

Francisco Pareschi

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EDUCATION	Ph.D. in Economics, Northwestern University (<i>in progress</i>)
	Committee: Igal Hendel (chair), Mar Reguant, Vivek Bhattacharya, Gaston Illanes
	M.A. in Economics, Northwestern University, 2019
	M.sc. in Economics, Universidad Carlos III de Madrid, 2018
	B.A. in Economics, Universidad de la República Uruguay, 2014

WORKING PAPERS	<p>“Reducing Consumer Inertia in Tobacco Markets” (JMP), with Gaston Lopez</p> <p>We study the equilibrium effects of tobacco control policies. The tobacco industry remains resilient mainly due to consumers’ attachment to the products they smoke, known as <i>consumer inertia</i>, and stemming primarily from addiction to nicotine and brand loyalty to the product they patronize. As a result, regulators have recently proposed policies to remove addictive substances in cigarettes, and others that make consumers less loyal to their brands. Although such policies would directly impact consumers, there are concerns about firms’ responses undermining the effect on consumption. To assess the empirical effect of reducing inertia, we develop a model that accounts for consumers and firm responses: consumers have addiction and loyalty, and firms choose prices and product portfolios. Consumer inertia ties future demand to present purchases, creating dynamic incentives for the firm. Thus, in our model, firms are forward-looking. We estimate the model leveraging rich variation in the Uruguayan industry, especially significant tax fluctuations and a policy that forced 40% of the products out of the market. We also use this variation to suggest that firms internalize the dynamic implications of their actions, which validates our model. Lastly, we simulate industry dynamics using a computationally efficient equilibrium definition and show that firms’ responses are unlikely to <i>reverse</i> the direct effect on consumers. Even though lowering inertia makes customers more price-responsive and can facilitate entry, it also discourages firms from lowering prices to attract customers, a compensating factor that emerges exclusively from market dynamics.</p>
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“How Governments Engage in Price Discrimination? Evidence from a Large Scale Nationalization”, with Gaston Lopez

State-owned enterprises (SOEs) have the potential to correct market failures, but they are also subject to the influence of politics and interest groups. We study this trade-off in the context of the nationalization of the leading gasoline company in Argentina. Descriptive analysis suggests that pricing patterns changed after the nationalization. First, the government charged lower markups on average, exerting less market power. Second, it engaged in less economic price discrimination, reducing the correlation between prices and consumers’ willingness to pay. Third, it engaged in political price discrimination, charging lower prices in provinces that have political connexions with the firm. Motivated by these findings, we develop and estimate a model of supply and demand of gasoline under market power and recover the government’s objective function. We find that public provision leads to welfare gains but is also associated with redistributive motives. Compared to a benevolent planner that internalizes the

welfare of all consumers and firms equally, the government chooses prices as if it only cares about consumers in provinces with political ties with the firm and middle-income consumers in all provinces. Lastly, we use the model to assess the firm’s response to policy tools, including rules that limit discretion in decision-making and echo existing regulations in government agencies worldwide. We find that rules effectively reduce the influence of politics in pricing but are associated with higher costs: they mitigate half of the welfare gains generated by the nationalization and increase the tax-payers burden by 10%. These findings emphasize the importance of politics and interest groups in shaping governments’ decision-making and the role of SOEs as instruments for redistribution

“Bounding Outcomes in Counterfactual Analysis”, with Mar Reguant

In many economic settings, counterfactual analysis can be difficult for two reasons: (i) we do not know how to compute the equilibrium of the game, or (ii) even if we know how to compute one equilibrium, the game might feature multiple equilibria, which are challenging to characterize exhaustively. We propose a bounding framework to allow for counterfactual analysis even when these problems might arise. The method relies on determining valid (conservative) bounds to counterfactual outcomes that contain any outcome that could be sustained in equilibrium, i.e., any outcome that can be supported by a set of equilibrium constraints. To ensure that all potential solutions are considered, We propose to reframe equilibrium constraints as a relaxed mixed-integer linear program. We show that the framework can also be used to narrow down equilibria by imposing additional equilibrium constraints. We provide examples of static price competition with differentiated products, dynamic games, and multi-unit auctions, three areas where counterfactual analysis faces these challenges.

WORK IN PROGRESS **“Industry Dynamics in Markets with Inertia”**

“Misallocation of water: the role of storage”, with Matthew O’Keefe

“Insurance under information frictions in the electricity market”, with Mar Reguant

RESEARCH	Research Assistant, Mar Reguant, Northwestern University	2019-2020
EXPERIENCE	Research Assistant, Centro de Investigaciones Económicas Uruguay	2012-2016

TEACHING	Teaching Assistant, Northwestern University	
EXPERIENCE	Intermediate Industrial Organization, Igal Hendel	2020
	Graduate Microeconomics III, Wojciech Olszewski	2019
	Math camp (graduate), Wojciech Olszewski	2020
	Teaching Assistant, Universidad Carlos III de Madrid	
	Econometrics (undergraduate, graduate), Industrial Organization (graduate)	2017
	Teaching Assistant, Universidad de la República Uruguay	
	Algebra, Calculus, Statistics, Econometrics (undergraduate)	2015

FELLOWSHIPS & AWARDS	Robert Eisner Graduate Fellowship, Northwestern University	2021
	<i>The department’s highest honor bestowed on a graduate student entering fourth year.</i>	
	Dissertation University Fellowship, Northwestern University	2023–2024

Graduate Fellowship, Northwestern University	2018-2022
Graduate Fellowship, Universidad Carlos III de Madrid	2016-2018
Fellowship for Masters Abroad, Agencia Nacional de Investigación e Innovación, Uruguay	2016 (Declined)
Introduction to Research Scholarship. Agencia Nacional de Investigación e Innovación, Uruguay	2013

REFEREEING	International Journal of Industrial Organization
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LANGUAGES	English (fluent), Spanish (native), Italian (basic)
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PROGRAMMING	Julia, Python, Stata
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