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Education:

Ph.D., Economics, Columbia University, expected 2009

M.Phil., Economics, Columbia University, 2006

M.A., Economics, Columbia University, 2005

B.A., Business Administration, Seoul National University, summa cum laude, 1998
(Ranked No.2 from the top among 231 students)

Dissertation:

“Six Essays in non-Walrasian Macroeconomic Theory”

Fields of Interest:

Research: Macroeconomics, Financial Economics, Search Theory, Monetary Economics

Teaching: Macroeconomics, Financial Economics, Econometrics

Job Market Paper:

- “Shimer Meets the Production Based Asset Pricing Crowd: Insider-Outsider Labour Relations and Asset Returns” 2008

Abstract: Beginning with Shimer (2005) and Hall(2005), a recent branch of the business cycle literature has emphasized the role of wage rigidity in accounting for the statistical characteristics of key variables describing labour market activity over the business cycle; in particular, high vacancy and unemployment volatility and a high negative correlation between the two. In response we extend the Mortensen-Pissarides structure of period-by-period Nash wage bargaining to an environment where there is limited participation in the financial asset markets and labour force heterogeneity (insider-outsider labour relations). We show that a reasonable calibration of the resulting model accounts well not only for aggregate fluctuations in unemployment and vacancies but also for the observed wedge between variations at the intensive margin (hours per worker) and at the extensive margin (total hours) over the business cycle. The model also achieves a satisfactory resolution of the major financial asset puzzles; namely, a low risk-free rate, a high equity premium, and an upward sloping term structure. The key to these results is variation in distribution risk arising as an endogenous outcome of the wage bargaining.

Research Papers:

- “A Reevaluation of CEO Premium: Corporate Governance, Asset Returns, and the Business Cycle” 2008

Abstract: We propose a dynamic stochastic neoclassical growth model that incorporates a matching labour market for delegated managers characterized by search frictions and a Nash bargaining managerial contract.

An optimal delegation problem with Nash bargaining is proposed to analyze the contracting problem in which a firm commits to a set of decisions from which a manager chooses his preferred one. We make comparisons between the decentralized economy with the Nash bargaining managerial contract for delegated managers (CEO) and several economies with Pareto-optimal linear contracts for managers. Qualitatively, this decentralized economy with a search externality reveals an "external managing premium" in the sense that the value of the external managerial job opportunity (transferable across firms) does not equal that of internal managerial job opportunity (within the firm organization); its Pareto-optimal counterpart allows no "external managing premium." This "external managing premium" leads to a time-varying "investment wedge" that distorts the otherwise Pareto-optimal equilibrium investment decision over the business cycle. The main quantitative results are as follows: (i) In response to a standard technology shock, the baseline model can replicate several stylized business statistics regarding CEO compensation: specifically high correlation between CEO compensation and output and high volatility of CEO compensation. (ii) The model generates a "CEO premium" of 41, defined as the ratio of average CEO compensation to the average worker's wage, while the Pareto-optimal economies with delegated managers predict modest CEO premia of 1.8 (without matching friction) or 4.0 (with matching frictions). The former is consistent with the data. (iii) the baseline model also replicates conventional business cycle stylized facts. (iv) Introducing standard capital adjustment costs, the model replicates the conventional stylized business cycle facts and stylized financial market facts including a relatively low risk-free rate, an upward-sloping yield curve, and a substantial equity premium of 5.9016%.

- "Resuscitating Habit Formation: The Case of Staggered Nash Bargaining Wage" 2008

Abstract: Boldrin et al. (2001) show that the substantial equity premium present in the Jermann-type finance-cum-production model with habit is significantly compromised if the agent's labour-leisure choice is endogenized. In this paper, we seek to reconcile this conflict by introducing labour contracting. With the introduction of tractable staggered Nash bargaining wage, the model achieves a satisfactory replication of the major financial stylized facts: a low risk-free rate, a substantial equity premium of 4.5033%, and an upward-sloping but U-shaped real term structure. The model remains broadly consistent with the business cycle stylized facts.

- "Asset Prices and External Financing Premium: The Case of Search in the Loan Market" 2008

Abstract: In this paper, a real business cycle model with an imperfect loan market, multi-period loan contracts, matching frictions between firms and private banks and capital adjustment costs is simulated to see if the presence of costly external finance can induce empirically plausible asset pricing fluctuations. We find that (i) the mean and volatility of the equity premium replicated by the model, although small, are significantly higher than those in comparable adjustment cost models; (ii) the model generates an upward-sloping real term structure; (iii) those results are induced by a counter-cyclical external financing premium, a property that seems to be broadly consistent with the data.

- "Equity Premium and Search in the Labour Market" 2008

Abstract: Boldrin et al. (2001) show that the substantial equity premium present in the Jermann finance-cum-production model with habit is significantly compromised if the agent's labour-leisure choice is endogenized. To overcome these difficulties, the Andolfatto-Mortensen-Pissarides labour-market frictions are incorporated into two variants of the Jermann production economy: the model with heterogeneous labour-force and the model with homogeneous labour-force. Three types of period-by-period Nash wage bargaining are also considered: right-to-manage wage bargaining, efficient bargaining, and "employment-agency" bargaining. We find that both models achieve a satisfactory replication of the major financial stylized facts such as a low risk-free rate, a substantial equity premium, and an upward-sloping real term but completely fail to reproduce the relatively volatile behaviors of key labour market variables emphasized by Shimer (2005). These findings are robust to the choice of any form of Nash wage bargaining specified above.

- “Search in the Loan Market and Real Business Cycles: the Case of Japan” (Joint with Yuki Teranishi) 2008

Abstract: In this paper, we develop a real business cycle (RBC) model that incorporates an imperfect loan market with multi-period loan contracts and matching frictions between firms and private banks. These financial market imperfections induce sluggish responses in the financial market to a real economy shock. We make use of the concept of search and matching from labor economics. Simulation outcomes show that this model well captures salient business cycle features of real variables such as consumption, investment, wage, and labor supply, and financial variables such as loan lending, interest rates, and interest rate risk premium, simultaneously.

- “Insider-Outsider Labour relations, Asset Returns and the Business Cycle” 2008

Abstract: Beginning with Shimer and Hall (2005), a recent body of studies has emphasized the importance of wage rigidity to account for observed volatility in key variables characterizing the labour market activity over the business cycle. We address this issue from the perspective of contractual arrangements between capital owners and workers in a finance-cum-production model. The proposed model is a hybrid of limited participation model and insider-outsider labour model. With the combination of period-by-period Nash wage bargaining and Homstrom’s delegation contracting (1984), the model can reasonably explain the cyclical behavior of labour market activity observed in the data. The model also achieves a satisfactory replication of the major financial stylized facts: a low risk free rate, an upward-sloping term structure, and a substantial equity premium of 6.1329%.

- “A Simple Proof of the Existence of Pareto-optimal Linear Contract for Delegated Management in Some Extended RBC Models” 2007

Abstract: We demonstrate the existence of a Pareto-optimal linear contract for delegated management within the context of a standard RBC model with habit persistence, capital utilization, and investment adjustment costs a la Christiano et al (2005). This is a simple extension of the equivalence theorem---the equivalence between the delegated management economy and the standard RBC model in terms of decentralization---from Danthine and Donaldson (2007). The implication of our result is that the delegated economy model or such alternative decentralization scheme can produce expectation-driven business cycles or Pigou’s cycles.

Work in Progress:

- “Some Notes on Knightian Uncertainty”

Abstract: The purpose of this paper is to address the problem of constructing a variety of the analogues of standard economic models under Knightian uncertainty. The main contributions are (i) we analytically show that Harris and Liabson’s hyperbolic preference can be replicated by Knightian uncertainty in the context of Epstein and Wang (1994); and (ii) we show that the Hansen-Jaganathan bound under Knightian uncertainty can be lower than its standard counterpart analytically under some conditions.

- “The Macroeconomics of Labour and Credit Market Imperfections: A Computable General Equilibrium Approach”

Abstract: This paper develops a computable general equilibrium model in which credit frictions amplify macroeconomic volatility through a financial accelerator. We introduce endogenous search frictions, in the spirit of Mortensen and Pissarides, in both credit and labour markets.

- “Search in the Loan Market and Real and Monetary Business Cycles: the Case of US”
- “Resuscitating Cho-Cooley Monetary Model: The Case of Staggered Nash Bargaining Wage”

- “Optimal Search under the Threat of Unavailability” Joint with Jiwoong Shin

Teaching Experience (Teaching Assistant):

2004: Introduction to Econometrics (Undergraduate)

2005: Principle of Economics, Advanced Macroeconomics (Undergraduate)

2006: Intermediate Macroeconomics, Game Theory (Undergraduate)

2007: Intermediate Macroeconomics (Undergraduate)

Honors:

Yon Am Fellowship, Yon Am scholarship Foundation, 2008-2009

Award for Academic Excellence, Seoul National University, 1998, ranked No.2 from the top among 231 students at the College of Business Administration

Personal

Citizenship: South Korea

Language: Korean (native), English (fluent), German

Computer skills: Matlab, Mathematica, Stata, Eviews, Dynare etc

References:

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