

Xavier Gabaix

Harvard University, Economics department
Littauer Center
1805 Cambridge St
Cambridge MA 02138, USA
xgabaix@fas.harvard.edu
<https://scholar.harvard.edu/xgabaix/publications>

Education

HARVARD UNIVERSITY

Ph.D. in economics, 1995-1999.

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

ECOLE NORMALE SUPÉRIEURE, Paris

B.A. and agrégation of Mathematics, 1991-1995

Professional affiliations and activities

HARVARD UNIVERSITY, Economics department.

Pershing Square professor of economics and finance, 2016-.

NEW YORK UNIVERSITY, Stern school of business, finance department.

Martin J. Gruber professor of finance, 2010-2018.

Professor of finance, 2009-2010. Associate professor of finance, 2007-2009.

MIT, Economics department.

Rudi Dornbusch career development assistant then associate professor of economics, 2004-7. Assistant professor of economics, 1999-2003. Post-doc, 1998-1999.

NATIONAL BUREAU OF ECONOMIC RESEARCH: Faculty research associate, 2010-, research fellow, 2002-2010 (asset pricing, corporate finance, economic fluctuations and growth, international finance and macroeconomics)

CENTER FOR ECONOMIC POLICY RESEARCH: Research fellow, 2009- (financial economics, macroeconomics)

CESIFO RESEARCH NETWORK: Member, 2019-

EUROPEAN CORPORATE GOVERNANCE INSTITUTE: Research associate, 2011-

VISITING POSITIONS

Princeton University: 2006-2007. New York University: June-August 2001, 2002, 2018-. University of Chicago: September 1999-June 2000; part 2013 (Ford Foundation visiting professor of finance)

Personal

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

Honors and Awards

Richard T. Ely Distinguished Lectures, John Hopkins University, 2017
Maurice Allais Prize, 2015
Lagrange Prize for research on complex systems, 2012 (CRT Foundation)
Rising Star in Finance Award, 2012
Fischer Black Prize, awarded every two years by the American Finance Association to the person under 40 who contributed the most to finance, 2011.
Best Young French Economist Prize, 2011 (Le Cercle des Economistes / Le Monde)
Bernacer Prize for best European economist under 40 working in macroeconomics / finance, 2011
Fellow of the Econometric Society, 2011-
Young Scientist Award for Socio- and Econophysics, 2006.
David A. Wells Prize for outstanding doctoral dissertation at Harvard University, 1999.

Grants

Sloan Foundation, “A Behavioral Version of the Core Models of Macroeconomics” 2016-2020.
NSF, “Exchange Rates When Financial Markets Are Imperfect”, (with M. Maggiori) 2014-2018
NSF, “Sparsity: A Tractable Approach to Bounded Rationality, Applied to Basic Consumer Theory, Equilibrium Theory, and Dynamic Programming”, 2013-2016.
Banque de France Foundation, “The Rise of Disaster Risk,” (with E. Farhi, S. Fraiberger, R. Ranciere), 2013-2014.
Institute for New Economic Thinking, “A New Tractable Approach for Bounded Rationality in Economics”, 2012-2015.
NSF, “Rare Disasters and Exchange Rates,” (with E. Farhi), 2008-2013.
NSF, “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.
NIH, “Psychological Factors in Economic Lifecycle Decisions,” co-PI, 2004-2008.
NSF, “Understanding Large Movements in Stock Market Activity,” with H.E. Stanley, 2002-2005.
NSF, “Research on Bounded Rationality,” with D. Laibson, 2001-2004.

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.

Reprinted in *The Economics of E-Commerce*, in The International Library of Critical Writings in Economics, Edward Elgar Publishing, 2016.

Reprinted in *The Handbook of Behavioral Industrial Organization*, Edward Elgar Publishing, 2018.

Reprinted in part in *Consumer Finance: Markets and Regulation*, edited by Adam J. Levitin, Wolters Kluwer, forthcoming

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.

Reprinted in *Recent Developments in the Economics of Executive Compensation*, The International Library of Critical Writings in Economics, Edward Elgar Publishing, 2016.

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.

Gabaix X. “The Granular Origins of Aggregate Fluctuations,” *Econometrica*. 2011, vol. 79, p.733-772

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 “Variable Rare Disasters: An Exactly Solved Framework for Ten Puzzles in Macro-Finance,” *Quarterly Journal of Economics*, vol. 127(2), 2012, 645-700.

Edmans, Alex, Xavier Gabaix, Tomasz Sadzik, Yuliy Sannikov, “Dynamic CEO Compensation,” *Journal of Finance*, 67(5), 2012, 1603-1647. (Formerly “Dynamic Incentive Accounts”).

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

Carvalho, Vasco and Xavier Gabaix, “The Great Diversification and Its Undoing,” *American Economic Review*, 103(5), 2013, 1697-1727.

Gabaix, Xavier, Augustin Landier and Julien Sauvagnat, “CEO Pay and Firm Size: an Update after the Crisis”, *Economic Journal*, 2014, vol. 124, p. F40-F59. [Features issue on executive compensation]

Reprinted in *Recent Developments in the Economics of Executive Compensation*, The International Library of Critical Writings in Economics, Edward Elgar Publishing, 2016.

Gabaix, Xavier “A Sparsity-Based Model of Bounded Rationality,” *Quarterly Journal of Economics*, vol. 129(4), 2014, p. 1661–1710.

Gabaix, Xavier and Matteo Maggiori “International Liquidity and Exchange Rate Dynamics,” *Quarterly Journal of Economics*, vol. 130(3), 2015, p. 1369-1420.

Dauphine Chair in asset management prize, 2014.

Gabaix, Xavier, David Laibson, Hongyi Li, Deyuan Li, Sidney Resnick and Casper de Vries, “The Impact of Competition on Prices with Numerous Firms,” *Journal of Economic Theory*, vol. 165, 2016, p. 1-24.

Edmans, Alex and Xavier Gabaix “Executive Compensation: A Modern Primer,” *Journal of Economic Literature*, Vol. 54(4), 2016, 1232–1287.

Farhi, Emmanuel and Xavier Gabaix, “Rare Disasters and Exchange Rates,” *Quarterly Journal of Economics*, vol. 131(1), 2016, p. 1-52.

Gabaix, Xavier, Jean-Michel Lasry, Pierre-Louis Lions, Ben Moll, “The Dynamics of Inequality,” *Econometrica*, Vol. 84(6), 2016, 2071–2111.

Farhi, Emmanuel and Xavier Gabaix, “Optimal Taxation with Behavioral Agents,” *American Economic Review*, vol. 110(1), 2020, p. 298-336.

Gabaix, Xavier “A Behavioral New Keynesian Model,” *American Economic Review*, vol. 110(8), 2020, p. 2271-2327.

Gabaix, Xavier and Ralph Koijen “Granular Instrumental Variables,” *Journal of Political Economy*, 2024, 132 (7) :2274-2303.

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,” in *Handbook of the Equity Risk Premium*, Rajnish Mehra editor, 2008, Elsevier, p. 230-234. [Discussion of a chapter by N. Barberis and M. Huang]

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 short introduction to the QJE (2012) paper]

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 “Comprendre l’irrationalité et les événements extrêmes”, in *Repenser l’économie*, F. Geerolf and G. Zucman editors, La Découverte, 2012, p. 63-75.

Gabaix, Xavier, Augustin Landier and David Thesmar “Consumer Protection: Bounded Rationality and Regulation” Report for the Conseil d’Analyse Economique, 2012, vol. 101 (in French, “La protection du consommateur: rationalité limitée et régulation”).

Gabaix, Xavier “Comment on ‘Networks and the macroeconomy: an empirical exploration’”, *NBER Macroeconomics Annual*, 2016, vol. 30, p.336-345. [Discussion of a paper by D. Acemoglu, U. Akcigit and W. Kerr].

Gabaix, Xavier “Power laws in Economics: An Introduction”, *Journal of Economic Perspectives*, vol. 30(1), 2016, p. 185-206.

Edmans, Alex, Xavier Gabaix and Dirk Jenter, “Executive Compensation: A Survey of Theory and Evidence”, chapter in *Handbook of the Economics of Corporate Governance*, Ben Hermalin and Michael Weisbach editors, 2017.

Gabaix, Xavier “Behavioral Inattention”, in *Handbook of Behavioral Economics*, Vol.2, edited by Douglas Bernheim, Stefano DellaVigna and David Laibson, Elsevier, 2019, p. 261-343.

Gabaix, Xavier “Marshall lecture 2023: Behavioral Macroeconomics via Sparse Dynamic Programming” *Journal of European Economic Association*, 2023, vol. 21(6), p.2327–2376
Dauphine Chair in asset management prize

Work in Progress

Gabaix, Xavier and Ralph Koijen “In search of the origins of financial fluctuations: the inelastic markets hypothesis”

Winner of the Swiss Finance Institute outstanding paper award, 2020

Winner of the Jack Treynor Prize, Q Group, 2020

Winner of the AQR Insight award, first prize, 2021

Gabaix, Xavier and Thomas Graeber “The Complexity of Economic Decisions”

Gabaix Xavier, Ralph Koijen, Robert Richmond, Motohiro Yogo “Asset Embeddings”

Gabaix Xavier, Ralph Koijen, Feredico Mainardi, Sangmin Oh, Motohiro Yogo “Asset Demand of U.S. Households”

Gabaix, Xavier and David Laibson “Myopia and Discounting”

Farhi, Emmanuel, Samuel Fraiberger, Xavier Gabaix, Romain Rancière, Adrien Verdelhan, “Crash Risk in Currency Markets,” revise and resubmit, *Review of Financial Studies*.

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

Teaching Experience

Finance, PhD

Behavioral Economics and Finance, PhD

Macroeconomics, PhD

Capital Markets, undergraduate

Foundations of Finance, undergraduate and MBA

“Stochastic models of distribution and growth” (mini-course co-taught in 2011 with Robert Lucas)

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

Professional service

Associate Editor: *Quantitative Finance* (2014-), *Critical Finance Review* (2011-)

Past associate editor: *Management Science* (2010-16), *Mathematics and Financial Economics* (2011-14), *Quarterly Journal of Economics* (2014-2023), *Econometrica* (2012-2024)

Awards for professional service:

“Excellence in refereeing award”, *American Economic Review* (2011-2017), *Quarterly Journal of Economics* (2012), *Review of Economic Studies* (2016)

“Distinguished service award” (2012, 2014) and “Meritorious Service Award” (2015) for services as an associate editor, *Management Science*

International Atlantic Economic Society: Vice President (2022-23), then President (2023-24)

European Corporate Governance Institute: Research associate (2011-)

Maurice Allais foundation: Member of the scientific board (2016-)

Multidisciplinary Program in Inequality & Social Policy, Harvard: Affiliate (2016-)

Weatherhead Center for International Affairs, Harvard: Associate (2020-)

American Economic Association: Member of the nominating committee (2016)

American Finance Association: Director (2016-19); member of the nominating committee (2015-16); of the AFA-Morgan Stanley prize committee (2011).

Conseil d'Analyse Economique (France): Member (2010-12).

Committee organizer: NBER conferences (Universities Research conference, EFG, Behavioral economics), BRIC (Bounded rationality in choice conference, 2015), American Finance Association (2010, 2015), Miami behavioral finance conference (2014-), European Economic Association (2002, 2007-), European Finance Association (2011-6), Paris Corporate Finance Conference (2010), Western Finance Association (2008, 2010-2016), Washington University in St. Louis Finance Conference (2009-11), Leiden conference on financial fluctuations (co-chair, 2004), SPIE conference on Statistical Physics Approaches to finance (co-chair, 2005).

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, *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 Finance*, *Journal of Financial Economics*, *Journal of Financial and Quantitative Analysis*, *Journal of International Economics*, *Journal of Monetary Economics*, *Journal of Political Economy*, *Journal of Public Economics*, *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*.