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Curriculum Vitae Fall 2003

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Major Fields of Concentration

Macroeconomics, Public Economics, Monetary Economics

Education

<i>Degree</i>	<i>Field</i>	<i>Institution</i>	<i>Year</i>
Ph.D.	Economics	University of Minnesota (expected)	2004
M.A.	Economics	University of British Columbia	1999
B.A.	Economics	Belarus State Economic University	1998

Dissertation

Title: "Essays in Dynamic Fiscal and Monetary Policy"

Dissertation Advisors: Professor V. V. Chari and Professor Larry E. Jones

Expected Completion: Summer 2004

References

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Professor Larry E. Jones	(612) 624-4553 (612) 204-5519 lej@econ.umn.edu	
Professor Patrick Kehoe	(612) 204-5525 pkehoe@res.mpls.frb.fed.us	
Professor Robert E. Lucas, Jr.	(773) 702-8191 relucas@midway.uchicago.edu	Department of Economics University of Chicago 1126 East 59 th Street Chicago, IL 60636

Honors and Awards

2003-2004 Doctoral Dissertation Fellowship, University of Minnesota, Minneapolis, Minnesota.
1999-2000 Graduate School Fellowship, University of Minnesota, Minneapolis, Minnesota.

1998-1999 University Graduate Fellowship, University of British Columbia, Vancouver, Canada.
1996-1998 Scholarship of the President of the Republic of Belarus, Belarus.

Teaching Experience

2000-2001 *Teaching Associate*, Department of Economics, University of Minnesota, Minneapolis, Minnesota. Led recitation sections for the graduate level *Macroeconomics* sequence.
1999-2000 *Teaching Assistant*, Department of Economics, University of Minnesota, Minneapolis, Minnesota. Led recitation sections for large lecture *Principles of Microeconomics*.
1998-1999 *Teaching Assistant*, Department of Economics, University of British Columbia, Vancouver, British Columbia, Canada. Led recitation sections for *Intermediate Microeconomics* and *Econometrics*.

Research Experience

2001- Present *Research Analyst*, Research Department, Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota.
Summer 2002 *Economist - Summer Intern*, International Monetary Fund, Washington, D.C.

Publications

“Optimal Indirect and Capital Taxation,” (with N. Kocherlakota and A. Tsyvinski), *The Review of Economics Studies* 70:3 (2003): 569-588.

Papers

(Papers can be downloaded at <http://www.econ.umn.edu/~golosov>)

“Optimal Taxation with Endogenously Incomplete Markets and Unrestricted Instruments,” (with A. Tsyvinski), August 2003.
“Menu Costs and Phillips Curves,” (with Robert E. Lucas, Jr.), May 2003.
“Designing Optimal Disability Insurance,” (with A. Tsyvinski), Working Paper #628 Federal Reserve Bank of Minneapolis, January 2003.
“Business Start-ups, the Lock-in Effect, and Capital Gains Taxes,” (with V. V. Chari and A. Tsyvinski), November 2002.
“Efficiency with Endogenous Population Growth,” (with L. E. Jones and M. Tertilt), July 2002.

Other Papers

“Tax Revenue Forecasts in IMF-Supported Programs,” (with John R. King), IMF Working Paper, 02/236, 2002.

Presentations

“Menu Costs and Phillips Curves” at Federal Reserve Bank of Minneapolis, 2003; University of Chicago, 2003; CEPR Conference “The Phillips Curve Revisited,” Berlin, Germany, 2003; NBER Economic Fluctuations and Growth Research Meeting, Chicago, 2003.
“Designing Optimal Disability Insurance” at NBER Summer Institute, Cambridge, 2003; Federal Reserve Bank of Cleveland workshop “Government Policy with Incentive Problems,” 2003.
“Optimal Indirect and Capital Taxation” at Society of Economic Dynamics Annual Meeting, New York, 2002.

Professional Activities

Referee for *Journal of Economic Theory*, *Macroeconomic Dynamics*

Professional Associations

Member of the Econometric Society, Society for Economic Dynamics

Dissertation Abstract

Essay 1: *Optimal Taxation with Endogenously Incomplete Markets and Unrestricted Instruments* (with A. Tsyvinski)

In this paper, we study optimal tax policy in a dynamic private information economy. We describe efficient allocations and competitive equilibria. The standard assumption in the literature is that trades are observable by all agents. We show that in such environment the competitive equilibrium is efficient and that government consumption can be financed by lump-sum taxation. We go on to consider an environment with unobservable trades in competitive markets. We show that efficient allocations have the property that the marginal product of capital is higher than the market interest rate associated with unobservable trades. In any competitive equilibrium without taxation, the marginal product of capital and the market interest rate are equated, so that competitive equilibria are not efficient. Taxation of capital income can be welfare-improving because such taxation introduces a wedge between market interest rates and the marginal product of capital and allows agents to obtain better insurance in private markets. We use plausibly calibrated numerical examples to compute optimal taxation and welfare gains and compare results to an economy with a restricted set of tax instruments, and to an economy with observable trades.

Essay 2: *Menu Costs and Phillips Curves* (with Robert E. Lucas, Jr.)

This paper develops a model of a monetary economy in which individual firms are subject to idiosyncratic productivity shocks as well as general inflation. Sellers can change price only by incurring a real "menu cost." We calibrate this cost and the variance and autocorrelation of the idiosyncratic shock using a new U.S. data set of individual prices due to Klenow and Kryvtsov. The prediction of the calibrated model for the effects of high inflation on the frequency of price changes accords well with the Israeli evidence obtained by Lach and Tsiddon. The model is also used to conduct numerical experiments on the model's response to credible and incredible disinflations and other shocks.

Essay 3: *Optimal Indirect and Capital Taxation* (with N. Kocherlakota and A. Tsyvinski)

Published in *The Review of Economic Studies*

We consider an environment in which agents' skills are private information and follow arbitrary stochastic processes. We prove that it is typically Pareto optimal for an individual's marginal benefit of investing in capital to exceed his marginal cost of doing so. This wedge is consistent with a positive tax on capital income. We also prove that it is Pareto optimal for the marginal rate of substitution between any two consumption goods to equal the marginal rate of transformation. This lack of a wedge is consistent with uniform taxation of consumption goods within a period.

Essay 4: *Designing Optimal Disability Insurance* (with A. Tsyvinski)

We develop a mechanism design model of optimal disability insurance. The key friction in the model is imperfectly observable disability. Optimal allocations provide insurance while ensuring that able agents do not claim disability. We establish and numerically evaluate two important features of the optimal scheme: allocations should be dependent on pre-disability working history, and an optimal scheme provides disincentive for savings. We propose a simple insurance mechanism that implements an optimal allocation as a competitive equilibrium with taxes. The implementation has three important criteria setting it apart from the current disability system in the US: disability transfers should be asset-tested, dependent on the length of working history, and only savings accumulated while an agent is able should be taxed. Using a numerical simulation we compare the optimal disability system to the current disability system. Our results suggest a significant welfare gain from switching to an optimal system.

Essay 5: *Business Start-ups, the Lock-in Effect and Capital Gains Taxation* (with V.V.Chari and A. Tsyvinski)

We develop a model of entrepreneurial choice in which some individuals have a comparative advantage in starting new business enterprises. Two frictions play key roles in our model: Markets are incomplete and entrepreneurs can own equity in only one business enterprise at a time. In the model entrepreneurs optimally smooth consumption over time while accumulating adequate assets to self insure against the possibility that their start ups or ongoing business enterprises are unsuccessful. Efficiency dictates that entrepreneurs should specialize in start ups and sell successful start ups to professional managers. We consider the role of capital gains taxation. Capital gains taxes create an incentive for entrepreneurs to manage their own enterprises and avoid paying such taxes rather than sell them to professional managers. With taxation of capital gains, some of the entrepreneurs get inefficiently locked into running their own enterprises. We quantify the role of this effect and argue that it is large. Our model is consistent with a number of key features of the data, including the evidence that wealth-income ratios decline with income for entrepreneurs.