

## **COSTAS CAVOUNIDIS**

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### **EDUCATION**

Ph.D., Economics, Boston University, Boston MA, May 2017 (expected)  
Dissertation Title: *Three Essays on Information and Adverse Selection*  
Main advisor: Kevin Lang  
Dissertation Committee: Kevin Lang, Bart Lipman and Sambuddha Ghosh

M.A., Economics, Boston University, Boston MA, 2011

B.A., Economics, Tufts University, Medford MA, 2009

### **FIELDS OF INTEREST**

Microeconomics, Theory, Labor Economics

### **TEACHING EXPERIENCE**

Teaching Assistant, Introduction to Microeconomics, Department of Economics,  
Boston University, Fall 2012 and Spring 2013

### **WORK EXPERIENCE**

Research Assistant for Professor Kevin Lang, Department of Economics, Boston  
University, 2013-Present  
Research Assistant, Foundation for Economic and Industrial Research, Athens,  
Greece, 2005-2006 and 2008-2009

**COMPUTER SKILLS:** MATLAB, Tex, STATA, Microsoft Office.

**CITIZENSHIP/VISA:** American and Greek Dual Citizenship

### **CONFERENCES AND PRESENTATIONS**

NBER Summer Institute, Cambridge, Massachusetts, 07/2015. Oral Presentation.  
  
American Economics Association, Chicago, Illinois 2017 (future). Poster.

**WORKING PAPERS**

“When Does Information Determine Market Size? Search and Rational Inattention,”  
Job market paper, November 2016.

“Discrimination and Worker Evaluation,”  
(with Kevin Lang), March 2016.

“An Impossibility Theorem in Repeated Games,”  
(with Sambuddha Ghosh), November 2016.

**WORK IN PROGRESS**

“Adverse Selection in the Poaching Market,”  
(with Kevin Lang), very rough draft available upon request

“Ben-Porath meets Lazear: Lifetime Skill Investment with Multiple Skills,”  
(with Kevin Lang), very rough draft available upon request

“Playing Hard to Get: Signaling and Learning in Courtship,”  
(with Kevin Lang and Gautam Bose)

**REFERENCES**

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## **When Does Information Determine Market Size? Search and Rational Inattention** (Job Market Paper)

I develop a model in which optimal costly information acquisition by individual firms causes adverse selection in the market as a whole. Each firm's information acquisition policy determines which customers they provide to, and that in turn affects the distribution of customers remaining in the market and hence other firms' incentives. I show that if firms possess the ability to choose any signal of the customer's type, in equilibrium all firms in the market will profit. By contrast, with restricted signal choice, only a limited number of firms can be profitable. In such a setting, the maximum number of profitable firms fails to increase with the number of potential customers. Smooth information acquisition dampens the adverse selection externality due to each firm, while lumpy information acquisition does not. I establish that my results apply to a broad class of continuous-time information acquisition processes.

## **Discrimination and Worker Evaluation** (*with Kevin Lang*)

African-Americans face shorter employment durations than apparently similar whites. We hypothesize that employers discriminate in either acquiring or acting on ability-relevant information. We construct a model with a binary information generating process, 'monitoring', at the disposal of firms. Monitoring black but not white workers is self-sustaining: new black hires are more likely to have been screened by a previous employer than white workers and therefore firms find it optimal to discriminate in monitoring. While the model shares some features of models of coordination failure, the 'bad' equilibrium cannot be undone by coordinating the behaviors of black workers and employers. Instead, the equilibrium is determined by history and is not easily reversed. Simply increasing the skill level of black entrants to the work force to equal that of white entrants may be inadequate. The model's additional predictions, lower lifetime incomes and longer unemployment durations for blacks, are both strongly empirically supported.

## **An Impossibility Theorem in Repeated Games** (*with Sambuddha Ghosh*)

We prove a negative result in repeated games which shows that a sizable part of the set of feasible individually rational payoffs can never be supported by strategies that are at all robust to players' discount factors. We find the cutoff defining this region and interpret it as a limit on the ability to punish deviations when future rewards for randomization cannot be finely calibrated. Furthermore, we present a robust folk theorem to support payoffs in the complementary region with "Blackwell-Nash" strategies that remain SPNE at all greater discount factors.

## **Ben-Porath meets Lazear: Lifetime Skill Investment with Multiple Skills** (*with Kevin Lang*)

We develop a fairly general and tractable model of investment when workers can invest in multiple skills and different jobs put different weights on those skills. In addition to expected findings such as that younger workers are more likely than older workers to respond to a demand shock by investing in skills whose value has unexpectedly increased, we derive some less obvious results. Credit constraints may affect investment even when they do not bind in equilibrium. If there are mobility costs, firms will generally have an incentive to invest in some of their workers' skills even when there are similar competitors, and, in equilibrium there can be overinvestment in all skills. Worker skill accumulation resembles learning by doing even in its absence.