Henrique Castro-Pires

Northwestern Kellogg School of Management

Placement Director:	Professor Alessandro Pavan	847-491-8266	alepavan@northwestern.edu
Placement Administrator:	Alison Stoute	847-491-5694	alison.stoute@northwestern.edu

Contact Information

Managerial Economics & Strategy,
Kellogg School of Management,
Northwestern University
2211 Campus Drive
Evanston, IL 60208

Mobile: 224-256-9526
henrique.pires@kellogg.northwestern.edu
https://kelloggphds.northwestern.edu/henrique-castro-pires/
Citizenship: Brazilian

Fields

Research: Microeconomic Theory, Mechanism Design, Organizational Economics

Teaching: Microeconomic Theory, Contract Theory, Game Theory, Information Economics

Education

Ph.D., Managerial Economics & Strategy, Kellogg School of Management - Northwestern University, 2022 (Anticipated)
- Dissertation: Essays on Moral Hazard and Adverse Selection
- Committee: Jeroen Swinkels (co-Chair), Alessandro Pavan (co-chair), George Georgiadis

M.Sc., Managerial Economics & Strategy, Kellogg School of Management - Northwestern University, 2017

M.A., Economics, Getulio Vargas Foundation -EPGE/FGV, 2016

B.A., Economics, Getulio Vargas Foundation -EPGE/FGV, 2013

Fellowships & Awards

Kellogg Graduate Fellowship, 2016-2021

CAPES Fellowship for Master's Studies in Economics, 2014-2015

EPGE/FGV Undergraduate Scolarship, 2010-2013

Teaching Experience

Teaching Assistant, Kellogg School of Management - Northwestern University, 2019-2021
- Managerial Economics - Executive MBA (TA for Prof. Schummer)

Teaching Assistant, Getulio Vargas Foundation - FGV/EPGE, 2015-2016
- Microeconomic Theory II - Undergraduate (TA for Prof. André Trindade)
- Regulation in Electricity Markets - MBA (TA for Prof. Joísa Dutra)
- Microeconomic Theory I - Masters/PhD (TA for Prof. Paulo Monteiro)

Research Experience

Research Assistant, Prof. George Georgiadis, Strategy Department, Kellogg School of Management, Northwestern University, 2018-2020

Research Assistant, Prof. Jeroen Swinkels, Strategy Department, Kellogg School of Management, Northwestern University, 2019

Conferences

GAMES 2020 - presented virtually - 2021

Transatlantic Theory Workshop, Oxford University - 2019

Public Economic Theory Conference - Rio de Janeiro, Brazil - 2016

Refereeing

American Economic Review (technical reviewer), Mathematics of Operations Research

Job Market Paper

"Agency in Hierarchies: Middle Managers and Performance Evaluations"

This paper studies the optimal joint design of incentives and performance rating scales in a principal-manager-worker hierarchy. The principal wants to motivate the manager and the worker to exert unobservable effort. Given effort choices, two signals are realized: public and verifiable team output and a non-verifiable signal about the worker's effort, privately observed by the manager. The principal may try to elicit the manager's private information by requiring her to evaluate the worker's performance. Payments depend on team output and the manager's evaluation. I show that the principal can achieve no more than what is feasible with a binary rating scale. Also, subjective performance evaluations are valuable if and only if the verifiable performance measure is more informative than the non-verifiable one. Finally, I show that the principal may benefit from reducing transparency in the organization, as the cost of implementing the desired efforts can strictly decrease when the manager has less information about the worker's effort.

Publication

"Limited Liability and Non-responsiveness in Agency Models" with Humberto Moreira
Games and Economic Behavior, Volume 128, July 2021

This paper analyzes the optimal menu of contracts offered by a risk-neutral principal to a risk-averse agent under moral hazard, adverse selection, and limited liability. We show that a limited liability constraint causes pooling of the most efficient agent types. We also find sufficient conditions under which full pooling is optimal, regardless of the agent's risk aversion or type distribution. Our model suggests that offering a single contract is often optimal in environments with moral hazard, adverse selection, and in which the principal faces a limited liability constraint.

Other papers

"The effect of exit rights on cost-based procurement contracts" with Rodrigo Andrade and Humberto Moreira

This paper studies procurement contracts in an environment with dynamic arrival of information and ex-post exit rights. A procuring agency designs contracts for a firm that receives information over time. In the first period, the firm receives a private non-fully informative signal about the project's cost. In the second period, the firm fully learns the cost and decides whether to keep the contract or take an exogenous ex-post outside option. If the ex-post outside option is sufficiently close to the ex-ante outside option, the optimal mechanism takes a static form: it pools all first-period signal reports into a single contract and payments depend solely on the second-period reports. The interpretation is that optimal contracts should do not condition on ex-ante cost estimates but only on realized costs. Finally, we show that if the procuring agency neglects the firm's ex-post participation constraint, the firm has the incentive first to underreport expected costs and then take the ex-post outside option if realized costs are high. This observation is consistent with the ubiquitous cost-overruns observed empirically in procurement projects.

"Monitoring, Disclosure and Retaliation"

I analyze optimal contracts in a hierarchy consisting of a principal, a monitor, and an agent. With probability m, the monitor observes a signal about the agent's effort and decides whether to reveal it to the principal. With probability (1-m), the monitor is uninformed. The agent retaliates against the monitor whenever the performance evaluation reduces his compensation. I show that the optimal contract pools moderately (potentially all) bad performances with the uninformative signal realization. The empirical literature demonstrates that performance evaluations are lenient, and supervisors are reluctant to provide poor ratings. I show that this pattern can stem from retaliation concerns.

Languages

English (fluent), Portuguese (native)

References

Professor Jeroen Swinkels
Strategy Department
Kellogg School of Management
Northwestern University
2211 Campus Drive
Evanston, IL 60208
847-467-0960
j-swinkels@kellogg.northwestern.edu

Professor Alessandro Pavan
Department of Economics
Northwestern University
2211 Campus Drive
Evanston, IL 60208
847-491-8266
alepavan@northwestern.edu

Professor George Georgiadis
Strategy Department
Kellogg School of Management
Northwestern University
2211 Campus Drive
Evanston, IL 60208
847-491-8677
g-georgiadis@kellogg.northwestern.edu

Professor Humberto Moreira
Graduate School of Economics
Getulio Vargas Foundation - EPGE/FGV
Praia de Botafogo 190
Rio de Janeiro, RJ - Brazil
+55 (21) 3799-5933
humberto.moreira@fgv.br