

Smart Contracts as Pre-Commitment Devices on a Blockchain



“Smart contracts” in blockchain technology are highly useful in many cases where contracting parties lack a strong ex post enforcement mechanism (like a court system) and need to pre-commit to not defrauding or otherwise taking advantage of each other when executing a contract, writes **Max Gulker** for the **American Institute for Economic Research**.

Gulker explains that pre-commitment strategies are useful in mitigating some types of fraud: “Smart contracts based on multisignature-escrow Bitcoin wallets, such as the system employed by blockchain-based retail platform OpenBazaar, can go a long way in allowing a buyer and seller to commit to fairly executing a contract.”

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