

Contract Structure, Risk Sharing & Investment Choice

Summary of files used to generate constrained efficient transfers as described in Section 2 and Table 7

lambdaFinderFinal.m: Calculates starting Pareto weights based on investment choices and ratio of marginal utilities in autarky

localFinder_IL_Final.m: Using the starting Pareto weights from lambdaFinderFinal.m this generates the starting guess for a transfer vector under individual liability. This is separated from the final calculating file to reduce run times for checking alternative transfer profiles.

localFinder_JL_Final.m: Using the starting Pareto weights from lambdaFinderFinal.m and the outside option conditional on the joint liability contract from jlOutsideOptionFinal.m this generates the starting guess for a transfer vector under joint liability. This is separated from the final calculating file to reduce run times for checking alternative transfer profiles.

jlOutsideOptionFinal.m: This calculates the outside option for an agent who opts out of all informal transfers under a joint liability contract. This file is reorganized in the Excel file

jlOutsideOptionProcess.xlsx. While this requires manual copying, it was more transparent than the Matlab coding. The results are then manually saved as vJLMTPMatrix.csv, which is an input in localFinder_JL_Final.m.

recipTranDebtCPOMat_IL_Final.m: This calculates the transfer vector that generates the payoff vector that is Pareto efficient within the set of equilibrium payoffs for a given Pareto weight under individual liability.

recipTranDebtCPOMat_JL_Final.m: This calculates the transfer vector that generates the payoff vector that is Pareto efficient within the set of equilibrium payoffs for a given Pareto weight under joint liability.