Hyok Jung Kim

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Recommendation letter writer: Anujit Chakraborty (email: chakraborty@ucdavis.edu)

Dear Professor Yuriy Gorodnichenko,

Thank you for organizing the NBER Behavioral Macroeconomics Research Boot Camp in March 2020. I would like to express my interest in participating in it.

I am a fourth-year student specializing in behavioral macroeconomics at the University of California, Davis. The first chapter of my thesis investigates the effects of generalized sophistication on the consumption and investment decisions of time-inconsistent individuals. Using the theoretical results from my first chapter, my second chapter aims to identify and elicit the impatience and degree of sophistication of U.S. households under time-inconsistent preferences using the two tax rebates in the years 2001 and 2008.

I believe that the NBER Behavioral Macroeconomics Research Boot Camp would expose me to the work of peers and experts working at the frontiers of Behavioral Macroeconomics, and provide a unique scholarly experience and exposure that I could greatly benefit from. In this application package, I include the (1) statement of purpose along with current research ideas, and (2) a curriculum vitae summarizing academic experiences.

Yours sincerely,

Hyok Jung Kim

Ph. D. Candidate

The University of California at Davis

Statement of Purpose for Participation of

NBER Behavioral Macroeconomics Research Bootcamp in 2020

Since starting at graduate school, I have always been excited by research questions that were motivated by large-scale empirical findings of economies and had immediate policy-relevance. This made me gravitate towards macroeconomics.

I chose to attend the second-year microeconomic theory sequence to sharpen my skills in economic modeling, as the first-year macro sequence emphasized the micro-foundation of macroeconomic models. I enjoyed learning about general equilibrium theory, non-expected utility theory, and mechanism design in the first two courses in theory-sequence, but I still struggled to find a way of connecting what I knew about macroeconomics to the newly acquired knowledge. The last course of the theory-sequence was about behavioral economics (taught by Professor Anujit Chakraborty). Going into the course, I had my reservations about the relevance of this course to my future research agenda and saw it only as a requisite to completing the second-year requirements. But as the course went through, I was fascinated to learn about various empirically relevant behavioral anomalies (for e.g., time inconsistency, reference dependence, rational inattention) and ponder about the economic implications of such behavior. Studying these "anomalies" in behavior made me wonder how alternative micro-foundations of macroeconomic models could be constructed. This became my research agenda as I transitioned into the third year.

Over the last year, I have been working on understanding the impact of time-inconsistent preferences on household finance decisions. The first chapter of my thesis investigates the effects of generalized sophistication on the consumption and investment decisions of time-inconsistent individuals. While severe present bias unambiguously increases MPC, I find that the effect of sophistication on MPC depends on the curvature of the utility function, a result that to the best of my knowledge, is novel to this literature. I show that depending on the range of curvature, one can reproduce or refute (in the consumption-savings domain) the finding in O'Donoghue and Rabin (1999) that conditional on being present-biased, sophisticated households could be relatively worse-off in terms of welfare that their naive counterparts. Using the theoretical results from my first chapter, my second chapter aims to identify and elicit the impatience and degree of sophistication of U.S. households under time-inconsistent preferences using the two tax rebates in the years 2001 and 2008. This chapter provides an alternative channel of explaining excess Marginal Propensity of Consumption (MPC henceforth), which has also previously been addressed in Kaplan and Violante (2014) and Lian (2019). The third chapter of my thesis studies the potential role of reference dependence in explaining the asymmetric response of household consumption to monetary policy. In a simple model, I find that monetary policy that shifts reference points into the loss domain can amplify households' consumption response. In future work, I plan to extend the analysis to a general setting and find testable implications of the theory that I can directly cross-check with the data.

In the future, I would also like to (1) investigate if incorporating time inconsistency into a consumption-based capital asset pricing model (CCAPM) framework could explain the term structure of interest rates, and (2) add both intensive and extensive margin of labor choice to the consumption-savings problem and characterize the optimal amount of unemployment insurance to balance consumption smoothing benefits (immediate benefits) and job search costs (immediate cost) under present bias and sophistication/ naivete.

Behavioral Macroeconomics is still a small field in UC Davis, with me being the only student who is working in this field currently. This limits the scope of interaction I have with researchers with similar inclinations. It would be an immersive experience for me to participate in the NBER Behavioral Macroeconomics Research Boot Camp and be engaged in an exchange of ideas with peers and experts who share my research interests and who are working at the frontiers of Behavioral Macroeconomics. I look forward to such an opportunity.

HYOK JUNG KIM

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EDUCATION

University of California at Davis, United States *2016–*
Ph.D. in progress
Department of Economics

Sungkyunkwan University Seoul, Korea *2012–2016*
Master of Arts
Department of Economics

Sungkyunkwan University Seoul, Korea *2006–2012*
Bachelor of Arts
Department of Economics

University College London London, United Kingdom *2010*
Coursework taken in the Department of Economics

RESEARCH INTERESTS

Behavioral Macroeconomics

PROJECTS

Theory of Consumption and Savings under Time Inconsistency
This project unveils the role of present bias and sophistication to the marginal propensity to consume and suggests identification strategies when taking the model into data.

Eliciting the Present Bias and Sophistication using the U.S. Tax Rebates of 2001 and 2008
Using exogenous timing variation in disbursements of the U.S. tax rebates of 2001 and 2008, this paper estimates the heterogeneous degree of present bias and sophistication.

Reference Dependence and Asymmetric Response of Household Level Consumption to Monetary Policy Shocks
This paper aims to find if household–level consumption exhibits an asymmetric response to monetary policy shocks, and explain the asymmetry by reference dependence.

ACADEMIC ACTIVITY

Presentations
Macro/International Brownbag *Spring 2017, Fall 2019*
Theory/Behavioral Brownbag *Fall 2019*

Other Activities
Theory/Behavioral Brownbag Organizer *Fall 2019*

TEACHING EXPERIENCES

Teaching Assistant, UC Davis *2016–*
Principles of Macroeconomics (×2), Intermediate Macroeconomics (×6),
Intermediate Microeconomics (×1)

WORK EXPERIENCES

Korea Institute for Industrial Economics and Trade, Sejong, Korea *2014–2016*
Research Assistant (2014) and Researcher (2014–2016)
Industry and Trade Analysis Division

Gunpo City Hall, Gunpo, Korea *2007–2009*
Worked as public service officer to fulfill military duties

LANGUAGES AND COMPUTING SKILLS

Language	Korean (native), English (fluent)
Computing	C++, OpenCL, CUDA, Python, R, Matlab, Stata

COURSES TAKEN IN UC DAVIS

First Year

Fall Micro Theory (A; Professor Burkhard Schipper), Economic History (A-; Professor Gregory Clark), Econometric Foundations (A; Professor Colin Cameron)

Winter Micro Theory (A-; Professor Andres Carvajal), Macro Theory (A; Professor Athanasios Geromichalos), Econometric Methods (A-; Professor Oscar Jorda)

Spring Micro Theory (A-; Professor Giacomo Bonanno), Macro Theory (A+; Professor James Cloyne), Econometric Methods (A-; Professor Dalia Ghanem)

Second Year

Fall Advanced Theory (A+; Professor Andres Carvajal), International Econ (B; Professor Robert Feenstra), International Econ (A-; Professor Paul Bergin)

Winter Game Theory (A; Professor Burkhard Schipper), Macroeconomics (A; Professor Sanjay Singh), Topics in Economics (A; Professor Giovanni Peri)

Spring Topics Econ Theory (A+; Professor Anujit Chakraborty), Macroeconomics (A; Professor Alan Taylor), Macroeconomics (A; Professor James Cloyne)