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GENDER: M

CITIZENSHIP: El Salvador & UK

PRE-DOCTORAL STUDIES:

2003-2006	London School of Economics	BSc Government & Economics	1 st class
2006-2008	University of Oxford	MPhil Economics	Distinction
2008-2009	London School of Economics	MRes Economics	Distinction

DOCTORAL STUDIES: London School of Economics

DATES: 2009 - 2014

THESIS TITLE: Essays in the Economics of Taxation

REFERENCES:

Professor Henrik Kleven
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DESIRED TEACHING AND RESEARCH:

Primary Fields: Public Economics

Secondary Fields: Development Economics

TEACHING EXPERIENCE:

09/2016 to 12/2016 Economics 241: Public Finance and Taxation I (PhD level), lecturer, Stanford
01/2016 to 03/2016 Economics 241: Public Finance and Taxation I (PhD level), lecturer, Stanford
04/2016 to 06/2016 Economics 102C: Advanced Topics in Econometrics (undergraduate), lecturer, Stanford
Summer 2009, 2010, 2011 EC270 Public Finance (undergraduate), class teacher, LSE Summer School
09/2009 to 06/2010 and 09/2010 to 06/2011 EC426 Public Economics (masters), Graduate teaching assistant, LSE
09/2009 to 06/2010 and 09/2010 to 06/2011 EC307 Development Economics (undergraduate), Graduate teaching assistant, LSE
09/2010 to 06/2011 EC307 extension course on empirical methods (undergraduate), instructor and co-designer, LSE
09/2008 to 06/2009 EC201 Microeconomic Principles (undergraduate), Graduate teaching assistant, LSE

RELEVANT POSITIONS HELD:

2014-2017 Postdoctoral Fellow, Stanford Institute for Economic Policy Research
2015- Research Affiliate, Centre for Economic Policy Research (CEPR), Development Economics
2014- Research Affiliate, Centre for Economic Policy Research (CEPR), Public Economics
2013 Global Domain Expert, Federal Board of Revenue, Pakistan. World Bank, Islamabad Pakistan
2012 Consultant, International Growth Centre & Federal Board of Revenue, Pakistan
2012 Short-term Consultant, Mexican Tax Policy Background Note, World Bank, Washington D.C.
2011-2012 Visiting PhD Student, UC Berkeley Economics, Center for Equitable Growth
2010 Research Assistant for Maitreesh Ghatak (LSE) and Tim Besley (LSE)
2010 Research Assistant for Ali Cheema (LUMS), Asim Khwaja (Harvard) & Adnan Khan (LSE)

LANGUAGES

English (native), Spanish (bilingual), Dutch (excellent), French (very good).
Stata, R, LaTeX, LyX, Matlab, Maple, Mathematica, basic HTML

HONORS, SCHOLARSHIPS AND FELLOWSHIPS:

2011 Outstanding Teaching Commendation, Economics Network of the Higher Education Academy
2009 & 2011 Teaching Prize, LSE Department of Economics & Teaching and Learning Centre
2008-2011 Economic & Social Research Council Quota Award, LSE, Department of Economics
2008 George Webb Medley Prize Proxime Accessit for the best thesis, University of Oxford, Department of Economics
2007-2008 David Walton Distinguished Doctoral Scholarship, University of Oxford, Department of Economics

COMPLETED PAPERS:

Job Market Paper:

“Individuals and Organizations as Sources of State Effectiveness, and Consequences for Policy Design”
(with Jonas Hjort and David Szakonyi)

Why do some state entities perform a given task so much better than others? Can we attribute these differences to the individuals and organizations implementing policy? And what are the implications for policy design? We first use a new text-based machine learning method to assign the 25 million goods purchased in Russian procurement auctions from 2011 to 2015 to comparable categories. We show that the causal impact of individual bureaucrats and the organizations they work for are large, together accounting for one third of the within-good variation in prices, and that effective bureaucrats and organizations achieve low prices by lowering entry costs and encouraging seller participation. Guided by an endogenous entry auction model with variation in auctioneer effectiveness, we analyze the implications of bureaucrat/organization heterogeneity for the impact of a ubiquitous procurement policy: granting bidding preferences to a specific group of bidders. When the bureaucracy is effective, favoring domestically produced goods lowers participation and increases prices, while when bureaucratic effectiveness is low, the effect is reversed. These results that there are large returns to improving bureaucratic effectiveness, but that holding state effectiveness fixed, using policy to encourage entry can act as a substitute for improving state effectiveness.

Other Papers:

“Production vs Revenue Efficiency With Limited Tax Capacity: Theory and Evidence From Pakistan”
(with Anne Brockmeyer, Henrik Kleven, Johannes Spinnewijn and Mazhar Waseem), ***Journal of Political Economy***, 123 (6), 1311—1355, 2015

To fight evasion, many developing countries resort to production-inefficient tax policies. This includes minimum tax schemes whereby firms are taxed on either profits or turnover, depending on which tax liability is larger. Such schemes create non-standard kink points, which allow for eliciting evasion responses to switches between profit and turnover taxes using a bunching approach. Using administrative tax records on corporations in Pakistan, we estimate that turnover taxes reduce evasion by up to 60-70% of corporate income. Incorporating this in a calibrated optimal tax model, we find that switching from profit to turnover taxation increases revenue by 74% without reducing aggregate profits, despite the production inefficiency that it introduces.

“Housing Market Responses to Transaction Taxes: Evidence from Notches and Stimulus in the UK” (with Henrik Kleven), ***Review of Economic Studies***, forthcoming

We investigate housing market responses to transaction taxes using administrative data on all property transactions in the UK from 2004-2012 combined with quasi-experimental variation from tax notches and tax stimulus. We present two main findings. First, transaction taxes are highly distortionary across a range of margins, causing large distortions to the price, volume and timing of property transactions. Second, temporary transaction tax cuts are an enormously effective form of fiscal stimulus. A temporary elimination of a 1% transaction tax increased housing market activity by 20% in the short run (due to both timing and extensive responses) and less than half of the stimulus effect was reversed after the tax was reintroduced (due to re-timing). Because of the complementarities between moving house and consumer spending, these stimulus effects translate into extra spending per dollar of tax cut equal to about 1. We interpret our empirical findings in the context of a housing model with downpayment constraints in which leverage amplifies the effects of transaction taxes.

“Interest Rates, Debt and Intertemporal Allocation: Evidence From Notched Mortgage Contracts in the UK” (with James Cloyne, Ethan Ilizetzi and Henrik Kleven), August 2015

Using a novel source of quasi-experimental variation in interest rates, we study the response of household debt and intertemporal consumption allocation to interest rates. We also develop a new approach to structurally estimate the Elasticity of Intertemporal Substitution (EIS). In the UK, the mortgage interest rate schedule features discrete jumps—notches—at thresholds for the loan-to-value (LTV) ratio, creating strong incentives for bunching below those thresholds. We document large and sharp bunching below every notch, which translates into sizable interest elasticities of mortgage debt, between 0.1 and 1.4 across different LTV levels. We develop a dynamic model that links these reduced-form responses to the underlying structural EIS. The EIS is much smaller and less heterogeneous than the reduced-form elasticities, between 0.05-0.25 across LTV levels and household types. We show that our structural approach is robust to a wide range of assumptions on beliefs about the future, uncertainty, risk aversion, discount factors and present bias. Our findings have implications for the numerous calibration studies in economics that rely on larger values of the EIS.

“Salary Misreporting and the Role of Firms in Workers' Responses to Taxes: Evidence from Pakistan”, May 2014

This paper exploits employee-employer matched administrative tax data on firms and salaried workers in Pakistan to explore the underappreciated role of firms in determining how workers' taxable earnings respond to taxation. I present evidence on three ways in which firms affect workers' earnings responses. First, third-party reporting of salaries by employers makes underreporting taxable income more costly for workers and reduces evasion of the income tax. Second, firms' equilibrium salary-hours offers respond endogenously to the presence of adjustment costs in the labour market by tailoring offers to aggregate worker preferences. Third, workers learn about the tax schedule from firms' salary offers, making them more responsive to taxation both contemporaneously (by 130%) and in subsequent years (by 100%). However, while third-party reporting makes misreporting more costly, it does not eliminate it in a low tax-capacity setting: 19% of workers still underreport their salaries, leading to a loss of about 5% of tax revenue, and indicating high returns to investments in improving enforcement capacity. The large role played by firms in determining workers' earnings implies that firms need to play a central role in our analysis of income taxation in lower income countries.

“Optimal Income Taxation with Career Effects of Work Effort” (with Henrik Kleven), February 2013, Revise & Resubmit, ***American Economic Review***

The literature on optimal income taxation assumes that wage rates are generated, exogenously by innate ability and therefore do not respond to behavior and taxation. This is in stark contrast to a large empirical literature documenting a strong effect of current work effort on future wage rates. We extend the canonical Mirrleesian optimal tax framework to incorporate such career effects and provide analytical characterizations that depend on estimable entities. Besides the standard static earnings elasticity with respect to the marginal tax rate, the optimal tax schedule also depends on the elasticity of future wages with respect to current work effort. We explore the empirical magnitude of this “career elasticity” in a meta-analysis of the literature on the returns to work experience and tenure, concluding that a reasonable value for this elasticity lies between 0.2 and 0.4. Calibrating the model to US micro data (under reasonable values of the career elasticity), we present numerical simulations of optimal nonlinear tax schedules that depend on per-period earnings and potentially on age. In the case of age-independent taxation, the presence of career effects make the tax schedule substantially less progressive than in standard models with exogenous wage rates. In the case of age-dependent taxation, career effects create a strong argument for lower taxes on the old, opposite the recommendation in the recent literature on age-dependent taxation. This result reflects both a career incentive effect and an equity effect, where the latter effect arises because increasing earnings over the career path for each ability level imply that, *conditional on earnings*, age and ability are negatively correlated.

RESEARCH IN PROGRESS:

“Motivating Bureaucrats: Autonomy vs Performance Pay for Public Procurement in Pakistan” (with Oriana Bandiera, Adnan Khan and Andrea Prat), Field experiment concluded, gathering endline data.

Research Question: How can governments motivate bureaucrats to perform better?

We study the impacts of two potential strategies for improving bureaucratic performance, and how they interact. The first is a familiar financial incentive scheme that rewards bureaucrats who achieve the best value for money in procurement. The second strategy provides bureaucrats with greater discretion over how and when they spend, freeing them from some of the pervasive red tape involved in procurement. A third group of bureaucrats received both interventions.

“Who Chooses to Sell to the Government? Screening and Barriers to Entry in Brazilian Public Procurement” (with Joana Naritomi, Alexandre Oliveira, Evan Plous, and Laura Zoratto)

Research Question: Which potential suppliers are deterred by red tape, and how does this affect prices and quality in procurement?

We study firms' participation decision in public procurement in Amazonas, Brazil. Using administrative data on all purchases by the government, and invoice data on all sales and purchases of businesses, we study the effects of the randomized rollout of an online government platform to streamline and simplify the bureaucracy and paperwork businesses face when participating in public procurement purchases

“Greener on the Other Side? Spatial Discontinuities in Property Tax Rates and their Effects on Tax Morale” (with François Gerard, Joana Naritomi, Evan Plous and Laura Zoratto)

Research Question: Do perceptions of unfairness and inequality in property tax liabilities contribute to delinquency?

We study the urban property tax in Manaus, Brazil, one of the city's main revenue sources. Households' tax liability depends on which sector of the city they live in, but this can lead neighbors on opposite sides of a street, but who are in different sectors, to owe wildly different taxes, which is widely perceived as unfair. Combining administrative data on tax liabilities, payments and property transfers; reforms to the tax liabilities in the different sectors, and an experiment informing households of the tax liabilities of other sectors, we study whether perceived unfairness affects tax payments.

“Income Volatility and Investment Impacts of Small Business Taxation: Evidence from Guatemala” (with Pierre Bachas, Anne Brockmeyer and Anders Jensen)

Research Question: Does post-tax income volatility lead businesses to change the timing of their income and their investment choices?

We use administrative data on all small business taxpayers in Guatemala and the introduction of a reform reducing post-tax income volatility to study how the timing of businesses' income changes, and how their investment responds.

“Bunching vs Diff-in-Diff” (with Miguel Almunia)

Research Question: How can we reconcile the wide differences between difference in difference estimates and bunching estimates of taxable income elasticities?

We provide a simple framework showing how the dynamics of bunching estimates and difference in difference estimates around the time of tax reforms can shed light on the role of optimization frictions in determining taxable income responses. We implement our method on UK data and a reform to the top income tax brackets.