

**Inequality, Risk Sharing, and
the Boundaries of Collective Organizations**

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Abstract

This paper studies the boundaries and interactions of collective economic organizations that share risk and mitigate moral hazard. Each type of organization is identified with a set of information, technology, and contracting possibilities. A mechanism design, or agency, problem is then solved to determine the optimal organizational structure. Information-constrained optimal distributions of organizations are shown to be functions of the underlying primitives, in particular, the distribution of Pareto weights, and hence degree of inequality. More generally, the impact of inequality on organizational form and allocations is shown to depend on hypothesized interactions among technology, information, and collusion. These hypotheses and their implications on organizations and allocations could be distinguished in cross-sectional, time series data.