



- RELEVANT POSITIONS** Research Assistant to Professor Emmanuel Farhi, Harvard University, 2008-2009  
Research Assistant to Professor Iván Werning, MIT, 2007-2008  
Research Assistant to Professor Ricardo Caballero, MIT, 2007  
Research Assistant to Professor Friedrich Breyer, University of Konstanz, 2001-2005  
Intern, German Embassy, Economic Division, Paris, Spring 2004  
Intern, Federal Ministry of Economics and Labor, Berlin, Summer 2003  
Intern, Ministry of Economics, Finance and Industry, Paris, Spring 2003
- FELLOWSHIPS, HONORS, AND AWARDS** Teaching Assistant of the Year Award, MIT Graduate Economics Association, 2009  
German Academic Exchange Service (DAAD), Doctoral Fellowship, 2007-2009  
German National Academic Foundation (Studienstiftung des deutschen Volkes), European Recovery Plan-Fellowship (Marshall Fund), 2005-2007  
MIT Graduate Fellowship, 2005-2007  
VEUK Prize for best Master's degree of the year in Economics, University of Konstanz, 2005  
Invited Participant, 1<sup>st</sup> Lindau Meeting of Nobel Laureates in Economics, 2004  
Premchand Prize, LSE, 2003  
German Academic Exchange Service (DAAD), Fellowship, 2002-2003  
German National Academic Foundation (Studienstiftung des deutschen Volkes), Fellowship, 2002-2005
- PROFESSIONAL ACTIVITIES** Referee for *Econometrica*, *Journal of Economic Theory*
- Seminar and Conference Presentations:  
ASSA Meetings, Atlanta (scheduled, 2010); Econometric Society NASM, Boston (2009);  
RTS Seminar, Penn State (2007); ARIA Annual Meeting, Quebec City (2007);  
Econometric Society NASM, Minneapolis (2006)
- PUBLICATIONS** **“Taxation, Insurance, and Precautionary Labor,”** *Journal of Public Economics*, 91 (2007), 1519-1531 (with Nick Netzer).
- “Competitive Screening in Insurance Markets with Endogenous Wealth Heterogeneity,”** *Economic Theory*, forthcoming (with Nick Netzer)
- RESEARCH PAPERS** **“Entrepreneurial Taxation, Occupational Choice, and Credit Market Frictions”**
- This paper analyzes Pareto optimal non-linear taxation of profits and labor income in a private information economy with endogenous firm formation. Individuals differ in both their skill and their cost of setting up a firm, and choose between becoming workers and entrepreneurs. I show that a tax system in which entrepreneurial profits and labor income must be subject to the same non-linear tax schedule makes use of general equilibrium effects through wages to indirectly achieve redistribution between entrepreneurs and workers. As a result, constrained Pareto optimal policies can involve negative marginal tax rates at the top and, if available, input taxes that distort the firms' input choices. However, these properties disappear when a differential tax treatment of profits and labor income is possible, as for instance implemented by a corporate income tax. In this case, redistribution is achieved directly through the tax system rather than “trickle down” effects, and production efficiency is always optimal. When I extend the model to incorporate entrepreneurial borrowing in credit markets, I find that endogenous cross-subsidization in the credit market equilibrium results in excessive (insufficient) entry of low-skilled (high-skilled) agents into entrepreneurship. Even without redistributive objectives, this gives rise to an additional, corrective role for differential taxation of entrepreneurial profits and labor income. In particular, a regressive profit tax may restore the efficient occupational choice.

**“Competitive Markets without Commitment”** (with Nick Netzer)  
revise & resubmit, *Journal of Political Economy*

In the presence of a time-inconsistency problem with optimal agency contracts, we show that competitive markets implement allocations that Pareto dominate those achieved by a benevolent planner, they induce strictly more effort, and they may even entirely remove the commitment problem. In particular, we analyze a model with moral hazard and two-sided lack of commitment. After agents have chosen a hidden effort and the need to provide incentives has vanished, firms can modify their contracts and agents can switch firms. As long as the ex-post market outcome satisfies a weak notion of competitiveness and sufficiently separates individuals who choose different effort levels, the market allocation is Pareto superior to a social planner's allocation with the same commitment problem. We construct a specific market game that naturally generates robust equilibria with these properties. In addition, we show that equilibrium contracts without commitment are identical to those with full commitment if the latter involve no cross-subsidization between individuals who choose different effort levels.

**“Pareto-Optimal Taxation with Aggregate Uncertainty and Financial Markets”**  
revise & resubmit, *Journal of Economic Theory*

This paper studies Pareto-optimal risk-sharing arrangements in a moral hazard economy with aggregate uncertainty and ex ante heterogeneous agents. I show that any such arrangement has to be such that ratios of expected inverse marginal utilities between different agents are independent of aggregate shocks. I use this condition to show how to implement Pareto-optima as equilibria when agents can trade claims to consumption contingent on aggregate shocks in financial markets. If aggregate and idiosyncratic shocks are independent, the implementation of Pareto-optimal allocations does not require interventions in financial markets. Otherwise, transaction taxes need to be introduced that are higher for claims to consumption in states with a more volatile distribution of likelihood ratios in the sense of second-order stochastic dominance. If transaction taxes are constrained to be linear, they need to condition on individual outputs in addition to aggregate shocks such that they induce additional risk for agents who buy financial claims and provide additional insurance to those who sell them. Finally, an implementation with non-linear transaction taxes that do not depend on idiosyncratic shocks is constructed.

**RESEARCH IN PROGRESS:** **“Rent-Seeking and Optimal Taxation”** (with Casey Rothschild)

Recent policy proposals have suggested taxing top incomes at very high rates, for instance through prohibitive bonus taxes in the financial sector. They are based on the argument that private returns to effort may greatly exceed the social marginal product of that effort. We examine this intuition in a model in which agents can choose between working in a traditional sector, where private and social products coincide, and a rent-seeking sector. In the latter, some fraction of earned income reflects the capture of pre-existing output rather than increased production, and private returns decrease with the aggregate effort level. We characterize Pareto-optimal linear and non-linear income tax systems assuming that it is not possible to observe whether an individual is a traditional worker or a rent-seeker. Our main result is that, contrary to the above intuition, it can be optimal to subsidize top earners at the margin even if their social marginal product is zero. Intuitively, if top-earners are very skilled rent-seekers, subsidizing their effort keeps private returns to rent-seeking low and thus reduces wasteful entry by other agents into rent-seeking activities.

**“Quantitative Explorations of the Inverse Euler Equation in OLG-Economies”** (with Emmanuel Farhi and Iván Werning)

We study the efficiency gains from distorting savings in private-information economies with overlapping generations. Extending the methods developed in Farhi and Werning (2009) to economies with life-cycle heterogeneity, we compute the efficiency gains from savings distortions by comparing an equilibrium where agents can save freely with a perturbed allocation that satisfies the Inverse Euler equation. We examine how these gains depend on the calibration of skill heterogeneity over the life cycle, contrasting the specifications by Storesletten et al. (2004) and Guvenen (2007). We also show how the efficiency gains can be bounded using aggregate consumption data over the life-cycle only. Preliminary computations suggest relatively modest gains for empirically realistic calibrations of OLG-economies. Moreover, most of the improvements can be attributed to the relaxation of borrowing constraints, rather than the introduction of savings distortions.