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**DOCTORAL  
STUDIES**

Massachusetts Institute of Technology (MIT)  
PhD, Economics, Expected completion June 2013  
DISSERTATION: "Essays in Development Macroeconomics"

DISSERTATION COMMITTEE AND REFERENCES

Professor Robert Townsend  
MIT Department of Economics  
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**PRIOR  
EDUCATION**

Universidad Torcuato Di Tella,  
2007, MA in Economics

Universidad de Montevideo,  
2004, BA in Economics,

**CITIZENSHIP**

Uruguay

**GENDER:**

Male

**LANGUAGES**

English, Spanish, Portuguese

**FIELDS**

Primary Fields: Macroeconomics, Microeconomic Theory

Secondary Fields: Development Economics

<b>TEACHING EXPERIENCE</b>	Lecturer of Mathematics and Probability Theory (graduate, Universidad de Montevideo)	2008-2012
	Macroeconomic Growth (graduate, MIT Course 14.452), Teaching assistant to Professor Daron Acemoglu	Fall 2012
	Macroeconomic Crisis (graduate, MIT Course 14.454), Teaching Assistant to Professor Roberto Caballero	Spring 2011
	Microeconomic Theory I (graduate, MIT Course 14.121), Teaching Assistant to Professor Robert Townsend	Fall 2010
	Principles of Microeconomics (undergraduate, MIT Course 14.01), Teaching Assistant to Professor Jeffrey Harris	Spring 2010
	Statistical Methods in Economics (graduate, MIT Course 14.381), Teaching Assistant to Professors Anna Mikusheva and Victor Chernozhukov	Fall 2009
	Lecturer Mathematical Economics I (undergraduate, Universidad de Montevideo)	Fall 2006
	Introduction to Economics (undergraduate, Universidad Torcuato Di Tella), Teaching Assistant	Spring 2005
	Mathematical Economics II (undergraduate, Universidad de Montevideo), Teaching Assistant to Ing. Mario Tascende	Fall 2003
	Mathematical Economics I (undergraduate, Universidad de Montevideo), Teaching Assistant to Professor Juan Dubra	Fall 2003
<b>RELEVANT POSITIONS</b>	Research assistant to Professor Robert Townsend	2009-2011
	Research assistant to Professor Ivan Werning	2008
	Research assistant to Sergio Schmukler and Claudio Raddatz, World Bank, Development Research Group	2007
	Research Assistant to Professors Alfredo Canavese and Hildegart Ahumada, Universidad Torcuato di Tella	2005-2007
	Research assistant to Professor Juan Dubra, Universidad de Montevideo	2004
<b>FELLOWSHIPS, HONORS, AND AWARDS</b>	George and Obie Schultz Fund Grant, 2011 Best Graduate Teaching Assistant of the Year, 2011 Russell Sage Foundation Small Grant in Behavioral Economics, 2011 Russell Sage Foundation Small Grant in Behavioral Economics, 2009 MIT – Department of Economics Fellowship, 2007-2013 Universidad de Montevideo – “Escolaridad por Excelencia” 2001-2004 Universidad de Montevideo – Best Economics Student Award, 2004.	
<b>PROFESSIONAL ACTIVITIES</b>	Workshop on Networks and Applied Micro (Brown University), 2012 North East Universities Development Consortium (NEUDC, Yale), 2011	

XXVI Jornadas Anuales de Economía (Banco Central del Uruguay), 2011

**RESEARCH  
PAPERS**

**“Credible Reforms and the Reputations of Policy Makers : a Robust Mechanism Design Approach” (Job Market Paper)**

We study the problem of a government with low credibility, who decides to make a reform to remove ex-post time inconsistent incentives. If the public believed the reform solved this time inconsistency problem, the policy maker could achieve complete discretion. However, if the public does not believe the reform to be successful, some discretion must be sacrificed in order to induce public trust. With repeated interactions, the policy maker can build reputation about her reformed incentives. However, equilibrium reputation dynamics are very sensitive to assumptions about the public beliefs, particularly after unexpected events. To overcome this limitation, we study the optimal *robust policy*, that implements public trust for all rationalizable beliefs.

When focusing on robustness to all extensive-form rationalizable beliefs, the robust policy exhibits both partial and permanent reputation building along its path, as well as endogenous transitory reputation losses. We then show that, almost surely the policy maker eventually convinces the public she does not face a time inconsistent type, and this happens with an exponential arrival rate. This implies that as policy makers become more patient, the payoff of robust policies converge to the complete information benchmark. We finally explore how further restrictions on beliefs alter optimal policy and accelerate reputation building.

**”Testing Models of Social Learning on Networks: Evidence From a Framed Field Experiment”** with Arun Chandrasekhar and Horacio Larreguy

Theory has focused on two leading models of social learning on networks: Bayesian and DeGroot rules of thumb learning. These models can yield greatly divergent behavior; individuals employing rules of thumb often double-count information and may not exhibit convergent behavior in the long run. By conducting a unique lab experiment in rural Karnataka, India, set up to exactly differentiate between these two models, we test which model best describes social learning processes on networks. We study experiments in which seven individuals are placed into a network, each with full knowledge of its structure. The participants attempt to learn the underlying (binary) state of the world. Individuals receive independent, identically distributed signals about the state in the first period only; thereafter, individuals make guesses about the underlying state of the world and these guesses are transmitted to their neighbors at the beginning of the following round. We consider various environments including incomplete information Bayesian models and provide evidence that individuals are best described by DeGroot models wherein they either take simple majority of opinions in their neighborhood

**“Network Financial Centrality and the Linking Value of Traders”** with Arun Chandrasekhar and Robert Townsend

We study a model of risk sharing in an endowment economy with an exogenously specified social network which affects the degree to which insurance can be sustained. We explicitly recognize the interconnectedness of agents (traders, financial institutions) as participants in a market and allow for limited market participation and we allow for idiosyncratic risk and for aggregate shocks that come from two sources: variation in individual and aggregate (average endowment) and variation in market participation (again, markets can be thin).

The network determines the likelihood that participants are contacted and are able to get to the market to make trades. Agents are not exchangeable and some traders are more centrally located than others. We ask what is the value of a named trader in this set up, namely how eager are people willing to trade now in that person's debt, recognizing these personalized debts will not be paid in future markets at a given date where that agent/institution is unable to participate, due to market participation shocks (this is a kind of involuntary default). We find that the marginal valuation of the debt (or loan) is intimately related to what we term financial centrality, which is a combination of the unconditional probability of being in a market, where the social networks direct the stochastic process governing that probability, as well as the covariance between the inverse size of the market and propensity to be in the market. The value of a given agent is not an otherwise obvious calculation as it depends on the interpersonal relations within which the agent is immersed and how that person's existence affects social welfare broadly.

However, we are able to show that the agent's value can simply be characterized by a few key, measurable attributes: (a) the unconditional probability of an agent being in a market and (b) how likely an agent is to be in smaller markets. Moreover, how much (a) versus (b) contributes to financial centrality depends on the coefficient of variation of the income process, relative risk aversion, and prudence. That is, (b) matters more to financial centrality when the income process is riskier or individuals are more risk (or higher order moment) averse.

**“A Note on Payments in Experiments of Infinitely Repeated Games with Discounting”** with Arun Chandrasekhar

It is common for researchers studying repeated and dynamic games in a lab Experiment to pay participants for all rounds or a randomly chosen round. We argue that these payment schemes typically implement different sets of subgame perfect equilibrium (SPE) outcomes than the target game. Specifically, paying a participant for all rounds or for a randomly chosen round makes the game such that early rounds matter more to the agent, by lowering discounted future payments. In addition, we characterize the mechanics of the

problems induced by these payment methods. We are able to measure the extent and shape of the distortions. We also establish that a simple payment scheme, paying participants for the last (randomly occurring) round, implements the game. The result holds for any dynamic game with time separable utility and discounting. A partial converse holds: any payment scheme implementing the SPE should generically be history and time independent and only depend on the contemporaneous decision

**“Regulation and the Optimal Design of Financial Markets”** with Robert Townsend

We study a static version of a Diamond-Dybvig economy, where ex-ante identical households face ex-post idiosyncratic and aggregate risk. We introduce minimum scale restrictions on the set of available technologies, creating a need for coordinating investment. We focus on the case where all feasible allocations have some measure of uninsurable systemic risk.

We solve for the optimal mechanism design problem of providing idiosyncratic and aggregate insurance to households with private information. We find the unique efficient investment allocation that implements the optimal insurance contract, which consists of an unbalanced investment portfolio, to get a larger number of projects. We also provide a market based implementation of this allocation, where commercial banks (broker-dealers) sell insurance contracts to households, and finance firms’ investments. We allow free entry in both the commercial banks and firms sectors. This decentralized market arrangement implements the optimal allocation as its unique equilibrium, provided the following trading restrictions: (a) Households cannot engage in informal risk sharing (b) Firms get financing from at most one commercial bank and (c) Households cannot invest directly in firms, either by buying equity or bonds. However, regulation on commercial bank investments is not desirable, since it does not allow them to benefit from cross-subsidization strategies. This simple model gives some stark yet intuitive policy recommendations for regulation of financial markets.

**RESEARCH IN  
PROGRESS**

**“Informal Risk Sharing and Bargaining Power”**

The standard models of risk sharing focus on the testable implications of constraint efficient informal insurance allocations of output, labor and consumption. These allocations may be different among otherwise homogeneous households, an asymmetry typically measured by the estimated Pareto weights of the observed allocation. However, these are endogenous to the environment itself, and may not be good measures of the implied *bargaining power* amongst households. Our first contribution is to provide testable implications on the implied Pareto Weights of different models of cooperative bargaining solutions. Specifically, we consider the ex-ante and ex-post bargaining solutions of Nash (1950) and Kalai and Smorodinsky (1975),

which specify how relative risk preferences, productivity and income streams of households determine their shares in the informal risk sharing agreement.

Our second contribution consists on defining measures of bargaining power that are theoretically orthogonal to the risk sharing environment description. These are obtained by fitting the observed data to the asymmetric versions of the cooperative bargaining solutions studied, thus delivering relative bargaining weights implied by the observed allocation. Under the hypothesized bargaining solution concept, these measures should be invariant to changes in the physical environment, and hence may be interpreted as household specific bargaining power. This could be related to some other observable characteristics, like political power and relative network centrality.

### **“A Note on Rationalizability in Infinite, Dynamic Games with Incomplete Information”**

I extend the main results of Battigalli (2003) and Battigalli and Siniscalchi (1999, 2003) to environments with compact topological spaces of actions and payoff parameters, with potentially infinitely lived agents. This is necessary to be able to deal with continuum of action and payoff types, which are widespread in the literature on repeated oligopoly competition, risk sharing, dynamic contracting and dynamic mechanism design in general, among other applications. Under continuity at infinity and topological compactness assumptions, we provide an analog to their Universal Type Space Theorem, and prove basic topological properties of the sets of Weak and Strong Rationalizable Strategies.