Research Statement

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I find the most interesting issues to be those involving differential advantages or positions of power, whether they be due to inherent ability, inherited environments, or barriers to entry, especially as they interface with popular ideals and rhetoric. As a public finance economist, I focus on these issues through the lens of government action. I simplify these problems as models, from a government creating a tax and enforcement regime to account for varying degrees of market power, to one where education funds are distributed across school districts while balancing redistribution, migration, and local fiscal responses. While reality may not strictly align with these models, the purpose is to elucidate the key factors. In doing so, I aim to bring rigorous analysis to issues where popular beliefs may be poorly informed.

My job market paper highlights one example of this mismatch between popular opinion and economic intuition. Constant public and media attention on the tax remittance behavior of large and powerful corporations has induced a widespread belief in the desirability of more aggressive tax enforcement for these firms. Simple economics implies the opposite: an already distorted market would have even greater social costs with higher (effective) taxation. This would imply that optimal levels for either statutory tax rates or enforcement should be inversely related to market power.

There are several factors that can support, mitigate, or even reverse this relationship. Higher cost deductibility reduces differences in excess burdens of taxation related to market structure. At the extreme of a pure profit tax, these differences are fully eliminated. Also important is the behavior of the tax base of industry reported incomes, which can be divided into avoidance and real income responses. All else equal, the relationship between avoidance responses and market power is tied to the relationship between avoidance costs and firm size. If larger firm size facilitates avoidance, this provides a downward (upward) force on the relationship between market power and optimal tax (enforcement) rates. For real income responses, the direction of the relationship depends on the demand elasticity. In inelastic regions of demand curves, these responses support higher optimal rates for higher competition, while in elastic regions the relationship is ambiguous. Finally, administrative costs that disproportionately increase with the number of firms provide an additional reason for higher enforcement on high market power industries.

In co-authored work on the state allocation of school expenditures, Jordy Berne and I consider common strategies in school finance reform. Local education depends heavily on property tax revenues, which depend heavily on local wealth, leaving children of families in poorer districts at significant education disadvantages. State education aid can rebalance this distribution of funding, an approach taken by most states in recent decades. But state governments should also consider differential valuations of education, local efficacy of state funds, and migration and housing responses. For example, strong migration responses may limit redistributive motives due to a highly elastic tax base. Alternatively, if poorer districts have more leakages in the transference of state funds to local education spending, the cost of providing these districts additional funding is higher. Especially in conjunction with alternative redistributive tools, e.g. cash transfers and income taxes, common redistributive approaches to school finance may not be sufficient. The goal of our work is to uncover how important these other considerations are.

In other co-authored work on dual-regime business tax systems, my coauthors and I study and compare threshold and minimum tax systems that can feature both output and profit taxes. In this work, we find that bunching by some firms to avoid the generally higher profit tax, while causing its own distortions, can be socially optimal if the relative cost of administering a profit tax is high enough (but not exorbitantly so). By bifurcating the firm distribution, the profit tax is used on more productive firms where the relative administrative cost is low, while the output tax is used on less productive firms where the distortionary impact is likewise relatively low. Moreover, generalizing the minimum tax to permit higher allowance of potential profit tax liabilities before forcing firms to switch, is often welfare superior to a threshold type system, with or without evasion.

I want to continue to expand on what I have thus far examined. For example, while firms are not actively sharing their avoidance behavior, more careful attempts to calibrate features of the model to existing industries via partially observable characteristics can drive us closer to directly actionable policy. Additionally, market structure itself is likely influenced by tax policy. Factors such as market entry or mergers are important behavioral margins that have received little treatment in this context. On the other side, antitrust policy can affect what we want to do with tax policy. Depending on the level of cooperation between the DOJ/FTC and the legislature or IRS, this may be framed as increasing the set of instruments or as responsive measures. Incorporating endogenous competition into the framework of my job market paper can further illuminate the role of market power in government tax policy. I hope to contribute to a broader understanding of these issues so that we can address them in the best possible way.