RESEARCH STATEMENT

My work is mainly concerned with public policy and economic behavior that is relevant for policy outcomes. The topics range from labor taxation to monetary policy and from the regulation of financial instruments to the acceptance of voting institutions. All of this work has in common that a behavioral perspective is taken rather than assuming full rationality (although rational choice can often constitute a useful benchmark).

Economics cannot restrict itself to full rationality. Therefore, behavioral models and models of bounded rationality need to be developed and continuously improved. Experiments in the laboratory and in the field are crucial to asses the validity of these models. It is similarly important to test and estimate these models with non-experimental field data. My work so far is mainly concerned with laboratory experiments (going hand in hand with economic models). In the future I would also like to extend this work to field experiments and to the analysis of non-experimental data.

CURRENT RESEARCH

In my job market paper "Choosing Voting Systems behind the Veil of Ignorance: A Two-Tier Voting Experiment" (Weber, 2014), I investigate the choice of voting systems. Two-tier voting refers to different groups making collective decisions by committee voting, with each group represented by a single person. Examples of institutions where such voting takes place are the UN General Assembly, the IMF, the WTO, the German Bundesrat, and the ECB. There is a vast theoretical literature based on voting power considerations on how such voting systems should be designed. There is, however, no work investigating which voting systems for an assembly of representatives people actually prefer. Furthermore, there is no research linking voting power to the choice of voting systems in general. In a laboratory experiment, I find that subjects prefer voting systems where Shapley-Shubik power of different groups is proportional to their size over alternative systems.

In a smaller companion paper, "Two-Tier Voting: Solving the Inverse Power Problem and Measuring Inequality" (Weber, 2015), I discuss how the problem of finding voting system that approximate given power distributions should be solved. In the paper "Mostly Sunny: A Forecast of Tomorrow's Power Index Research" (Kurz et al., 2015), we outline which areas in the field of (voting) power are promising for future research.

In the paper "The Non-Equivalence of Labor Market Taxes: A Real-Effort Experiment" (Weber and Schram, 2014), we investigate experimentally whether it matters which side of the labor market formally bears the tax. Under full rationality, a labor market tax levied on employers and a corresponding income tax levied on employees are equivalent. With boundedly rational agents, the different reactions to these two taxes become important. In a real effort laboratory experiment, we study the differential effects of the two taxes on preferences concerning the size of the public sector, subjective well-being, labor supply, and on-the-job performance. Our findings suggest that employer-side

taxes induce preferences for a larger public sector. Subjective well-being is higher when the taxes are levied on employers while labor supply is lower.

Expectations play a crucial role in modern macroeconomic models. In the project "Macroeconomic Behavior and Monetary Policy under Behavioral Expectations: Theory and Experiment" (joint with Domenico Massaro and Cars Hommes), we replace the common assumption of rational expectations in a New Keynesian framework by the assumption that expectations are formed according to a heuristics switching model that has performed well in earlier work. We show how the economy behaves under these assumptions with a special focus on inflation volatility. Then we derive implications for monetary policy. We compare the results of the behavioral model to the results arising from full rationality and conduct a learning to forecast experiment to test the opposing theoretical predictions in the laboratory. We find that an interest rate rule targeting both inflation and output leads to lower inflation volatility than an interest rate rule targeting only inflation, in line with the behavioral model but not with rational expectations.

Though bond market interest rates and credit default swaps played an important role in the recent financial crisis, little is known about how they interact and affect the probability of bankruptcy. In the project "Bond Markets and Credit Default Swaps: Experimental Evidence" (joint with John Duffy and Arthur Schram), we investigate how the regulation of credit default swaps influences price formation in a bond market and the likelihood of defaults. Our experimental bond market is different from previous experimental asset markets in that the price of the bond feeds back into the default probability of the issuer as is the case in actual bond markets. In this environment, we investigate the working of credit default swaps when (i) no credit default swaps are available, (ii) when they are available exclusively as insurance, and (iii) when they can be freely traded for insurance motives and speculative purposes. We investigate this with increasing and decreasing fundamental prices in the bond market.

The paper "Regularized Regression Incorporating Network Information: Simultaneous Estimation of Covariate Coefficients and Connection Signs" (Weber et al., 2014) is topically different from all of my other projects. In it we develop a statistical method that allows to make use of network information in regression settings. The new method simultaneously estimates the covariate coefficients and the signs of the network connections between the covariates. The new method yields good results in simulation studies and when applied to high-dimensional time-to-event data sets.

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