When buyers transact with sellers, they select not only whom to transact with but also for how long. This paper develops a model of optimal contract duration arising from underlying supply costs and transaction costs. The model allows for the quantification of transaction costs, which are often unobserved, and the impact of these costs on welfare.

This study finds that brokers tend to reveal the occurrence of a fire sale to their best clients, allowing them to generate significant profits by predating on the liquidating fund. Such information leakage comes at the expense of higher price impact, and leads to a more costly liquidation for the fire sale originator.

Addressing debates on the effects of real exchange rate (RER) movements on the economy, this study examines manufacturing firm-level effects of medium-term fluctuations, in particular firm-level productivity across a wide range of countries. RER changes have different impacts depending on the export and import orientation of regions and the prevalence of credit constraints. Effects are non-linear and asymmetric, suggesting that the link between RER changes and macroeconomic performance might be much more nuanced than usually thought.

In an age of time scarcity, buying our way out of the negative moments in the day is an important key to happiness, according to research by Ashley V. Whillans, Michael I. Norton, Elizabeth W. Dunn, Paul Smeets, and Rene Bekkers.  
   
 Open for comment; 25 Comments posted.

Larger mutual funds and those having more stable funding are more likely to invest in privately held startups known as unicorns. Mutual funds are less involved in corporate governance, especially boards of directors, but have more protections when it comes to liquidating their stakes.

Between 2008 and 2014, the Top 4 banks sharply decreased their lending to small business. This paper examines the lasting economic consequences of this contraction, finding that a credit supply shock from a subset of lenders can have surprisingly long-lived effects on real activity.

When Express Scripts wanted to convince corporate clients to switch to home delivery of prescription drugs, they knew logic wouldn't prevail. What then? John Beshears explains the answer, psychological nudges, in this podcast.  
   
 Open for comment; 2 Comments posted.

SUMMING UP Bitcoin has shown to be a powerful digital currency, but the real story of the future is Blockchain, say James Heskett's readers.  
   
 Open for comment; 38 Comments posted.

As investors increasingly demand investment opportunities that match their social beliefs, financial services firms are busy designing new products. In this podcast, Vikram Gandhi discusses the expanding influence of impact investing and how State Street Global Advisers is responding.  
   
 Open for comment; 1 Comment posted.

Effective market design can improve liquidity, efficiency, and equity in markets. This paper illustrates best practices in market design through three examples: the design of medical residency matching programs, a scrip system to allocate food donations to food banks, and the recent “Incentive Auction” that reallocated wireless spectrum from television broadcasters to telecoms.

This study examines how reserve accumulation affects governments’ decisions to default. The analysis assumes that countries can accumulate reserves and borrow internationally using their own currency. Results suggest that the optimal level of international reserves is fairly large because their cost is mitigated by valuation-smoothing gains. The model matches some features of Brazil’s economic fluctuations.

George Serafeim has a theory that if industry competitors collaborated more, big world problems could start to be addressed. Is that even possible in a market economy?  
   
 Open for comment; 5 Comments posted.

By exploiting the unique features of Japan’s JPX-Nikkei 400 index, this paper examines how membership in a stock index serves as a source of prestige that can motivate managers and influence corporate governance norms. Findings are important for understanding non-pecuniary mechanisms to induce meaningful changes in corporate behavior.

Examining the activity of almost 500 private equity-backed companies during the 2008 financial crisis, this study finds that during a time in which capital formation dropped dramatically, PE-backed companies invested more aggressively than peer companies did. Results do not support the hypothesis that private equity contributed to the fragility of the economy during the recent financial crisis.

Research by John Beshears and colleagues finds that psychological nudges can be a cost-effective way for governments to get citizens to do the right thing.  
   
 Open for comment; 5 Comments posted.

How information is generated by market participants, shared, and incorporated into prices is one of the key questions for understanding how financial markets operate. This study finds that intermediaries play a large role in the acquisition and dissemination of private information, which they extract from order flow and, more generally, from interaction with clients.

The researcher studies firms’ use of disclosure to build investor confidence when they operate in a market where the institutions that support the supply of credible information are weak.

A new book by Mihir Desai links the fundamentals of finance to several centuries of literature, history, philosophy, music, visual arts, theater, and comedy to make the subject seem less mystifying—and more humanizing—to a broad audience of non-financiers.  
   
 Open for comment; 2 Comments posted.

New research by Marco Di Maggio reveals stockbroker behavior that is probably illegal, definitely underregulated, and arguably influential in the day-to-day operations of the stock market.  
   
 Open for comment; 0 Comments posted.

Mobile money agents in the developing world face a key inventory management challenge: How much cash and e-float should be held to minimize both stockouts and excess working capital? The authors develop two inventory models and show substantial inventory cost reduction with a large dataset of East African mobile money transactions.