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To whom it may concern,

I wish to apply to the Behavioral Macroeconomics NBER workshop. I learned of this opportunity from Andrei Shleifer, who is my advisor and my recommender. His email address is shleifer@fas.harvard.edu.

I have been enrolled as a graduate student in the Business Economics program jointly at HBS and Harvard for the past two years. I have finished my field course requirements in Finance and Macroeconomics the previous year. My research interests are in behavioral economics, macroeconomics, and finance.

I would be excited to participate in this workshop: I would love the opportunity to discuss research with faculty and peers, learn the current works of leading researchers, as well as gain more familiarity with various theoretical approaches to behavioral macroeconomics.

Thank you for your consideration.

Best,

Spencer Yongwook Kwon



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Education

Harvard University, Ph.D. Candidate in Business Economics 2018-

Harvard University, A.B. Mathematics and Computer Science, *summa cum laude,* A.M. Statistics 2012-2018

Academic Classes

Current Classes

- (Auditing) Advanced Macroeconomic Theory (Martin Beraja and Ivan Werning)

Completed Classes (Field Courses)

- Psychology and Economic Theory (Matthew Rabin)
- Macro-Finance, Rational and Behavioral (Xavier Gabaix)
- Asset Pricing (John Campbell)
- Corporate Finance and Banking (Sam Hanson, Adi Sunderam)
- Advanced Topics for International Macroeconomics and Finance (Matteo Maggiori)
- Empirical Methods in Financial Economics (Sam Hanson, Adi Sunderam)
- Econometric Methods (Isaiah Andrews)
- Market Design (Scott Kominers)

Awards/Societies

2018 Sophia Freund Prize

2014 Phi Beta Kappa (Junior 24)

2011 USAMO Winner

Research

Conferences

Liquidity Regulation Informal Roundtable, Harvard Business School July 2018

- Roundtable with indviduals from financial industry, financial regulators, and academia on post-crisis liquidity regulations organized by Professors Robin Greenwood and Dan Tarullo
- Made two presentations on the design and structure of post-crisis liquidity regulations

Research Papers

"Diagnostic Bubbles," with Pedro Bordalo, Nicola Gennaioli, and Andrei Shleifer.

We introduce diagnostic expectations into a standard setting of price formation in which investors learn about the fundamental value of an asset and trade it. We study the interaction of diagnostic expectations with two well-known mechanisms: learning from prices and speculation (buying for resale). With diagnostic (but not with rational) expectations, these mechanisms lead to price paths exhibiting three phases: initial underreaction, followed by overshooting (the bubble), and finally a crash. With learning from prices, the model generates price extrapolation as a byproduct of fast moving beliefs about fundamentals, which lasts only as the bubble builds up. When investors speculate, even mild diagnostic distortions generate substantial bubbles.

Works In Progress

"Stock Reactions to Salient News", with Johnny Tang

"Yes Man Or Self-Handicapping? How Do People Choose Between Optimistic And Pessimistic Feedback? Experimental Evidence", with William Murdock and Pierre-Luc Vautrey

We design an experiment where people receive feedback and update beliefs about an ego-relevant personal trait from two very simple information structures: one is optimistically biased while the other is pessimistically biased. When given the choice of which information structure to listen to, our subjects exhibit a preference for pessimistic feedback but do not end up more pessimistic. This is driven by a protective "self-handicapping" mechanism whereby people under-react to bad news when the source is pessimistic. This mechanism is largely muted when the information is ego-neutral. We further document that subjects have inaccurate assessments of their own updating biases, but that these meta-cognition assessments are meaningful drivers of information choice.

I have always been interested in how individuals react to information, and the financial and macroeconomic consequences of imperfect learning. My first exposure to this area came when I worked as an undergraduate research assistant for Andrei Shleifer, on his "Overreaction in Macroeconomic Expectations" paper with Pedro Bordalo, Nicola Gennaioli, and Yueran Ma. Coming from a mathematics and statistics background, I was at once surprised by the existence of systematic updating errors of professional forecasters, as well as the fact that the degree of over/underreaction can be *calibrated* in a precise and ingenious manner, as given by the Coibion-Gorodnichenko approach of regressing forecast errors on the recent forecast revisions.

As I helped out with the project and began my graduate studies, I became enamored with the following question, which seemed to be continuously echoed in various seminars and presentations: what determines the degree of individual under-reaction and over-reaction to new information? Part of the story can be how information is dispersed or concentrated among economic agents. Another dynamic can be related to how attention is ex ante allocated and redirected in response to the information, as well as perceptual and cognitive noise. Finally, I was curious whether what we know of personal experiences, memory, and detailed cognitive processes could provide new insights.

Through coursework and research projects, I was able to see how some of the behavioral insights could be formalized into a macro-finance model. In finance, the key mechanism I fixated on was how people learned from prices: asset prices are a highly salient and common signal that people learn from, which may lead to aggregate overreaction and bubbles—a possibility I explore with Andrei, Nicola, and Pedro in our paper. In an independent project with Johnny Tang, we explore how investors react to corporate news.

In macroeconomics, I was curious what the concrete signals were, or who the main relevant "learners" were. Are they consumers and firms predicting future macroeconomic conditions and inflation, in a New Keynesian sense? What concrete signals of "aggregate productivity" are people obtaining, as is sometimes assumed? Is it important to consider heterogeneity (in personal experiences, risk attitudes, in addition to the traditional wealth levels)? While I do not currently have an active project in macroeconomics, I hope to continue exploring this area.

By participating in the NBER program, I hope to talk to both faculty and students to gain a better insight into these questions. Furthermore, on a technical level, I hope to get further training and practice in sitting down and writing a macro-model that formalizes these insights.

Beyond macro, I also want to explore the implications of the insights people have gained from memory research. Beyond providing a more realistic prediction for how people react to information and explaining individual heterogeneity, what are the circumstances in which memory biases play a significant role in the aggregate? I would love to learn what researchers have done in this area and discuss possible future research.

Gmail by Google

Elisa Pepe <epepe@nber.org>

joint letter for NBER Behavioral Boot Camp

Shleifer, Andrei <shleifer@fas.harvard.edu> Wed, Dec 4, 2019 at 7:00 AM
To: Elisa Pepe <epepe@nber.org>
Cc: Yuriy Gorodnichenko <ygorodni@econ.berkeley.edu>

Dear Elisa and Yuriy,

This is a brief joint letter for 6 Harvard Ph.D. students whom I work closely with applying for the Behavioral Macro bootcamp. They are all part of a group I am advising in this space, and they work together, come to same informal group meetings, and are generally part of a small community. They are also all amazingly good.

I would divide them into the "older" thesis writing category, and the "younger" starting out category, although even people in the younger category are actively doing research.

Older category includes Francesca Bastianello, Paul Fontanier, and Peter Maxted. All three are very talented and technically strong, all have completed first rate papers. I think all three are on the market next year, and all were in the very final few for the Sloan pre-doc last year (Francesca got it). (I think they may also all be getting letters from same people who are recommending them for pre-docs.) So I think at this point you are familiar with all of them.

Let me write two sentences about each of the other three -- all of whom I have known for some time because all three were Harvard undergraduates.

Spencer Kwon is a G2, and a very rare person I have seen as a Ph.D. student who has the intellectual ambition and potential to do transformative work. If there is a limit on how talented he is, I have not detected it. I can tell many stories, but this is not the place. Mike and Andrew can provide first hand testimony from the Sloan-Nomis camp.

Johnny Tang is a G2. He is specializing in finance, was at Nick Barberis camp last summer (Nick loved him), has fantastic empirical skills and is doing incredibly well in the program. He is working on a very exciting project with Spencer. He also happens to be just a great person, totally beloved by everyone in his class (it is a Canadian effect, I suppose).

Suproteem Sankar is a G1. He comes with a Computer Science background, went to Sloan Nomis like Spencer before starting grad school, seems to have placed out of most of G1 classes even though he did not major in economics as an undergraduate, and is figuring out what he wants to do. I recently saw his resume (he is applying for the Soros fellowship for first generation americans) and was quite stunned by his accomplishments, which he had not told me about. He is extremely bright and is looking for what he wants to do. I would love to draw him into this field -- his potential is enormous.

I hope this is helpful.

Warm regards,

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