

## Research Statement

I am a macroeconomist with a specific focus on the open-economy macro aspects of various topics in international finance, trade, and development. Specifically, my work has centered on two broad topics. Firstly, I investigate the determinants and effects of diverse types of international flows on the macroeconomy. Secondly, I examine the interaction of different frictions, shocks, and policies in business cycles. Methodologically, I am committed to conducting well-rounded research that balances empirical analysis using both micro and macro data, rigorous theoretical frameworks that provide deeper insights, and quantitative models that deliver key messages to both academics and policymakers, making a tangible real-world impact.

I first outline my working papers and published papers by topics. All the published papers were initiated before and completed during my Ph.D. studies. Then, I discuss plans for future research.

### Capital Flows in Open Economy Macroeconomics

In my job market paper, “**Growth in the Shaded Sun: The Role of International Development Finance and Corruption**” (Yoon, 2024a), I conduct the first comprehensive analysis of how developing countries strategically determine the amount, sources, and sectoral allocation of international development finance (DF), a type of official capital flows designed to promote public expenditure and growth. This topic has garnered significant attention recently, especially with the expansion of Chinese overseas lending. By analyzing detailed project-level data on DF projects financed by traditional providers and China, alongside a public sector corruption index for over 110 countries, I find that recipient country corruption is linked to more loans and larger projects in hard-to-monitor sectors. Using a growth model with an active choice for government diversion, I explore how Chinese loans impact citizen welfare in 108 developing economies. Results show that similar corruption levels may lead to very different welfare outcomes depending on which sectors are being financed.

In the paper “**Policy Uncertainty and Foreign Direct Investment**” (Choi, Furceri & Yoon, 2021, *Review of International Economics*, Top cited article in RIE, 2021-2022), my coauthors and I examine how heightened domestic policy uncertainty affects foreign direct investment (FDI) inflows. We find that domestic policy uncertainty in a host country robustly reduces FDI inflows, with the effect being stronger in countries with less financial development. In the analysis, we exploit the bilateral structure of the data to clearly differentiate between the pull factors and push factors of FDI, by including a host of fixed effects and control variables. To address remaining endogeneity concerns, we use the election timing as an instrument.

In the paper “**International Bank Lending Channel of Monetary Policy**” (Albrizio, Choi, Furceri & Yoon, 2020, *Journal of International Money and Finance*), my coauthors and I explore how domestic monetary policy in systemically important countries, such as the US, spills over to the rest of the world through cross-border bank lending flows. To estimate the dynamic effects of monetary policy on bilateral cross-border bank lending, we employ local projections and exogenous monetary policy shocks in systemically important countries. We find robust evidence that an increase in funding costs following an exogenous monetary tightening leads to a statistically and economically significant decline in cross-border bank lending. Interestingly, this effect is weakened during periods of high uncertainty. In contrast, we discover that the effect does not vary according to the degree of borrower country riskiness.

In another paper “**International Fiscal-financial Spillovers: The Effect of Fiscal Shocks on Cross-border Bank Lending**” (Choi, Furceri, & Yoon, 2021, *Open Economies Review*), my coauthors and I study how domestic fiscal policy affects cross-border bank lending. Using local projections, we estimate the dynamic response of US cross-border bank lending to 45 recipient countries in response to exogenous domestic fiscal shocks, both measured by spending and revenue. We find that expansionary domestic fiscal shocks lead to a statistically significant increase in cross-border bank lending. After extending the analysis to include fiscal shocks for a panel of 16 small open economies, we observe heterogeneous effects depending on the sign of the fiscal shocks and various economic conditions of the source and the recipient countries.

## Interaction of Various Frictions, Shocks, and Policies in Business Cycles

In my working paper “**Trade Finance Frictions and International Business Cycles**” (Yoon, 2024b), I study how frictions in exporting firms’ trade finance affect the business cycles of a small open economy within a general equilibrium framework. In the model, firms rely on external capital to cover large upfront fixed export costs but face credit constraints that limit borrowing based on the country’s financial development. In quantitative general equilibrium exercises, I show that the effect of trade finance frictions on the aggregate economy is not as significant as on firm-level outcomes due to two mechanisms. First, the decrease in the extensive margin of exports from trade finance frictions is offset by an increase in the average productivity of exporters, limiting its aggregate impact. Second, wage adjustments in general equilibrium reduces the magnitude of these channels, diminishing the role of trade finance frictions at the aggregate level.

In another paper “**Uncertainty, Financial Markets, and Monetary Policy over the Last Century**” (Choi & Yoon, 2020, *The B.E. Journal of Macroeconomics: Advances*), my coauthor and I study the interaction of uncertainty shocks, financial markets, and monetary policy and their effect on the business cycles of the US economy over the last century. We employ counterfactual vector autoregressions (VARs) that isolate the response of specific variables to estimate the interplay among different shocks and other macroeconomic variables. Using a hundred years of data

allows us to explore these dynamics from a unique historical perspective. We find robust evidence that financial conditions—captured by borrowing costs and the availability of credit—have played a crucial role in propagating uncertainty shocks throughout the last century. Interestingly, the monetary policy stance seems to play only a minor role in propagating uncertainty shocks, which is in sharp contrast to the recent claim that binding zero-lower-bound amplifies the negative effect of uncertainty shocks. We argue that the role of constrained monetary policy in amplifying uncertainty shocks is largely obscured by the simultaneous presence of the zero-lower-bound constraint and tightened financial conditions.

## Plans for Future Research

**Development finance flows.** Most immediately, building upon the groundwork laid by my job market paper, I plan to further investigate various dimensions of DF flows, focusing on areas not yet explored. First, a crucial topic is the potential for debt default, particularly examining the interactions between traditional providers of DF and Chinese DF within a sovereign debt and default framework. Second, while my job market paper primarily focuses on the demand side of DF, assuming supply-side factors are given, I aim to explore how DF providers strategically determine these factors in future research. Third, I am interested in delving deeper into the implications of DF flows from a macro development perspective—specifically, how these flows affect structural transformation, industrialization, and the misallocation of resources that impact productivity. Finally, I also aim to examine the impact of these flows on micro-level development outcomes using the project-level dataset from my job market paper. This analysis will cover various sectors, including environmental protection, education, health, and population dynamics.

**Interaction between capital flows and trade flows.** Additionally, and more broadly, I seek to bridge the fields of international macroeconomics and international trade by investigating how capital flows, financial flows, and trade flows interact to influence both short-term business cycles and long-term macroeconomic growth. I am particularly interested in exploring how monetary, fiscal, and trade policies—alongside exchange rate policies—interact and create international spillovers through various types of cross-border flows.

**Geopolitics, environment, and international flows.** Lastly, I plan to broaden my exploration of flows by examining the roles of geopolitical factors and environmental policies in shaping capital and trade flows, and their implications for both short- and long-term economic dynamics. Climate change and geopolitical issues are urgent, global phenomena that intricately interact with capital, financial, trade, and various resource flows. I believe this line of research holds substantial potential to contribute significantly toward solving the complex and pressing global challenges we currently face.