

Xavier Gabaix

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Education

HARVARD UNIVERSITY, Cambridge, MA
Ph.D. in Economics, 1995-1999.

Advisors: Robert Barro, John Campbell, Donald Davis, Edward Glaeser.

ECOLE NORMALE SUPÉRIEURE, Paris, France
M.A. and Agrégation of Mathematics, 1991-1995

Professional affiliations and activities

NEW YORK UNIVERSITY, Stern School of Business, Finance Department, New York, NY.
Martin J. Gruber Professor of Finance, since 2010.
Professor of finance, 2009-2010. Associate Professor of Finance, 2007-2009

MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Department of Economics, Cambridge, MA.
Rudi Dornbusch Career Development Assistant then Associate Professor of Economics, 2004-7. Assistant Professor of Economics, 1999 – 2003. Post-Doctoral Fellow, 1998 – 1999.

NATIONAL BUREAU OF ECONOMIC RESEARCH: Faculty Research Associate, 2010-, Research Fellow, 2002-2010 (Asset Pricing, Economic Fluctuations and Growth)

CENTER FOR ECONOMIC POLICY RESEARCH: Research Fellow, 2009-present (Financial Economics, Macroeconomics)

EUROPEAN CORPORATE GOVERNANCE INSTITUTE: Research Associate, 2011-present

CONSEIL D'ANALYSE ECONOMIQUE: Member, 2010-

VISITING POSITIONS

Princeton University: July 2006-2007. New York University: June-August 2001, 2002.
University of Chicago: September 1999-June 2000

Personal

Born in August 1971, French citizen, US Permanent resident (green card).

Honors and Awards

Fischer Black Prize, awarded every two years by the American Finance Association to the person under 40 who contributed the most to finance, 2011.

Bernacer Prize for best European economist under 40 working in macroeconomics / finance, 2011

Best Young French Economist Prize, 2011 (Le Cercle des Economistes / Le Monde)

Fellow of the Econometric Society, 2011-

Grants

Institute for New Economic Thinking (INET) grant, “A New Tractable Approach for Bounded Rationality in Economics”, 2012-14.

NSF Grant, “Rare Disasters and Exchange Rates,” (with E. Farhi), 2008-2012.

NSF Grant, “An Econophysics and Behavioral Approach to Financial Fluctuations,” (with D. Laibson and H.E. Stanley) 2005-2008.

Morgan Stanley Microstructure Research Grant, with V. Plerou and H.E. Stanley, 2004.

National Institutes of Health Grant, “Psychological Factors in Economic Lifecycle Decisions,” co-PI, 2004-2008.

NSF Grant, “Understanding Large Movements in Stock Market Activity,” with H.E. Stanley, 2002-2005.

NSF Grant, “Research on Bounded Rationality,” with D. Laibson, 2001-2004.

Miscellanea

Tinbergen Lectures, 2011

TIAA-CREF Paul A. Samuelson Award: Certificate of Excellence, 2011 (for “The Age of Reason”)

Best Paper Award, Financial Research Association Conference, 2009 (for “Dynamic Incentive Accounts”)

Glucksman Institute research prize, NYU, first place, 2009 (for “Tractability in Incentive Contracting”)

Glucksman Institute research prize, NYU, second place, 2008 (for “The Age of Reason”)

Russell Sage Foundation Fellowship, 2002-2003.

Young Scientist Award for Socio- and Econophysics, 2006.

David A. Wells Prize for outstanding doctoral dissertation at Harvard University, 1999.

Citation count

Over 1900 citations in published articles (source: *Web of Science*, December 2011)

Research

Papers published in peer-reviewed publications

Gabaix, Xavier, "Zipf's Law for Cities: An Explanation," *Quarterly Journal of Economics*, 114 (3), August 1999, p.739-67.

Reprinted in *The International Library of Critical Writings in Economics: New Economic Geography*, V. Henderson, ed., Edward Elgar, 2005.

Plerou, Vasiliki, Parameswaran Gopikrishnan, Luis Amaral, Xavier Gabaix, H. Eugene Stanley "Economic Fluctuations and Anomalous Diffusion," September 2000, *Physical Review E*, 62 (3), p. R3023-6.

Gopikrishnan, Parameswaran, Vasiliki Plerou, Xavier Gabaix, H. Eugene Stanley, "Statistical Properties of Share Volume Traded in Financial Markets," October 2000, *Physical Review E*, 62 (4), p. R4493-6.

Plerou, Vasiliki, Parameswaran Gopikrishnan, Xavier Gabaix, Luis. A. N. Amaral, H. Eugene Stanley, "Price Fluctuations, Market Activity, and Trading Volume," *Quantitative Finance* 1, 2001, 262-269.

Reprinted in *Beyond Equilibrium and Efficiency*, D. Farmer and J. Geanakoplos eds., Oxford University Press, 2005.

Gabaix, Xavier and David Laibson, "The 6D bias and the Equity Premium Puzzle," *NBER Macroeconomics Annual*, vol. 16, 2002, p. 257-312.

Plerou, Vasiliki, Parameswaran Gopikrishnan, Xavier Gabaix, H. Eugene Stanley, "Quantifying Stock Price Response to Demand Fluctuations," *Physical Review E*, 66, p. 027104.1-4 (2002).

Gabaix, Xavier, Parameswaran Gopikrishnan, Vasiliki Plerou, H. Eugene Stanley "A Theory of Power Law Distributions in Financial Market Fluctuations," *Nature*, 2003, vol. 423, p. 267-70.

Reprinted in part in Chapter 1 of *Practical Fruits of Econophysics*, H. Takayasu, ed., Springer Verlag, 2006.

Plerou, Vasiliki, Parameswaran Gopikrishnan, Xavier Gabaix, H. Eugene Stanley, "On the Origins of Power Law Fluctuations in Stock prices," *Quantitative Finance*, 2004, vol. 4, C11-15.

Gabaix, Xavier, Parameswaran Gopikrishnan, Vasiliki Plerou, H. Eugene Stanley "Institutional Investors and Stock Market Volatility," *Quarterly Journal of Economics*, vol. 121 (2), May 2006, p. 461-504.

Gabaix, Xavier and David Laibson "Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets," *Quarterly Journal of Economics*, vol. 121 (2), May 2006, p. 505-540.

Gabaix, Xavier, David Laibson, Guillermo Moloche and Stephen Weinberg “Costly Information Acquisition: Experimental Analysis of a Boundedly Rational Model,” *American Economic Review*, vol. 96 (4), September 2006, p. 1043-1068.

Gabaix, Xavier, Arvind Krishnamurthy and Olivier Vigneron “Limits of Arbitrage: Theory and Evidence from the Mortgage-Backed Securities Market,” *Journal of Finance*, vol. 62(2), April 2007, p. 557-595.

Nominated for the Smith Breeden Prize for the best asset pricing paper in the *Journal of Finance*.

Gabaix, Xavier, Parameswaran Gopikrishnan, Vasiliki Plerou, H. Eugene Stanley “Quantifying and Understanding the Economics of Large Financial Movements,” *Journal of Economic Dynamics & Control*, vol. 32(1), 2008, p. 303-319. [Special issue on Statistical Physics Approaches in Economics and Finance.]

Gabaix, Xavier and Augustin Landier “Why Has CEO Pay Increased So Much?,” *Quarterly Journal of Economics*, vol. 123(1), 2008, p. 49-100.

Edmans, Alex and Xavier Gabaix “Is CEO Pay Really Inefficient? A Survey of New Optimal Contracting Theories,” *European Financial Management*, vol. 15(3), 2009, p. 486-496.

Edmans, Alex, Xavier Gabaix and Augustin Landier “A Multiplicative Model of Optimal CEO Incentives in Market Equilibrium,” *Review of Financial Studies*, vol. 22(12), 2009, p. 4881-4917.

Agarwal, Sumit, John Driscoll, Xavier Gabaix, and David Laibson, “The Age of Reason: Financial Decisions over the Life-Cycle and Implications for Regulation,” *Brookings Papers on Economic Activity*, vol. 2009(2), 2009, p.51-117.

Awarded the TIAA-CREF Paul A. Samuelson Award: Certificate of Excellence, 2011.

Gabaix, Xavier and Rustam Ibragimov, “Rank-1/2: A Simple Way to Improve the OLS Estimation of Tail Exponents,” *Journal of Business Economics and Statistics*, vol. 29(1), 2011, p. 24–39.

Edmans, Alex and Xavier Gabaix, “The Effect of Risk on the CEO Market,” *Review of Financial Studies*, vol. 24(8), 2011, p. 2822-2863

Edmans, Alex and Xavier Gabaix “Tractability in Incentive Contracting,” *Review of Financial Studies*, vol. 24(9), 2011, 2865-2894

Rozenfeld, Hernán, Diego Rybski, Xavier Gabaix, Hernán Makse, “The Area and Population of Cities: New Insights from a Different Perspective on Cities,” *American Economic Review*, vol. 101(5), 2011, p. 2205-2225

Gabaix, Xavier “The Granular Origins of Aggregate Fluctuations,” *Econometrica*, vol. 79(3), 2011, p. 733–772.

Edmans, Alex, Xavier Gabaix, Tomasz Sadzik, Yuliy Sannikov, “Dynamic CEO Compensation,” (formerly “Dynamic Incentive Accounts”), forthcoming, *Journal of Finance*.

Winner of the Best paper award, Financial Research Association, 2009.

Gabaix, Xavier “Variable Rare Disasters: An Exactly Solved Framework for Ten Puzzles in Macro-Finance,” forthcoming, *Quarterly Journal of Economics*.

Papers published in Papers and Proceedings, books, etc.

Gabaix, Xavier, “Zipf’s Law and the Growth of Cities,” *American Economic Review Papers and Proceedings*, 89 (2), May 1999, p. 129-32.

Gabaix, Xavier and David Laibson, “A Boundedly Rational Decision Algorithm,” *American Economic Review Papers and Proceedings*, 90 (2), May 2000, p. 433-438.

Gabaix, Xavier and David Laibson, “A New Challenge for Economics: the ‘Frame Problem’,” *The Psychology of Economic Decisions, vol. 1: Rationality and Well-Being*, Isabelle Brocas and Juan D. Carrillo eds., Oxford University Press, 2003, p.169-183.

Gabaix, Xavier and Yannis Ioannides, “The Evolution of City Size Distributions,” *Handbook of Regional and Urban Economics*, volume 4, V. Henderson and J.-F. Thisse eds., 2004, North-Holland, Chapter 53, p. 2341-2378.

Gabaix, Xavier, Parameswaran Gopikrishnan, Vasiliki Plerou, H. Eugene Stanley “A Theory of Limited Liquidity and Large Investors Causing Spikes in Stock Market Volatility and Trading Volume,” *Journal of the European Economic Association, Papers and Proceedings*, Vol. 5 (2-3), April-May 2007, p.564-573.

Gabaix, Xavier, “Discussion: The Loss Aversion / Narrow framing Approach to the Equity Premium Puzzle,” [discussion of a chapter by N. Barberis and M. Huang] in *Handbook of the Equity Risk Premium*, Rajnish Mehra editor, 2008, Elsevier, p. 230-234.

Gabaix, Xavier and David Laibson, “The Seven Properties of Good Models,” Chapter in *The Foundations of Positive and Normative Economics*, Andrew Caplin and Andrew Schotter editors, Oxford University Press, 2008, p.292-299.

Gabaix, Xavier, “Power Laws,” entry in *The New Palgrave Dictionary of Economics, 2nd Edition*, Steven N. Durlauf and Lawrence E. Blume editors, MacMillan, 2008.

Gabaix, Xavier “Variable Rare Disasters: A Tractable Theory of Ten Puzzles in Macro-Finance,” *American Economic Review Papers and Proceedings*, vol. 98(2), May 2008, p.64-67. [A simple introduction to the main paper, which is listed below: “Variable Rare Disasters: An Exactly Solved Framework for Ten Puzzles in Macro-Finance”]

Gabaix, Xavier “Power Laws in Economics and Finance,” *Annual Review of Economics*, vol.1, 2009, p. 255-293.

Viral Acharya, Jennifer Carpenter, Xavier Gabaix, Kose John, Matthew Richardson, Marti Subramanyam, Rangarajan Sundaram, Eitan Zemel, “Corporate Governance in the Modern Financial Sector,” in *Restoring Financial Stability: How to Repair a Failed System*, Viral Acharya and Matthew Richardson, editors, Wiley, 2009, p.185-197. [Japanese translation, 2011].

Thomas Cooley, Xavier Gabaix, Samuel Lee, Thomas Mertens, Vicki Morwitz, Shelle Santana, Anjolein Schmeits, Stijn van Nieuwerburgh, and Robert Whitelaw, “Consumer Finance Protection,” in *Regulating Wall Street*, Viral Acharya, Thomas Cooley, Matthew Richardson and Ingo Walter, editors, Wiley, 2010, p.73-84.

Gabaix, Xavier “Disasterization: A Tractable Way to Fix the Asset Pricing Properties of Macroeconomic Models,” *American Economic Review Papers and Proceedings*, vol. 101(3), May 2011, p. 406–409.

Gabaix, Xavier, Augustin Landier and David Thesmar “Consumer protection.” Report for the Conseil d’Analyse Economique, 2012 (in French).

Completed Papers

Gabaix, Xavier “Linearity-Generating Processes: A Modelling Tool Yielding Closed Forms for Asset Prices,” revise and resubmit (3rd round) at *Econometrica*.

Agarwal, Sumit, John Driscoll, Xavier Gabaix, and David Laibson, “Learning in the Credit Card Market,” revise and resubmit (3rd round) at the *American Economic Review*.

Vasco Carvalho and Xavier Gabaix, “The Great Diversification and Its Undoing,” 2nd round at the *American Economic Review*.

Farhi, Emmanuel and Xavier Gabaix, “Rare Disasters and Exchange Rates”

Farhi, Emmanuel, Samuel Fraiburger, Xavier Gabaix, Romain Rancière, Adrien Verdelhan, “Crash Risk in Currency Markets”

Work in Progress

Gabaix, Xavier “A Sparsity-Based Model of Bounded Rationality”

Gabaix, Xavier “A Theory of Boundedly Rational Dynamic Programming”

Gabaix, Xavier “Game Theory with Sparsity-Based Bounded Rationality”

Carr, Peter, Xavier Gabaix and Liuren Wu, “Options with Linearity-Generating Processes”

Cheridito, Patrick and Xavier Gabaix, “Regularity Conditions to Ensure the Existence of Linearity-Generating Processes”

Gabaix, Xavier, David Laibson, Hongyi Li, Deyuan Li, Sidney Resnick and Casper de Vries, “Competition and Prices: Insights from Extreme Value Theory”.

Gabaix, Xavier and David Laibson “Bounded Rationality and Directed Cognition”

Canals, Claudia, Xavier Gabaix, Josep Vilarrubia, David Weinstein “Trade Patterns, Trade Balances, and Idiosyncratic Shocks”

Gabaix, Xavier, Parameswaran Gopikrishnan, Vasiliki Plerou, H. Eugene Stanley “Are Stock Market Crashes Outliers?”

Seminars and Conferences

2012

Scheduled: Davos (World Economic Forum), American Economic Association, Northwestern, Berkeley, Federal Reserve Board, Barcelona CEPR conference on behavioral economics.

2011

American Economic Association, American Finance Association, NBER EFG, Harvard, Columbia (two talks), Berkeley, Caltech, Amsterdam, Stockholm, Paris School of Economics, NBER Summer Institute (two talks), Stanford Institute for Theoretical Economics, Penn, Chicago (two talks), Brown, Yale (two talks), Wharton.

2010

American Economic Association, Econometric Society, American Finance Association, Chicago Fed conference on real estate economics, Sciences-Po, Paris Finance Conference, Western Finance Association, Society for Economic Dynamics, NBER Summer Institute, Minnesota Workshop in Macroeconomic Theory, Cornell, Yale, Stanford Institute for Theoretical Economics, Wharton, Harvard, New York Area Monetary Policy Workshop, Duke, MIT, NYU Five Star Conference, LSE, INSEAD, Princeton.

2009

American Economic Association, Econometric Society, American Finance Association, Society for Economic Dynamics, Harvard-MIT, Toulouse (two talks), Harvard Law School conference on Corporate Governance, NYU, Texas Monetary Conference, New York Fed, U. of Chicago (three talks), Board of Governors of the Federal Reserve, Columbia, Stanford, Princeton, Utrecht, Pompeu-Fabra, Baruch, NYU, Financial Research Association.

2008

American Economic Association, Western Finance Association, Econometric Society, NYU Stern, Chicago GSB (two talks), Society for Economic Dynamics, CEPR (Gerzensee), Bank of Portugal macroeconomics conference, U. of Maryland (two talks), Harvard, IMF (two talks), Gerzensee summer institute, American Law and Economics meeting, Northwestern (Kellogg), Richmond Fed, Yale (behavioral economics conference), NBER (Monetary Economics; Labor Studies; Impulse and Propagation Mechanisms; Asset Pricing), Princeton, Berkeley, Paris School of Economics.

2007

NBER (Corporate Governance; Capital Markets and the Economy; Impulse and Propagation Mechanisms; International Finance and Macroeconomics; Asset Pricing; Behavioral Finance), University of Delaware, Washington University at Saint Louis (two talks), Minnesota Workshop in Macroeconomic Theory, University of British Columbia, Boston University, Dartmouth, Minneapolis Fed, Bloomberg, American Finance Association, NYU, Columbia, American Economic Association, Yale, Paris School of Economics, Duke, Harvard, Texas Finance Festival, MIT (two talks), UCLA (two talks).

2006

Society for Economic Dynamics, NBER (Income Distribution and Macroeconomics; Labor Studies; Corporate Governance; Macroeconomics and Individual Decision-Making; Law and Economics; Economics of Aging), Minnesota Macroeconomics Workshop, Wharton, Harvard / MIT, Organizations, Harvard, Stanford, Berkeley (two talks), Chicago, Princeton, NYU Courant, University of Illinois at Urbana-Champaign, Carnegie-Mellon, Stanford Institute for Theoretical Economics, American Economic Association, Chicago.

2005

Econometric Society (World Congress), INSEAD, RISK, Econophysics Conference, EURANDOM, American Economic Association, Federal Reserve of Boston, University of California at Santa Barbara, Brandeis, American Association for the Advancement of Science, Noise and fluctuations in econophysics and finance, Northwestern, Toulouse conference in honor of Jean-Jacques Laffont, University of Wisconsin at Madison, NYU, Society for Economic Dynamics, Society for the Advancement of Economic Theory, NBER (Economic Fluctuations and Growth), Utah Finance Conference, Western Finance Association, Columbia, International Monetary Fund, Princeton, World Bank, Paris Sciences Economiques.

2004

Berkeley, Harvard, RISK, Society for Economic Dynamics, American Economic Association (two talks), European Finance Association meeting, Columbia, U. Minnesota, International conference in Industrial Organization, Econometric Society, NBER (Heterogeneity in macroeconomics; Productivity; Asset Pricing, NBER Market microstructure conference), MIT, Ohio State, Society for Economic Dynamics, Duke, Northwestern, Texas Theoretical Industrial Organization, University of Michigan, Minneapolis Federal Reserve Bank, HEC Montreal, Stanford Institute for Theoretical Economics, Yale.

2003

Wharton, Stanford, Harvard (two talks), Princeton, Tufts, Northwestern (Kellogg), NYU (two talks), University of Virginia, Columbia, NBER (Macroeconomics and individual decision making), MIT (three talks), Boston University, Erasmus University, Pompeu-Fabra University, Collège de France, Western Finance Association, Econometric Society Conference (two talks), European Economics Association Conference, Toulouse, Stanford Institute for Theoretical Economics.

2002

Princeton, Berkeley, Harvard, MIT (three talks), Stanford, NYU, Second NIKKEI Symposium on econophysics, UCLA, Caltech, Minnesota Neuroeconomics conference, Ohio State, International econophysics conference, NBER (International Finance and Macroeconomics; Income Distribution and Macroeconomics), Regional Science Association Meetings, John Hopkins University, U. Montreal, Behavioral economics conference, Behavioral Summer Institute, Stanford Institute for Theoretical Economics, Western Finance Association.

Teaching Experience

Behavioral Economics and Finance, Undergraduate (2004-2005 teaching rating: 6.8 out of 7; the highest rating amongst MIT undergraduate economics courses that year)

Intermediate Macroeconomics, Undergraduate

Behavioral Economics and Finance, Graduate

Advanced Finance, Graduate

Advanced Macroeconomics, Graduate

Foundations of Finance, Undergraduate and MBA

Professional service

Committee organizer: American Finance Association (2010), European Economic Association (2002, 2007-), European Finance Association (2011-), Paris Corporate Finance Conference (2010-), Western Finance Association (2008, 2010-), Washington University in St. Louis Finance Conference (2009-), Leiden conference on financial fluctuations (co-chair, 2004), SPIE conference on Statistical Physics Approaches to finance (co-chair, 2005).

Associate Editor: *Management Science* (2010-), *Critical Finance Review* (2011-), *Mathematics and Financial Economics* (2011-)

Referee: Agence Nationale pour la Recherche, *American Economic Journal*, *American Economic Review*, *Cognitive Psychology*, *Economic Journal*, *Econometrica*, *Econometric Theory*, *Economics Letters*, *European Economic Review*, European Research Council, *IMF Staff Papers*, *International Economic Review*, *International Journal of Theoretical and Applied Finance*, *Journal of Applied Econometrics*, *Journal of Development Economics*, *Journal of Econometrics*, *Journal of Economic Behavior and Organization*, *Journal of Economic Dynamics and Control*, *Journal of Economic Growth*, *Journal of Economic*

Theory, Journal of Empirical Finance, Journal of Finance, Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Journal of Industrial Economics, Journal of International Economics, Journal of Monetary Economics, Journal of Political Economy, Journal of Public Economics, Journal of Public Economic Theory, Journal of the European Economic Association, MacArthur Foundation, Management Science, Mathematical Finance, National Science Foundation, Nature, Physica A, Physical Review E, Physical Review Letters, Proceedings of the National Academy of Sciences, Quantitative Finance, Quarterly Journal of Economics, Rand Journal of Economics, Review of Economics and Statistics, Review of Economic Dynamics, Review of Economic Studies, Review of Financial Studies, Science.

Selected Media Mentions

Selected by *The Economist* one of the top eight young economists of the decade (January 2009).

“Shrouded Attributes” was one of the ideas selected in “The Year in Ideas” by the *New York Times Magazine* in December 2006.

“A Theory of Power Law Distributions in Financial Market Fluctuations” (*Nature* 2003): *New York Times*, *The Economist*, *Financial Times*, *Business Week*, *Barron’s*, *Christian Science Monitor*, *USA Today*, and media in Australia, Canada, Germany, India, Israel, Spain, Italy.

“Shrouded Attributes” (*QJE* 2006): *New York Times* (three times), *Boston Globe*, *NBC*, *Parade magazine*.

“Why has CEO Pay increased so Much?” (*QJE* 2008): *New York Times*, *Wall Street Journal*, *Financial Times*, *The Economist*, *International Herald Tribune*, and media in Canada, France, Germany, Israel, Poland, Switzerland.

“The Age of Reason: Financial Decisions over the Life Cycle” (*BPEA* 2009): *Wall Street Journal* (front-page article).