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Research Statement

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I am a PhD candidate in economics at the University of Michigan, where my main areas of specialization are Public Economics and Industrial Organization, although I also cultivate interests in empirical Finance and in Political Economy. My research is broadly focused around the question of how perceptions and beliefs regarding government policy shape actions. Below, I categorize my research into three broad bins.

FINANCIAL AND BETTING DATA

The main complication with studying beliefs is that they are never truly observable. Fortunately, the world of finance gives us the opportunity to look at actions – such as trading a company's stock – that only depend on people's beliefs about the future. Online betting markets, where users exchange futures contracts that are contingent on political or policy outcomes, give us another source of data on beliefs. My research uses these data to infer relationships in the real economy.

My job market paper looks at how the excess returns to a company's equity upon news of the latest U.S. tax reform (the Tax Cuts and Jobs Act of 2017) relate to measures of profitability and market power. Firms earning economic profits thanks to market power will be more impacted, *ceteris paribus*, by corporate tax reform because the burden of a tax on rents falls entirely on corporate shareholders, whereas firms in a market with free entry will see their temporarily increased profits eaten away by new competitors when corporate tax rates are cut. In this project, betting data on U.S. corporate tax reform play a prominent role, as I use them to quantify the effects on stock market returns – something that is usually impossible to do in event-study type settings due to the difficulty of disentangling anticipation effects. My paper finds a strong relationship between excess returns due to news of tax reform and measures of profitability and market concentration. This is important both for its consequences regarding corporate tax incidence, and for its relationship to a growing literature in several fields of economics on the rise of market power in the U.S. In future work, I also plan to explore the consequences of tax reform news for debt, as opposed to equity, as among other provisions the Tax Cuts and Jobs Act also changed the tax treatment of interest payments.

Another ongoing research project that makes heavy use of betting data is "Unintended Consequences of a Minimum Wage Hike that Never Happened." In that project, I look at how anticipations of a possible increase in the federal minimum wage affect of the excess returns of companies paying workers the minimum wage. Understanding the effect of the minimum wage on firm valuation is extremely useful because most empirical studies on the minimum wage focus on short-term outcomes, whereas the stock market reflects long-term expectations. Beyond the minimum wage, I believe these sources of data to have great potential applications that are still to be explored.

A third paper in this category is "Risky Business: Policy Uncertainty, Firm Valuation, and Investment", which I co-authored with Benjamin Glass, a fellow Michigan graduate who started in my PhD cohort. In this paper, we consider what happens when a firm believes its marginal tax rate to be correlated with the marginal product of its inputs – something that might happen mechanically due to progressive features of the tax system, or stochastically through policy changes driven by the political process. Input use will be discouraged if the firm must pay higher taxes precisely in those instances when the marginal product of its inputs is higher, whereas it will be encouraged in the opposite case. Using an asset-pricing model, we look

at how the stock market returns of companies relate to a measure of policy uncertainty in order to investigate the sign of this correlation in different sectors.

BEHAVIORAL PUBLIC FINANCE

Issues of perception and misperception are central to several observed deviations from classic economic models. The literature of the last decade has developed relatively tractable models of inattention that can be very useful in investigating these phenomena.

My paper, "Attending to Inattention: Identification of Deadweight Loss under Non-Salient Taxes", also co-authored with Benjamin Glass and recently accepted for publication in the *Journal of Public Economic Theory*, makes use of these models to study how heterogeneity in behavioral biases can complicate the welfare consequences of taxation. The basic intuition is that if consumers vary both in their preferences and in how much attention they pay to taxes, then computing the deadweight loss of taxation requires knowing both. Their preferences will reveal how much they valued foregone consumption, but only their attention to taxes can reveal how much consumption will in fact be foregone.

The same modeling approach can be used to study a variety of subjects beyond tax salience. For example, it will be very useful in a project on the relationship between tax complexity and the use of tax preparers, on which I am working with Yeliz Kaçamak, another Michigan graduate, and Ellen Stuart, a current PhD student. In that project, for which we are pursuing several potential strategies pending data availability, we plan to study how the complexity of a taxpayer's return influences their use of tax preparers, and in turn how this affects their welfare, which would be important for our understanding of both the compliance costs of taxation and the progressivity of the tax system.

OTHER ISSUES IN PF AND IO

While I am deeply fascinated by questions regarding perception and belief, my interests are wide. Political Economy has been an interest of mine since before I started my PhD, and my very first attempts at research were in that area. I have also worked on more classic problems in Public Finance, such as the provision of public goods. In my ongoing project "Altruism and Public Good Provision", I use Groves-Clarke mechanisms to show that it is possible that more altruism can make society worse off, in the sense that agents would be willing to give up more income to have a social planner implement the Pareto optimum, the more altruistic a society is.

I have also been working on a theoretical research project with prof. Joel Slemrod that studies the incidence and efficiency consequences of value-added taxation. Specifically, we set out to study a general equilibrium model that incorporates some real-life aspects of VAT such as evasion, firm heterogeneity, registration thresholds, and invoice-credit systems.

On the same line of research, I recently started an empirical project with another Michigan graduate, Tejaswi Velayudhan, in which we look at the interaction between VAT registered and unregistered firms. In this project, we plan to use data on Indian firms to ask whether these two kinds of firms operate and compete in the same markets, both in terms of the kinds of goods they sell and their geographic location.