

Bio for Jonathan Levin

Jonathan Levin is a leading scholar in the fields of industrial organization and microeconomic theory, whose work stands out for its combination of theoretical depth, empirical methods, and compelling applications. He has conducted influential research on the economics of contracting, the organization and design of markets, subprime lending, and on empirical methods for studying imperfect competition. His research is methodologically broad, and often combines a sophisticated grasp of economic theory with careful empirical analysis. He has been a leader both in developing new methods in industrial organization and microeconomic theory, and in producing path-breaking applied research.

Background

Levin received both a B.A in English and a B.S. in Mathematics from Stanford University in 1994, followed by an M.Phil. in Economics from Oxford University in 1996, and a Ph.D. in Economics from MIT in 1999. He became an Assistant Professor in Stanford University's Department of Economics in 2000; he was promoted to Associate Professor in 2005 and to Full Professor in 2008. He is a Senior Fellow of the Stanford Institute for Economic Policy Research, a Research Associate of the National Bureau of Economic Research, and a Fellow of the Econometric Society. He begins a three-year term as the Chair of Stanford's Economics Department in the Fall of 2011.

Contracts and Organizations

Levin's early contributions focused on the nature of long-term contractual relationships. Many economic transactions – between employees and managers, between firms and their customers and suppliers, between regulators and industry, even trading relations between countries – occur in the context of ongoing relationships. In many such situations, it is impossible for parties to write fully enforceable contracts. Instead, the main source of enforcement stems from the desire for the parties to stay together: parties go along with the terms of the contract only because they fear the loss of future benefits from the relationship if they fail to do so. A relational contract can make use of information that is subjective or hard to formalize, or function even in the absence of well-functioning institutions. Incentive provision is limited, however, because the contract must be self-enforcing. Levin's work, which studies the optimal design of these self-enforcing contracts, has become the standard framework for studying relational contracts.

The Organization and Design of Markets

A second main strand of Levin's research focuses on the success or failure of specific markets in efficiently allocating scarce resources. Much of it attempts to determine whether changes in market design and institutions would lead to more efficient outcomes. This research is distinguished by the way it integrates economic theory, novel empirical methods, and data to obtain interesting new insights. For example, in a series of papers with Susan Athey (a previous John Bates Clark medalist), Levin studied competitive bidding for federally-owned timber, with the goal of understanding how different auction rules used by the government have affected competition. These papers are examples of excellent applied work, and they helped establish the frontier for empirical work on auctions, an active and exciting area in the last decade.

Asymmetric Information in Credit and Insurance Markets

In a third main strand of research, Levin has been a leader in developing empirical methods to study markets where parties to transactions have different information. In a series of papers with Liran Einav and other coauthors, he has applied these methods to study problems in sub-prime credit markets. Their work provides important insights concerning the reasons why the sub-prime market functions poorly, and why default rates are high.

Empirical Methods for Studying Imperfectly Competitive Markets

Levin has also conducted influential research on empirical methods for studying dynamic industrial competition. Many problems in industrial organization revolve around industry dynamics: when does market leadership persist? What is the relationship between innovation and market power? How significant are barriers to entry over the long-run? These questions are hard to address using standard models of competition at a moment in time, but the use of dynamic models introduces various technical challenges. Along with Patrick Bajari and Lanier Benkart, Levin developed a method for estimating dynamic models of imperfect competition that has already had, and will likely continue to have, enormous influence on the empirical analysis of industrial competition. It has been the starting point for numerous recent dissertations and working papers, and is rapidly becoming the leading approach to estimating dynamic models of imperfect competition.