

# 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.  
Professor of Finance, 2009-present.  
Associate Professor of Finance, 2007-2009.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Department of Economics, Cambridge, MA.  
Rudi Dornbusch Career Development Associate Professor of Economics, 2005-2007.  
Rudi Dornbusch Career Development Assistant Professor of Economics, 2004-2005.  
Assistant Professor of Economics, 1999 – 2003.  
Post-Doctoral Fellow, 1998 – 1999.

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

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

VISITING POSITIONS  
Princeton University: July 2006-2007  
New York University: June-August 2001, 2002  
University of Chicago, Department of Economics: September 1999-June 2000

## Personal

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

## Awards

Glucksman Institute research prize, NYU, first place, 2009 (for “Tractability and Detail-Neutrality in Incentive Contracting”)  
NSF Grant, “Rare Disasters and Exchange Rates,” (with E. Farhi), 2008-2011.  
Glucksman Institute research prize, NYU, second place, 2008 (for “The Age of Reason”)  
Young Scientist Award for Socio- and Econophysics, AKSOE, 2006.  
NSF Grant, “An Econophysics and Behavioral Approach to Financial Fluctuations,” (with D. Laibson and H.E. Stanley) 2005-2008.  
National Institutes of Health Grant, “Psychological Factors in Economic Lifecycle Decisions,” co-PI, Grant # P01 AG05842, 2004-2008.  
Morgan Stanley Microstructure Research Grant, with V. Plerou and H.E. Stanley, 2004.  
NSF Grant, “Understanding Large Movements in Stock Market Activity,” with H.E. Stanley, 2002-2005.  
Russell Sage Foundation Fellowship, 2002-2003.  
NSF Grant, “Research on Bounded Rationality,” with D. Laibson, 2001-2004.  
Dean’s Fund, MIT, 2000-2005.  
Provost’s Fund, MIT 2000, 2002, 2004  
Member, Sigma Xi, 1999-  
David A. Wells Prize for outstanding doctoral dissertation at Harvard University, 1999.  
Arthur Lehman Fellowship, Harvard University, 1998-1999.  
Selma Goldsmith Prize, Harvard University, 1996-1997.  
Danielian Prize in International Economics, Harvard University, 1995-1996.  
Arthur Sachs Fellowship, Harvard University, 1995-1996.  
Economics Department Fellowship, Harvard University, 1995-1999.

## Citation count

Over 1000 citations in published articles (source: *Web of Science*, February 2009)

## 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, (2004).

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*, 15(3), p. 486-496.

Gabaix, Xavier and Rustam Ibragimov, “Rank-1/2: A Simple Way to Improve the OLS Estimation of Tail Exponents,” forthcoming, *Journal of Business Economics and Statistics*.

Agarwal, Sumit, John Driscoll, Xavier Gabaix, and David Laibson, “The Age of Reason: Financial Decisions over the Life-Cycle with Implications for Regulation,” forthcoming, *Brookings Papers on Economic Activity*.

Edmans, Alex, Xavier Gabaix and Augustin Landier “A Multiplicative Model of Optimal CEO Incentives in Market Equilibrium,” forthcoming, *Review of Financial Studies*.

### **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”]

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.

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

## **Completed Papers**

Gabaix, Xavier “Linearity-Generating Processes: A Modelling Tool Yielding Closed Forms for Asset Prices,” revised and resubmitted, *Econometrica*.

Edmans, Alex and Xavier Gabaix “Tractability in Incentive Contracting,” revised and resubmitted, *Econometrica*.

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

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

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

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

Gabaix, Xavier “The Granular Origins of Aggregate Fluctuations”

Rozenfeld, Hernan, Diego Rybski, Xavier Gabaix, Hernan Makse, “The Area and Population of Cities: New Insights from a Different Perspective on Cities”

Edmans, Alex, Xavier Gabaix, Tomasz Sadzik, Yuliy Sannikov “Dynamic Incentive Accounts”

## **Work in Progress**

Gabaix, Xavier “Disasterization: A Tractable Way to Fix the Asset Pricing Properties of Macroeconomic Models”

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**

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.

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 Macroeconomics Workshop, 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 (mean MBA rating: 6.4 out of 7)

## Professional service

Committee organizer: European Economic Association (2002, 2007-9), Leiden conference on financial fluctuations (co-chair, 2004), SPIE conference on Statistical Physics Approaches to finance (co-chair, 2005), Western Finance Association (2008, 2010), Washington University in St. Louis Finance Conference (2009-10), American Finance Association (2010).

Referee for: *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*, *Review of Economics and Statistics*, *Review of Economic Dynamics*, *Review of Economic Studies*, *Review of Financial Studies*, *Science*.