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Research Statement

My research interests span various topics within Macroeconomics and International Economics, with a particular focus on Open Economy Macroeconomics. Specifically, my work has centered on two broad topics. Firstly, I investigate the determinants and effects of diverse types of international capital 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 establish novel stylized facts regarding correlations between the corruption levels of borrower governments and DF inflows at aggregate, sectoral, and project levels. To interpret these empirical findings, I develop a novel multi-sector neoclassical growth model that integrates corruption, public investment, and both traditional and Chinese DF. This model provides theoretical insights into how corruption can distort the efficient use of DF and elucidates the dual nature of Chinese DF: it can be either a boon or a bane, depending on the government's corruption level. I then calibrate the model for each of 108 developing economies and conduct quantitative analysis to explore the welfare implications of Chinese DF on households.

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, another significant type of capital flows. We find that domestic policy uncertainty in a host country robustly reduces FDI inflows, with the effect being stronger in countries with less financial

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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, including the US. 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—from Q1 1990 to Q4 2012. We find that expansionary domestic fiscal shocks lead to a statistically significant increase in cross-border bank lending. These fiscal-financial spillovers are independent of changes in monetary policy or financial conditions, as measured by the VIX. 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 the economic conditions of the source country. In addition, although capital controls appear to play a moderating role, we do not find evidence that the exchange rate regime of the recipient countries significantly affects the spillover effects.

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. This extensive margin effect strengthens, while the selection effect weakens,

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when firm productivity is less dispersed. Second, wage adjustments in general equilibrium reduces the magnitude of these channels, diminishing the role of trade finance frictions at the aggregate level. This wage-adjustment effect is stronger with inelastic labor supply.

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 effect of uncertainty shocks, measured by the Economic Policy Uncertainty Index, on the business cycles of the US economy over the last century and their interaction with financial markets and monetary policy. 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. However, heightened uncertainty does not necessarily exacerbate the adverse effects of financial shocks, suggesting an asymmetric interaction between uncertainty and financial conditions. Interestingly, the stance of monetary policy appears to play only a minor role in propagating uncertainty shocks, which starkly contrasts with recent claims that a binding zero-lower-bound amplifies the negative effects of uncertainty shocks. We argue that the perceived contribution of constrained monetary policy in amplifying uncertainty shocks is largely obscured by the simultaneous occurrence of a binding zero-lower-bound and tightened financial conditions.

Plans for Future Research

Most immediately, I plan to further investigate various dimensions of international DF flows, building upon the groundwork laid by my job market paper. A crucial area yet to be explored is the potential for debt default. I am particularly interested in examining the interaction between DF from traditional providers and Chinese DF within a sovereign debt and default framework. In addition, 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.

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-run business cycles and long-term macroeconomic growth. I am particularly interested in how monetary, fiscal, and trade policies—along with exchange rate policies—interact and spill over internationally through various types of cross-border flows.

Lastly, I plan to examine the role of geopolitical factors in shaping capital and trade flows and their implications for both the short and long term. This research will highlight the broader economic and political context affecting global allocation of various resources.