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Research Statement

My research focuses on the role of government in the (market) economy, particularly in its efforts to raise revenues. My research was originally motivated by puzzling over how economic growth could be made consistent with a welfare state (in political economy, this is referred to as the "free lunch" puzzle). By raising tax-dollars through a tax-mix designed to minimize inefficiencies, a state could afford more public programs at the citizen's "cut-off" level of tax burden.

As such, my research centered on public economics; in particular, the literature on optimal tax policy. My earliest research worked on a "fallacy of composition" whereby the government could intentionally make a part of the economy more inefficient, so at to make the economy as a whole more efficient. Herein, the government could put disproportionate tax burden on sectors that would react with relative "inelasticity." In other words, governments may raise taxes on sectors of the economy that are least effected by it, thereby displacing tax burden from the rest of the economy, which would have contracted far more heavily in reaction to the same level of revenue extraction. Since then, I have generalized this insight to tax-mix (e.g., income, consumption, property, etc.), whereby tax instruments are selected on basis of their elasticity .

My research evolved to grapple with the political fact that optimal tax policy is rarely the primary motive upon which governments act. Consequent work built generalizable theories, explaining tax decisions as the result of the design of political institutions (which serve to mediate bargaining power between leaders with key factions of society). My dissertation focuses upon "burden shifting," whereby key factions in civil society bargain with political leaders by offering support in exchange for the heavier use of tax instruments that their members can largely avoid. Of consequence, burden shifting leads to inefficient tax codes. However, when civil society is weak, then we expect political leaders to work with elites to implement an optimal tax-mix, in order to maximally extract revenues from the population. Further chapters of my dissertation explore interesting caveats of this general theory. For instance, I explore how a homogeniety of economic behaviours – where populations have high equality of earnings and similar spending/saving patterns – can obstruct burden shifting strategies from working. Of consequence, this may force actors in civil society to pursue tax-mix on basis of efficiency considerations. Crucially, such work may point to the importance – especially for democracies – to broaden their middle class. Doing so may, quite literally, "make taxation cheaper."

Below, I have presented an array of my working papers. Projects are place in order of priority, generally based on nearness to completion. Most immediately, I wish to convert two dissertation chapters into published articles. Additionally, two papers explore the philosophical foundations of my work. In a sense, they represent taking a step-back from understanding how governments interact with markets, to try and better understand what, fundamentally, fundamentally, *is the market*? A fifth, stand-alone, paper takes interest in an opportunity to pursue a natural experiment.

Working Paper I [Dissertation Chapter]. A Theory of Taxation: the Elasticity Battles & Democracy's Informality Trap

This paper explores implications that arise because political leaders must maintain the support of those who "select" them into power. Whereas in autocracies this is a rather small proportion of the population, in democracies it is quite large. To amass support in democracies, political leaders under-utilize taxes that are unavoidable (or inelastic) for key coalitions in their society, on whom their survival depends. Of consequence, democracies have inefficient tax-mixes. Using a database on tax-mix and imputations measuring the size of the informal sector, I evaluate how a growing informal sector affects the usage of income taxes in the context of democracies, with broad selectorates (contra autocracies, with narrow selectorates). Consistent with my theory, I find democracies inefficiently tax income in the context of rising informality, whereas autocracies do the opposite. Checks of mechanism are performed by not only assessing the amount of revenue generated by income taxation, but also by reviewing the effect of regime and informality on "marginal tax rates" on average incomes. The marginal tax rate is directly the result of laws made by political leaders. Additionally, I perform analyses of disruptive events, whereby I find that sudden changes in regime from democracy to autocracy leads to "tax-flips," which is to say, ruptures in tax policy consistent with my theory's predictions.

This project is near its final form, though I continue to solicit feedback; the primary outstanding work involves completing historical vignettes with which to demonstrate specific, tangible, instances of the effects predicted by my theory.

Working Paper II [Dissertation Chapter]. When are Democracies Efficient at Taxation? The Role of Homogeneous Elasticity-Profiles

This article theorizes when democracy's proclivity towards inefficiency (as per Working Paper I) may be avoided. I explore a narrow case where, in democracies, we can expect to see the selectorate consent to being taxed on their inelastic behaviours. I develop and test a theory whereby selectorates consent to being taxed on their inelastic behaviours in the context of populations with "homogeneous elasticity profiles." When a society's population has largely the same economic behaviours, then, the population shares a common "elasticity profile." In such a case, we can expect individuals to accept being taxed on their inelastic behaviours because there is no possibility of shifting taxes onto others (after all, any possible tax-mix affects everyone's tax incidence the same as it affects one's own tax incidence); moreover, the use of inelastic taxes will actually create efficiency gains in the economy, from which all citizens can benefit. Original tests of theory drew upon data from the Luxembourg Income Study (LIS) to build "elasticity profiles." I focus upon the similarity of citizen income sources; where citizens earn income similarly, I expect citizens to give political leaders the mandate to tax their most inelastic behaviours.

Recently, an alternate data source, EuroStat, has been noted as holding vital data points that would strengthen the paper, thus representing a vital next step. Ultimately, while LIS offers a rich dataset, too few countries provided them with a core variable required by my study, greatly limiting my ability to make strong statistical claims. An alternate source has been found through EuroStat, which offers data on both the similarity of people's income sources and people's consumption patterns. This will enable extending the empirical test from strictly considering income taxation, to also including sales taxes. A major time investment will be required to do the necessary data work, however the original project will be strengthened due to the inclusion of additional relevant variables and also broader cross-national coverage on variables previously used.

Working Paper III. Of Planners & Participants: the Ideational & Institutional Prerequisites of Efficient Market Economies

This article seeks to establish a taxonomy of the ideas required to underlay any given market; moreover, it demonstrates how said ideas arise from the institutional prerequisites of the market. Two types of economic actors are identified: participants (i.e., individuals who engage in decentralized transactions) and planners (i.e., individuals who engage in the centralized allocation of resources). For an efficient market economy to be reified, each "type" must believe in two, contradictory, ideas.

First, I demonstrate how markets are constituted by individual actors who participate in decentralized transactions. These participants must believe that the market is an efficient economic system, lest they act politically to replace the market system as a mode of organizing economic relations. However, in paradoxical fashion, the participant's motivation to invest, work and take entrepreneurial risks (i.e., all of which are necessary to make the market efficient in the first place) is dependent upon each participant believing they can find a 'pocket' of inefficiency amongst the market's parts. In such a 'pocket' the participant is motivated to 'enter' the market because a profit can be made on the difference between the price they can sell a product for and the cost a participant can produce it for. In short, the participant finds pockets in which the market is inefficient (i.e., it has failed to bid profits down to zero). Individuals who do not believe such inefficiencies exist to be arbitraged will, by self-fulfilling prophecy, lack the motivational drive required by an efficient economy. Hence, the participant faces a contradiction: individuals actively seek to occupy the market's inefficient 'pockets' (notably, if everyone is doing this, then in aggregate the market must be quite inefficient); however, the participant must see the market system as efficient. There is a distinction of what people think of the parts relative the whole.

Second, I note that markets cannot exist independently of a centralized authority (its role may be relatively small, but never zero). As such, there exists a second type of economic actor: planners, who make centralized decisions to allocate resources in the economy. Like the participant, the planner's beliefs must be composed of two contradictory ideas about markets; however, their contradiction runs opposite the participant. If the planner believes that the market's parts are inefficient, then they will have the impetuous (justified by belief in 'market failure') to replace decentralized transaction with centralized intervention (e.g., governments may nationalize 'staple' industries or regulate monopolies). When planners believe in the efficiency of fewer and fewer of the markets parts then, in piecemeal fashion, the market will continually look less like one. Hence, to maintain an economy whose components operate upon market principles, planners must see the market's parts as the 'default' efficient option. However, an efficient market economy requires its planners to believe the market system is inefficient (as a total structure). I show the market to have costly institutions undergirding it. If these institutions are to be paid for at all, let alone efficiently, planners must believe that markets will fail to efficiently allocate the costs onto its constituent parts. Hence, they need engage in "planned inefficiency." Without such a belief, there exists no motive to enact policy whereby resources are strategically drawn from those elements of the economy "least elastic" to paying for the institutional prerequisites of the market. Of consequence, the planner – like the participant – must hold contradictory beliefs whereby the market system is inefficient despite the efficiency of its parts.

Working Paper IV. A Theory of Planned Inefficiency: Liquor Retail Privatization in Alberta and Ontario

I suggest a seeming paradox that the government might make a part of the economy more inefficient so as to make the economy as a whole more efficient. I develop a theory to explain how governments might do well to tax inelastic sectors of the economy (i.e., those transactions that are relatively unaffected by higher tax rates), thereby heightening their inefficiency, so as to relieve tax burden upon sectors that react more elastically (i.e., those transactions that would shrink drastically upon higher taxation). I coined the strategy's name, "planned inefficiency."

Herein, I consider how the Alberta and Ontario governments took opposite paths towards alcohol retailing after reaching a critical juncture in 1994. While Alberta privatized, the Ontario government sought to modernize their operations while retaining their state-ownership. Arguably, the Ontario government, despite entrenched firm-level inefficiencies in their retail operations, was nonetheless able to increase the economy's efficiency as a whole. This occurred through monopolistic rent extraction which, despite its "narrow" inefficiencies, served to offset the even greater inefficiencies of raising public revenues through any alternative mode of taxation. Ironically, one could make the economy as a whole more efficient by intentionally making one of its parts more inefficient. In concluding the paper, I caution against assumptions that aggregating microeconomic findings will automatically lead to a parallel macroeconomic outcome: that is, I note, "a fallacy of composition."

Draft I. Ratless Alberta: a Natural Experiment on the Construction of Popular Trust in Government

In 1960, the Government of Alberta established a rat-patrol zone, encompassing all land within 17 miles of the Saskatchewan border (unto its northern cut-off at Cold Lake, AB). Using polling-station data from provincial elections, I pursue a Regression Discontinuity Design to assess the effect of citizen interaction with civil servants upon perceptions of government competence.

I am currently awaiting time in Alberta to build datasets from archival data (the neccessary documents have been identified). Using historical Elections Alberta documents containing data at the polling-station level, I can explore how direct exposure to the Alberta rat-elimination program in the 1960s (i.e., those voters living within 17 miles of the Saskatchewan border) altered voter's attitudes towards government competence.