

Nicolas Inostroza

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Evanston, IL 60208 Citizenship: Chilean

Fields Research: Financial Economics, Microeconomic Theory
Teaching: Corporate Finance, Microeconomic Theory

Education: Ph.D., Economics, Northwestern University, 2019 (anticipated)
Committee: Alessandro Pavan (Chair), Michael Fishman, Jeff Ely
M.A., Economics, Northwestern University, 2019
M.A., Economics, University of Chile, 2013, *Maximum Distinction*
B.S., Industrial Engineering, University of Chile, 2013, *Maximum Distinction*

Fellowships & Awards Becas Chile Grant, 2015-2017
Northwestern Graduate Fellowship, 2013-2019
Highest Honors Bachelor Engineering Sciences, major Industrial Engineering, 2012
Conycit Grant for MSc studies at CEA-DII-Universidad de Chile, 2012
Outstanding Student Award in Industrial Engineering 2009, 2010
Excellence Grant "Eiffel" to study at Ecole Centrale Paris, 2007
Outstanding Student Award in Engineering and Science core curriculum, 2005, 2006
Excellence Grant. 4th highest average score accepted at Engineering School, 2005
Highest national score: math section, PSU (national admission test) 2004
Bronze Medal. XVI National Mathematics Olympiad. Mathematical Society of Chile, 2004

Teaching Experience Teaching Assistant, Northwestern University, 2014-2017
Intermediate Microeconomics I and II, Corporate Finance, Industrial Organization
Teaching Assistant, University of Chile, 2010-2013
Microeconomics I and II (G), Corporate Finance (G), Microeconomics (U), Industrial Organization (U), Operations Research (U)

Conferences Young Economist Symposium (Yale), 2017
Chicago Theory Conference (Booth), 2017
Liquidity Conference (Wharton), 2017
AEA meetings (Information Design session), 2018
Midwest Macroeconomics Conference (Wisconsin -Madison), 2018

Refereeing Journal of Economic Theory (x1), American Economic Review (x4)

Job Market Paper **Persuading Multiple Audiences: Stress Testing, Capital Requirements, and Liquidity Provision**

I investigate the optimal design of interventions to stabilize financial institutions subject to rollover risk. A policy-maker facing the potential default of a bank discloses information about the long-term profitability of its assets and its liquidity position to multiple audiences: short-term creditors, external investors, taxpayers, and the bank itself. I characterize the optimal comprehensive disclosure policy and show that when the quality of the assets is above a threshold, the test assigns a coarse *pass* grade. In turn, when the quality of the assets is poor, the test assigns one of multiple failing grades and complements that grade with a follow up pass-fail test on the bank's short-run liquidity position. Additionally, the policy-maker imposes contingent capital requirements. I find that without these requirements, disclosure of information about the bank's buffers may be ineffective. When the regulator lacks the technology to timely respond to liquidity shocks, she designs a liquidity-provision program whereby the government offers to buy assets from the bank in exchange for cash and a public disclosure of the bank's liquidity position. Interventions display a non-monotone pecking order: the private sector funds banks with either high- or poor-quality assets, while institutions with assets of intermediate performance participate in the government's liquidity program. My results shed light on the optimal way to disclose information in environments with multiple audiences and multi-dimensional fundamentals.

Other Papers **Persuasion in Global Games with Application to Stress Testing (joint with A. Pavan) *R&R American Economic Review*.**

We study robust/adversarial information design in global games of regime change. We show that the optimal policy coordinates all market participants on the same course of action. Importantly, while it removes any "strategic uncertainty," it preserves heterogeneity in "structural uncertainty". When the designer is constrained to public disclosures, we identify conditions under which the optimal policy is a "pass/fail" test, as well as conditions under which the test is monotone in the banks' fundamentals. Finally, we show that the benefits from discriminatory disclosures come from "dividing-and-conquering" the market, and relate them to the type of securities issued by the banks.

Selling Securities under Distress (joint w. N. Figueroa) *working paper*

we revisit the question of how to sell securities to buyers endowed with private information, as in DeMarzo, Kemer, & Skrzypacz (2005). We modify their setting and assume that the seller experiences liquidity strains that force her to maximize revenue and to fully discount future payoffs associated with the underlying asset. We characterize the optimal selling mechanism and find that when the buyer's private signals are ordered according to MLRP, the optimal auction of securities satisfies the same qualitative properties found in standard auction design. Namely, the optimal allocation rule features (i) no distortion at the top; (ii) binding downward, local incentive constraints; and (iii) no rents at the bottom. Moreover, we show that the only type of contracts the seller offers to buyers are debt contracts, and that the face values associated with them are monotonically ordered according to buyers' types.

We then ask whether the seller may benefit from disclosing information to potential buyers. When asymmetric information of the latter represents different levels of optimism regarding the future asset's payoffs and not a technological advantage over other bidders, the seller benefits from committing to a full-disclosure policy.

Languages English (fluent), Spanish (native), French (proficient)

References

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