company**
How much of the Disney Company’s business model is riding on its ability to change US copyright laws?

When MBA students discuss the Walt Disney Company, it is usually within contexts such as vertical integration, creativity, and the like. But a large part of Disney’s revenues depends on constantly extending the copyright protections it enjoys. This is why every time that the copyright over Mickey Mouse is about to expire, Disney lobbies heavily—and successfully—to change federal laws and extend (retroactively!) the protection it enjoys. The Mickey Mouse example illustrates how policies meant to incentivize innovation can be co-opted to stifle it.

**Suitable Courses:** The case appeals to courses on business strategy, entertainment industry, and intellectual property, as well as regulation and political economy.

**Bigger picture:** It raises issues of intellectual property protection, such as how much is too much from a societal perspective? And who gets to dictate the answers?
CASES IN PROGRESS

TheMarker
Can a newspaper be a tribune of the people? Should it?

The Israel-based business magazine-turned-newspaper, *The Marker*, adopted an agenda of fighting against economic and political concentration. The paper’s active, constant campaign led to unprecedented socioeconomic protests, which were later translated into unprecedented legislation meant to reduce economic concentration. But at what cost to the media company? And at what benefit to society? *The Marker* and its “parent” publication, *Haaretz*, suffered from an advertising boycott as a result of their activism. And the real impact of the concentration reform remains to be seen: the reform may die slowly in its implementation stage without actually improving the economy. The change may be short-lived and simply a congruence of events rather than a seismic shift.

Piraeus
How banking regulators benefit banks.

In the middle of the Cyprus solvency crisis, the Greek bank Piraeus received a large windfall in the form of Greek branches of a Cypriot bank. A tour behind the scenes reveals just how much thought and resources were invested in assuring that the public would finance this gift to Piraeus: advertising, charitable contributions, and personal connections.

*Suitable courses*: Primarily media-related courses, but also macroeconomics, antitrust, political economy, and regulation.

*Bigger picture*: The case spotlights two types of big-picture insights. One set of insights deals with what shapes regulation (public opinion and perception). The second deals with reputational concerns at the media level: can a media outlet create, maintain, and profit from having a reputation for representing the dispersed public?

*Suitable courses*: Finance/banking, macroeconomics, and media.

*Bigger picture*: This case study fleshes out EU politics and general “soft capture” dynamics: advertising as lobbying, corporate philanthropy as co-optation, and so forth.
CASE STUDIES

CASES IN PROGRESS

Hewlett-Packard (A & B)
The political economy of corporate social responsibility examined through the prism of Hewlett-Packard’s e-waste recycling initiative and model legislation.

This two-part case examines how firms can be effective in lobbying for progressive policy changes—and can play a role in helping governments obtain more socially optimal policy outcomes than they might otherwise—while benefiting their own bottom lines. It recounts HP’s pioneering attempts to address the issue of electronic waste and how that initiative positioned the company vis-à-vis competitors such as Dell, consumers, and state legislatures seeking to tackle the e-waste problem.

Suitable courses: On-market strategy/non-market environment, corporate social responsibility (CSR), business and politics.

Bigger picture: Who is best suited to develop socially optimal environmental policy—firms or regulators? What might induce firms to internalize negative externalities? What are the uses of lobbying within companies’ CSR strategies?

Entertainment Software Ratings Board
The politics of industry self-regulation, assessed through the current situation of the Entertainment Software Ratings Board (ESRB) people.

This case probes the video game industry’s attempts to forestall legislative regulation by regulating itself through an industry body in response to widespread concerns about a possible link between violent or sexual game content and real-world violence like school shootings. It reviews the history of the founding of the ESRB two decades ago and its response to mounting political pressure regarding the content of video games, as well as legislative proposals to make ESRB ratings mandatory rather than voluntary for video game manufacturers.

Suitable courses: Non-market strategy/non-market environment, business and politics, and corporate social responsibility.

Bigger picture: Who should regulate objectionable or potentially dangerous content: the government through public policy, firms themselves, or industry groups? Can industries effectively cooperate and self-regulate to reduce aggregate (social) harm? How do the First and Second Amendment shape debates and attempts to regulate potentially harmful media content?
JOURNALISTS IN RESIDENCE PROGRAM

One of the missions of the Stigler Center is to enrich the public debate on matters related to the interaction between politics and the economy. The media, by gathering and disseminating information on the behavior of different players in the market, plays a crucial part in the effort to create a better, competitive market system. Launched in March 2017, the Journalists in Residence (JIR) Program provides a transformative learning experience for print and broadcast journalists from around the world. It aims to shape the next generation of leaders in political economy reporting.

From a pool of more than 180 applicants from Europe, Africa, Asia, Australia, and the Americas, the selection committee for the 2018 JIR Program at the Stigler Center chose eight participants from some of the world’s most prestigious English-language periodicals including the Financial Times, The Wall Street Journal, Toronto Star, and The Economic Times.

The program took place over approximately 12 weeks at the University of Chicago’s Hyde Park campus, during which selected participants audited classes, participated in Stigler Center events, collaborated with peers, and socialized with the university’s greatest scholars. Participants chose their own classes at Chicago Booth, including “The Firm and the Non-Market Environment” with professor Marianne Bertrand and “Crony Capitalism” with professor Luigi Zingales.
The second cohort of JIRs was drawn from six countries, with candidates showing emerging investigative talent complemented by others with decades of economic reporting experience. The participants were:

**Avi Asher-Schapiro, United States**

Avi Asher-Schapiro is an independent investigative reporter based in Brooklyn, New York, covering money in politics, technology, and foreign affairs. His reporting has been published in The Atlantic, The Intercept, and The New York Times. He is also the US correspondent for the Committee to Protect Journalists (CPJ), monitoring press freedom and domestic threats to journalists.

**Thomas Hale, United Kingdom**

Thomas Hale covers capital markets for the Financial Times in London. He has previously worked in the Madrid bureau, and for China Daily in Beijing. He has a degree in English language and literature from the University of Oxford.

**Megha Mandavia, India**

Megha Mandavia is a journalist tracking India’s largest business houses at The Economic Times. Boardroom battles, corporate governance frauds, and technology policy keep her busy. Mandavia dreams of writing global investigative stories as a white-collar crime reporter.

**Daniel Matamala, Chile**

Daniel Matamala is a journalist and nonfiction writer. He is currently CNN Chile’s anchorman, and panelist in Chile’s most influential political TV show, Tolerancia Cero. He also has a career as an investigative journalist, and is the author of five nonfiction books. The latest, Poderoso Caballero, an investigation about the power of money in Chile’s politics, is a bestseller with six editions. Matamala (who has a MA in political journalism from Columbia University) was recently recognized as “Best Journalist in a Political Show” by Wikên Magazine, and has been awarded several prizes for his work as interviewer, his investigation pieces, and his op-ed contributions.

**Jayme Poisson, Canada**

Jayme Poisson is an award-winning investigative reporter at the Toronto Star. Her work has spanned a diverse range of subjects including police misconduct, sexual assault, Toronto’s crack-smoking mayor Rob Ford, and the toll of corporate environmental malfeasance on indigenous communities in Canada.

**Jacob Schlesinger, United States**

Jacob Schlesinger is a senior Washington correspondent for The Wall Street Journal (WSJ). His current focus is trade and globalization and he has, over the years, covered a wide range of political economy beats for the WSJ, including fiscal and monetary policy, business and financial regulation, and campaign politics. He has spent 10 years in Japan, as a reporter and as bureau chief, and authored a book on Japanese politics.

**Dylan Tokar, United States**

Dylan Tokar is a journalist who covers white-collar and corporate crime. He works as a senior reporter at Global Investigations Review, a legal news publication, where he has written extensively about foreign corruption, the Department of Justice, and globalization of law enforcement.

**Zhang Qi, China**

Zhang Qi currently is working for the Financial Times (FT) in China where he covers politics, the environment and energy issues. Qi is especially interested in political economy as the Chinese government today is still trying to plan everything. Prior to joining the FT, Zhang Qi covered China for Reuters TV.
INNOVATIVE RESEARCH
What Went Wrong?: The Puerto Rican Debt Crisis and the Treasury Put

Why, in the run-up to Puerto Rico’s declaration of bankruptcy in June 2016, did bond investors continue to purchase Puerto Rican debt with only a modest risk premium, even though the territory’s macroeconomic fundamentals had been dismal for at least a decade? Were they myopic? Or did they reason that Puerto Rican debt was implicitly insured by the US Treasury? In this paper, Chirinko et al. rule out the possibility of investor myopia and focus on the second option, which they call the “Treasury Put.” They attempt to reconstruct investors’ information sets during the years prior to the Puerto Rican default. They estimate the risk premium on uninsured Puerto Rican bonds (issued in parallel with insured bonds on the same day, often with the same maturities) before and after a “seismic shock” to expectations of an implicit federal guarantee: the bankruptcy of Detroit in July 2013. Prior to the Detroit bankruptcy, the US government had repeatedly bailed out municipalities facing default. Although Puerto Rico issued no new bonds after 2013, the authors track the trading of matched bonds and compute the yield-to-maturity on a monthly basis. Consistent with the Treasury Put hypothesis, the risk premium rises sharply after the July 2013 Detroit bankruptcy: In May of that year, the average risk premium computed from trading data was 256 basis points. By September, the average risk premium had risen to 423 basis points. This difference, the authors argue, is the value of the Treasury Put.
The “People’s Bridge.” Popular Sovereignty and the Charles River Bridge Case

This paper by Evelyn Atkinson of the University of Chicago history department recounts the 1837 Supreme Court case in which two bridge companies sought to determine the constitutional rights of business corporations, and indeed the nature of the business corporation itself. The Massachusetts legislature had chartered a new, free bridge over the Charles River, which challenged the monopoly of the corporation that owned the sole existing bridge. The proprietors of the old bridge, the Charles River Bridge Company, sued, claiming that they had a monopoly right to passage over the Charles River. On the other side, the so-called “free bridge movement” was driven by the belief that corporations should be subject to popular control.

In the Charles River Bridge case, the Supreme Court confronted these competing visions of the corporation. Was the corporation a private, profit-making entity, or was it a creature of the state designed to serve the public interest? Chief Justice Roger Taney attempted to take a middle ground, holding that the business corporation was a private entity with constitutionally protected rights, including the right to protection against impairment of its charter, although those rights did not imply a grant of monopoly power. Nonetheless, by allowing internal improvement corporations to claim constitutional rights, the Court endorsed a vision of the corporation not as a servant of the public but as a private, rights-bearing entity whose interests were potentially opposed to those of the public. In short, Atkinson argues, although the Charles River Bridge Company was unsuccessful with the Supreme Court, the partial success of its reasoning with the justices laid the foundations for corporate personhood as it exists today.
The Economic Limits of Bitcoin and the Blockchain

Bitcoin, an electronic payment system, relies on a combination of cryptography and a large, anonymous, decentralized collection of miners who verify transactions, doing away with the need for a trusted third party. In this paper, Eric Budish considers the game-theoretic limitations on how economically important Bitcoin can become given the implications of two constraints. The first constraint is imposed by the cost of mining: in Budish’s words, miners “engage in a rent-seeking competition for the prize associated with adding the next block to the chain” at enormous computational cost. The second constraint is that the computational costs of wreaking a “majority attack” on a blockchain—that is, a collusion in which miners with even a slight majority of the computing power can work together to game the system—have to exceed the one-off benefits of carrying out such an attack. This implies that the recurring payments to miners for running the blockchain must be large relative to the one-off benefits of attacking it. To the extent that Bitcoin becomes increasingly economically important as a store of value, it raises the benefits of participating in a majority attack, making such an attack increasingly likely. These features of Bitcoin’s design, argues Budish, place inherent limits on how important it can actually become in an economy.

Special Interest Influence under Direct versus Representative Democracy

Does direct democracy make regulatory capture harder for industry? In this paper, John Matsusaka examines whether business interests are most often helped or hurt by the passage of state initiatives and referenda (I&R). The paper gives a rundown of the four primary channels for special interest influence: vote-buying; revolving doors between industry and regulatory bodies; lobbying or provision of information and expertise that favors the industry to legislators; or seeking to change electoral outcomes, primarily through advertising. All but the last of these mechanisms, Matsusaka points out, operate through the apparatus of representative democracy, and may thus prove more susceptible to capture by special interests.

Matsusaka uses data on all 2,548 US state-level initiatives from the period 1904–2017 and pulls out information on the three industries most often targeted by ballot measures—energy, finance, and tobacco—then classes them by whether they were pro- or anti-business. Only 19 percent of the proposed initiatives were beneficial to industry interests. Pro-business initiatives that make it onto the ballot all draw significantly fewer votes in favor (6.6 percent) than anti-business ones.

In a second section, Matsusaka takes a “revealed preference” approach to classifying propositions based on whether interest groups spent in favor of or against California ballot measures between 2000–16. Matsusaka examines contributions over $100,000 and finds that most ($1.1 billion) came from corporations and trade groups, with wealthy individuals and unions each giving only around half as much.
Despite the central importance of profits for both economic research and public policy, little historical data is available on the evolution of corporate profits. In this paper, Simcha Barkai and Seth G. Benzell measure capital costs and profits in the US nonfinancial corporate sector over the period 1946–2015. In their paper, they document three important findings: profits had been declining in the decades following the Second World War; profits, along with the profit share, started to increase in the early 1980s and have been increasing since; as a share of total income, profits today are higher than they were in 1984, but lower than their value in the late 1940s. The authors then examine three possible explanations for this: adjustment costs, missing intangible capital, and decline in competition. The authors find no evidence to suggest that the trends in the profit share can be explained by adjustment costs. Examining the role of unmeasured intangible investments, they find that these would have to be extraordinarily large to explain all of the increase in profits. A decline in competition, they find, is a promising explanation, but, they caution, not all of the recent research points in this direction.
Do Marginal Products Differ from User Costs? 
Micro-Level Evidence from Italian Firms

Economists have for a decade or so theorized that moving productive inputs like labor and capital into the firms that make the best use of them is a prime engine of economic growth. Policy-relevant frictions—such as taxes, regulations, lack of competition, financial markets imperfections, and institutions—are all believed to be drivers of misallocation, as they prevent resources from freely flowing across firms in the economy. As a result of these frictions, some firms might be smaller and others larger than their “socially efficient” size. But measuring how well allocation is taking place across economies is a daunting empirical task. In this paper, Simone Lenzu and Francesco Manaresi use detailed information on firms’ production decisions and their user cost of capital and labor, together with appropriate econometric techniques, to develop a new metric that overcomes some of the limitations of previous literature in order to estimate the efficiency of capital and labor accumulation for each firm.

They analyze approximately 4,000 nonfinancial businesses in Italy (mostly privately held) that operated across several industries between 1997 and 2013. They calculate that aggregate output of the Italian corporate sector could be 3 to 4 percent higher if resources were reallocated from firms that overutilize them to the most productive producers that lack them. Credit and labor market frictions, the authors argue, appear to be two important drivers of resource misallocation.
The Impact of Restricting Labor Mobility on Corporate Investment and Entrepreneurship

Noncompete agreements keep employees from freely switching between existing competing firms or starting their own, and are a common method of restricting labor mobility. But do such restrictions help or hurt growth overall? In theory, noncompetes trade the benefit of reallocating labor to more productive ventures against the cost of dampening investment at existing firms. In this paper, Jessica Jeffers attempts to quantify and disentangle these two effects by examining movements in entrepreneurship and capital investment after staggered changes to the enforceability of noncompete agreements following state supreme court rulings. To observe employee mobility and entry of new firms, Jeffers uses detailed de-identified employment histories of LinkedIn members across all 50 US states.

She then establishes that noncompete enforcement does in fact impact labor mobility—an increase in enforcement prompts a 0.7-percentage-point decline in employee departures (which accounts for 8 percent of the average departure rate, and 17 percent in knowledge-intensive occupations). Increased enforcement also reduces departures to newly established firms by 9 percent overall and 18 percent in knowledge-intensive industries. Finally, she finds that in the wake of increased noncompete enforceability, net capital investment rises among firms that are more human capital dependent—that is, firms in knowledge sectors. Jeffers estimates that for every lost entry by a new firm due to increased noncompete enforcement, publicly held firms spend an extra $2 million in capital investment.


In the past two years, a number of highly cited economics papers (including Simcha Barkai’s influential Stigler Center paper “Declining Labor and Capital Shares”) have argued that firm market power dramatically increased since the 1980s. In this paper, however, James Traina challenges the arguments that only an increase in markups can generate a simultaneous decline in the shares of both labor and capital. Reviewing financial statements data from public firm filings and using the latest tools in production-based markup estimation, he calculates markups for the universe of nonutility, nonfinancial US public firms, finding that public-firm market power has not substantially increased in recent decades. Public firm markups, he finds, increased only modestly over this time period, and are within historical variation. These estimates improve on earlier work by accounting for marketing and management expenses, which, according to Traina’s research, are a rising share of costs in firm production. Markups are increasing in firm size and vary by sector, he finds. Reasonable calibrations accounting for the representativeness of public firms show flat or even decreasing aggregate markups.
What Insights Do Taxi Rides Offer into Federal Reserve Leakage?

In this highly cited paper, David Andrew Finer uses the New York City taxi regulator’s publication of more than a billion anonymous yellow taxi pickup and drop-off records going back to 2009 to infer variation in interactions—namely, face-to-face meetings—between insiders of the Federal Reserve Bank of New York (New York Fed) and insiders of major commercial banks around the time of Federal Open Market Committee (FOMC) meetings. In his assessment of how interactions vary around these meetings, Finer uses taxi rides between the vicinities of the New York Fed’s and major commercial banks’ buildings as indicators of meetings at those institutions, and coincidental drop-offs of passengers picked up around those institutions serve as indicators of offsite meetings. Cieślak, Morse, and Vissing-Jørgensen (2016) posit systematic leakage from the Federal Reserve around FOMC meetings along unofficial channels, and, in line with that hypothesis, while the taxi data cannot provide direct evidence of leakage, Finer finds highly statistically significant evidence of increases in meetings at the New York Fed late at night and in offsite meetings during typical lunch hours. While he cannot conclusively demonstrate a link between rides and face-to-face meetings, he notes, the evidence that individuals are in very close proximity to each other more often around FOMC meetings would complement more indirect evidence of regular informal communication presented in the academic literature.
In this paper, Bertrand et al. explore the role of charitable giving as a means of political influence, a channel that has been heretofore unexplored in the political economy literature. For philanthropic foundations associated with Fortune 500 and S&P 500 corporations, they show that grants given to charitable organizations located in a congressional district increase when its representative obtains seats on committees that are of policy relevance to the firm associated with the foundation. This pattern parallels that of publicly disclosed political action committee (PAC) spending. As further evidence on firms’ political motivations for charitable giving, they show that a member of Congress’s departure leads to a short-term decline in charitable giving to his district, and they again observe similar patterns in PAC spending. Charities directly linked to politicians through personal financial disclosure forms filed in accordance with the Ethics in Government Act requirements exhibit similar patterns of political dependence. Their analysis suggests that firms deploy their charitable foundations as a form of tax-exempt influence seeking. Based on a straightforward model of political influence, the authors’ estimates imply that 7.1 percent of total US corporate charitable giving is politically motivated, an amount that is economically significant: it is 280 percent larger than annual PAC contributions and about 40 percent of total federal lobbying expenditures. Given the lack of formal electoral or regulatory disclosure requirements, charitable giving may be a form of political influence that goes mostly undetected by voters and shareholders, and which is directly subsidized by taxpayers.
Thomas Piketty’s work on blossoming inequality in rich countries has given rise to concerns that the super-wealthy today are getting their money from rents from capital rather than from productive work. This new working paper from Matthew Smith et al. finds that in America at least, this is not the case. Nearly all of the recent rise in top incomes is from business income, most of it from pass-through businesses where taxes are paid not at the corporate level but at the individual level through the owners’ income taxes. The authors examine administrative data that links 10 million firms to their owners and find that a significant chunk of the income accruing to the top 1 percent of earners in the United States today goes to the owners of mid-market firms in a broad range of nonfinancial industries around the country. In other words, it appears not to be capital (or not just capital) that’s driving income inequality in America today. It’s the efforts of the working rich.

The authors shore up their argument using a “death of a salesman” research design examining changes to the profits of firms after their owner-operators die unexpectedly and find that firm performance does indeed take a serious hit when an owner dies. This implies that at minimum owners are not sitting by passively living off their firms’ profits and are working to create value.
How Does Financial-Reporting Regulation Affect Market-Wide Resource Allocation?

While the economics literature offers plenty of evidence on the firm-level impacts of reporting and auditing regulation on regulated firms’ financial reporting, financing, and investing, evidence on the marketwide effects of such regulation is relatively scarce. In this paper, Matthias Breuer investigates the impact of mandatory reporting and auditing of firms’ financial statements on industry-wide resource allocation. Using size-based reporting and auditing requirements for limited liability firms in 26 European countries, he finds that reporting regulation—mandating a greater share of firms in an industry to disclose a full set of financial statements—fosters a competitive and dispersed type of resource allocation in product and capital markets, but does not unambiguously improve the efficiency of resource allocation. By contrast, he finds auditing regulation—mandating a greater share of firms to obtain a financial-statement audit—imposes a net fixed cost of operating on firms, deterring entry of smaller firms. Breuer does not find any other effects of auditing regulation on industry-wide resource allocation, but notes that his findings suggest reporting regulation substitutes a transactional type of resource allocation based on public information for a relational one based on private information. This substitution, however, fails to spur economic growth. With respect to firms’ auditing, he argues, these findings suggest it lacks significant industry-wide externalities compensating for firms’ costs of mandatory auditing.

MATTHIAS BREUER
PhD Candidate, Accounting, Chicago Booth
Economists have been concerned about Italy’s poor productivity numbers since at least the mid-1990s, when Italian productivity began to trail behind that of other developed countries. What makes this “Italian disease” even more confounding is that between 1996 and 2006, Italy did not suffer any major financial crises, did not face persistent deflation, benefited from low and stable interest rates and even enjoyed the longest-lasting governments of all in its post-WWII history. What, then, is the cause of this Italian disease?

Over the years, economists have offered several possible answers to this question. In their paper, Bruno Pellegrino and Luigi Zingales take on various competing hypotheses explaining this phenomenon—trade shocks, inflexible labor markets, and the decline in Italy’s quality of government. They find no evidence that the productivity slowdown is due to trade dynamics, Italy’s inefficient governmental apparatus, or excessively protective labor regulations. Turning their attention to another shock that swept across the developed world since the mid-1990s—the digital revolution—Pellegrino and Zingales find that Italy’s near-stagnant total factor productivity growth was more likely caused by the failure of its firms to take full advantage of the information and communication technology (ICT) revolution. Examining the mechanisms whereby ICT capital might yield productivity growth and why it has not done so in the Italian case, the authors find that a lack of meritocracy among managers is what prevented firms from capitalizing on the information and communication technology revolution. Familyism and cronyism, they surmise, are the ultimate causes of the Italian disease.
Is Pollution Value-Maximizing? The DuPont Case

In February 2017, DuPont settled a multidistrict litigation for $670 million. The litigation involved DuPont’s emissions of the toxic chemical C8, which DuPont used for making Teflon in its West Virginia plant. This debacle occurred despite the fact that DuPont has “a track record of long-term investment and better-than-typical treatment of constituencies other than stockholders,” as Justice Strine (2017) wrote in the *Oxford Review of Economic Policy*, and is famous for being a leader in toxicological and occupational safety research. Why would such a respected company choose to pollute? In this paper, Roy Shapira and Luigi Zingales examine internal company documents revealed during the trial and conclude that the pollution was indeed a choice, rather than being due to ignorance or poor governance. The authors construct a counterfactual scenario of pollution abatement that was proposed in 1984 amongst DuPont executives and examine whether the executives would have likely chosen to invest in the abatement solution at the time had they anticipated the costliness of the C8 debacle. The answer, the authors conclude with surprise, is no. “The decision to pollute was ex-ante optimal for DuPont’s shareholders,” they write.

The paper moves on to examine how corporations succeed in reducing their expected liability by suppressing and distorting information. The authors worry that aligning private and social incentives to avoid environmental hazards may not even be possible under a shareholder value-maximizing framework, given that such problems may arise not out of corporate governance procedures but out of governance objectives. Effective prevention of pollution, they say, will require a rethink of interactions between environmental regulation, corporate governance, litigation, and the information environment.
What is the appropriate objective function for a firm, particularly a public company? In 1970, Milton Friedman famously argued that corporate managers should “conduct the business in accordance with [shareholders’] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.” Friedman’s article was enormously influential and his general position that companies should maximize profit or market value commands wide acceptance among both economists and lawyers today. Some even see it as the intellectual foundation for the “shareholder value” revolution. In this paper, Oliver Hart and Luigi Zingales take a novel perspective on this issue. While agreeing with Friedman’s premise that managers should care only about shareholders’ interests, Hart and Zingales reject the view that shareholders only care about money. A company’s ultimate shareholders are ordinary people who, in addition to caring about money, are also concerned about myriad ethical and social issues. The authors propose that company and asset managers should pursue policies consistent with the preferences of their investors. Voting by shareholders on corporate policy could be one way to achieve this, they say.
Origins of Impersonal Markets in Commercial and Communication Revolutions of Europe

Markets are embedded within social networks, and yet exchange solely between networks of individuals and firms with direct personal connections naturally limits the growth of commerce. What, then, leads to the evolution of arms-length exchange (or impersonal markets)? Prateek Raj examines the history of medieval and early modern Europe to detect where and why impersonal exchange began to emerge. Until the sixteenth century, firms traded primarily through the networks and institutions of merchant guilds. Thereafter, with the rise of arms-length trade, the influence of guilds started to wane. Examining a city-level dataset, Raj argues that proximity to ports in England and the Low Countries (particularly in cities like Antwerp, Amsterdam, and London) proved to be a key factor in this development. Also crucial was the “horizontal communications revolution” sparked by the diffusion of the printing press, creation of postal networks, and increased circulation of trade-related books as well as standardized business practices like double-entry bookkeeping.

Towards a Political Theory of the Firm

The discipline of political economy examines the intersection between politics and economics. Neoclassical economics, on the other hand, lacks a paradigm to incorporate the potential for firms to develop political power to influence the rules of the game in the markets in which they operate. Instead the classical theory of the firm views a firm as simply a “nexus of contracts” (Jensen and Meckling, 1976). In this paper, Luigi Zingales harks back to arguments by Adam Smith and develops the thesis that not only can firms transform market power into political power, but also that this power may be deployed in a way that threatens both the free market economy and democracy itself. Zingales terms this danger the “Medici Vicious Circle,” whereby firms buy political power and in turn use that political power to make money.
Effects of Pharmaceutical Price Regulation: Evidence from India

Price regulation in the pharmaceutical industry can be a double-edged sword. In countries with universal health-care systems, governments cover the bills and hence show a tendency to keep a control over the prices through regulatory mechanisms. Little research on the subject, however, covers emerging economies. To remedy this gap, Pradeep Chintagunta, Saravana Jaikumar (Indian Institute of Management, Calcutta) and Arvind Sahay (Indian Institute of Management, Ahmedabad) study the effects of pharmaceutical price regulation in India in the context of the Drug Price Control Order 2013, which regulated the prices of essential drugs. The expectation from the regulation was increased sales volumes for these drugs. However, reduced margins of regulated drugs could have pushed pharmaceutical firms to shift their marketing expenditures to unregulated drugs (close substitutes) and may have lowered retailers’ incentives to stock the products.

Using data on 108 molecules (51 regulated and 57 unregulated) over 62 months (50 months preregulation and 12 months postregulation), the authors find a decline (increase) in sales volume and rural prescriptions for several regulated (unregulated) molecules. A plausible supply-side explanation is that the firms marketing the molecules shifted their efforts away from the regulated to the unregulated drugs. Second, facing lower margins (DPCO reduced the retailer margins for the regulated drugs from 20 percent to 16 percent) from regulated drugs, retailers may have reduced their orders and stocks of these drugs. While this could potentially affect our sales volume outcome measures, it is unlikely to have affected our rural prescription behavior outcome measure. In a next step, to provide evidence for the mechanism, the authors will collect data on detailing and trade reactions to examine the proposed supply side mechanism. Identifying the mechanism is of utmost importance to this study, as this would help policymakers reform price regulation to avoid outcomes that may affect the availability of essential medicines.
Participation and Equity in Education Markets

Many cities in the United States and abroad offer students choice over a variety of public, charter, and selective exam schools. The goals of school choice are to help students match to schools that are good horizontal fits, and to raise overall quality by pushing providers to innovate and compete. The benefits of choice depend on students’ desire and ability to participate in the market.

Though many districts have adopted centralized choice systems with the goal of reducing congestion and simplifying the process for students (see e.g. Pathak 2011 for a review), participation rates vary across markets. This project asks why families do not participate, and how increased participation affects welfare, academic outcomes, and segregation on the basis of race and socioeconomic status for both new and incumbent participants.

The challenge in understanding how policies that increase participation affect welfare is that it is hard to observe preferences for non-participants. To address this issue, Zimmerman and coauthors take advantage of a natural experiment in the public school district in New Haven, Connecticut. In the spring of 2017, the district rolled out a new policy that opted all rising ninth graders into the choice system. The authors combine this policy change with administrative data on choice and enrollment outcomes as well as with survey data that elicits student preferences over schools, beliefs about the application process, and the costs of school choice participation. This administrative data allow the researchers to identify “compliers” with the forced opt-in policy using time and location stamp records from the application software. These are students who would not have participated in the absence of the policy.

The authors’ analysis will have two parts. The first step is a reduced-form comparison of outcomes for participants and non-participants in 2016, the year before the policy rollout, to outcomes for voluntary and forced participants in 2017. The second step is to estimate the welfare effects of the opt-in policy. The intuition underlying this exercise is that increased participation may lead to greater equity if new participants are able to navigate the complex choice process effectively. The authors’ findings have important implications for the design of school choice policy. In particular, they will reflect on how districts work to encourage participation in choice, an important but little-studied margin.
Hidden Subsidies via Monetary Policy in the European Repo Market

In a repurchase agreement, one party sells a security to another party in exchange for cash, while committing to repurchase the security at a predetermined price at a future date. Central banks often use repos to increase the money supply by purchasing government-issued debt from commercial banks with terms of future resale. This increases reserves for commercial banks. A reverse repo agreement allows the central bank to sell securities first, and repurchase later.

The repo was introduced in European markets during the late 1980s as an instrument for US investment banks to hedge short positions in European bond markets. With negative interest rates across Europe, many institutions are incentivized to borrow cash through the European repo markets against high quality bonds. However, as the ECB increases bond purchases, it removes the supply of high-quality collateral available for the repo market. This can cause an upward spiral in both the price of collateral and volume transacted in the repo market. So, it is possible that central bank operations magnify the risks of entering a bubble, and consequently accelerate crisis.

The primary objective of Anil Kashyap’s project with doctoral student Shohini Kundu is to bring ECB data to these hypothesized dynamics and examine whether ECB monetary policy is de facto subsidizing and incentivizing market participation from specific types of financial entities. She also assesses the distributional effects of such monetary policies for players across the market. The end goal of the project is to illuminate the risks and inefficiencies that exist in the European repo market in order to inform better policy.
AUSTAN GOOLSBEE
Robert P. Gwinn Professor of Economics, Chicago Booth

Testing the Efficiency of Markets and Competition in Free Entry Platform Industries

Uber operates a platform matching passengers to drivers, similar to taxis but without the same licensing requirements. As a result, there has been massive entry of Uber drivers in markets where it is allowed. Each one of those drivers is an independent contractor and a separate firm. Uber’s market design forces price-taking by the drivers and creates close-to-free entry conditions. Uber has a base formula for pricing based on time and distance and adjusts that formula with a multiplier when supply and demand do not balance.

Given this market design of firms and competition, Austan Goolsbee’s project tests some basic theories of efficiency of this marketplace with detailed micro data from Uber. This project tests how prices and entry adjust differently to predicted demand shocks (e.g., rides from Chicago’s Soldier Field on the day of a Bears game or McCormick Place on days of major conventions) versus unpredicted demand shocks. It also looks at the impact on the supply in adjacent neighborhoods to test for truly forward-looking behavior, as opposed to simply price-responsive entry behavior.

Goolsbee also examines whether differences in marginal costs among drivers (arising from the fuel efficiency and depreciation rates of their vehicle as well as the distance from their home to the demand areas) influence who enters a market at a given moment. It will also test the basic hypothesis that marginal entrants into the platform should make zero profits. These findings have key implications for how to think about the regulation of platform businesses.
Blockchain Disruption and Smart Contracts

In the past few years, blockchain technology has taken the central stage in discussions on financial technology and in general media. It is believed to potentially disrupt business and the financial services market in a way similar to how the internet disrupted offline commerce. Distributed ledger technologies such as blockchains feature decentralized consensus as well as low-cost, tamper-proof algorithmic executions, and consequently enlarge the contracting space and facilitate the creation of smart contracts. Meanwhile, the process of reaching decentralized consensus changes the informational environment.

In this paper, Lin William Cong, Zhiguo He (Chicago Booth and NBER), and Jingtao Zheng (Chicago Booth and University of Chicago department of economics) analyze how these fundamental features reshape industry organization and the landscape of competition. Smart contracts can mitigate information asymmetry and deliver higher social welfare and consumer surplus through enhanced entry and competition, yet blockchain may also encourage collusion. In general, blockchain and smart contracts can sustain market equilibria with a larger range of economic outcomes. The authors further characterize smart contracts used in equilibrium and discuss antitrust policy implications, such as injecting noise into certain consensus records and encouraging platform competition. They conclude by highlighting that any consensus-generating process requires distributing information. With this in mind, designing a robust consensus protocol and providing the right incentives for maintaining consensus constitute interesting future studies, which likely require the joint effort of computer scientists and economists.
Six PhD students were selected for the Stigler PhD Award and received the designation of Bradley Fellows. The students were selected for their academic excellence and rigorous research on topics relating to the political, economic, and cultural obstacles to better working markets. The six recipients, a diverse group from six nations, represent four departments at the University of Chicago and one from Northwestern University.

BRADLEY FELLOWS

- **Evelyn Atkinson**  
  Legal History, University of Chicago

- **Yan Xu**  
  Political Science, University of Chicago

- **Georg Rilinger**  
  Sociology, University of Chicago

- **Manuel Cabal**  
  Political Science, University of Chicago

- **David Finer**  
  Finance, Chicago Booth

- **Riccardo Marchingiglio**  
  Economics, Northwestern University
Brian Kelleher Richter is an assistant professor in the business, government, and society department in the University of Texas at Austin’s McCombs School of Business. He received his PhD from UCLA’s Anderson School of Management, a master’s from UCSD’s School of Global Policy and Strategy, and his SB from MIT’s Sloan School of Management. Outside of academia, he has worked in both the public and the private sector in the United States and abroad. At UT Austin, he teaches courses on corporate social responsibility as well as business and politics.

Robert Chirinko is professor of finance at the University of Illinois at Chicago. Bob received his PhD from Northwestern University in 1982. His research examines business behavior with a focus on financial markets, capital formation, corporate governance and finance, macroeconomics, and tax policy. He has held faculty positions at Cornell University (1982–85) and the University of Chicago (1985–1992) and full-time visiting positions at Stanford University (1984–85), the Federal Reserve Bank of Kansas City (1992–93), and the University of Illinois at Urbana/Champaign (1993–94). Prior to coming to UIC, he was on the faculty of Emory University from 1994–2007, where he was the Winship Distinguished Research Professor in the Social Sciences. He is a research fellow at the Center for Economic Studies (Munich), and a visiting scholar at the Federal Reserve Bank of San Francisco.
George J. Stigler joined the faculty of the University of Chicago Booth School of Business and the Department of Economics at the University of Chicago in 1958. This event, and the arrival two years later of Merton Miller, is widely recognized in establishing Chicago Booth as a world leader in academic research, as well as making it a full partner in an extraordinarily fruitful cooperative research enterprise with the university’s Department of Economics and Law School.

Stigler was one of the great economists of the twentieth century. He made seminal contributions to the economic theory of information and oligopoly, as well as to the economic analysis of government regulation and the public sector. Stigler received the profession’s highest honors, including the presidency of the American Economic Association and a Nobel Memorial Prize in Economic Sciences. His 1982 Nobel Prize was the first awarded to an economist whose primary appointment was in a business school.