

# Seon Tae Kim

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## ACADEMIC POSITION

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**Assistant Professor of Finance** 2011-Present  
ITAM Business School

## EDUCATION

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**W.P. Carey School of Business** 2005-2011  
**Arizona State University, Tempe, AZ**  
PhD in Economics  
Committee: Richard Rogerson (advisor), Edward C. Prescott (chair), Seung Ahn and Stuart Low  
Dissertation title: Essays in Financial and International Macroeconomics

**Arizona State University, Tempe, AZ** 2005-2007  
MA in Economics

**Seoul National University, Seoul, Korea** 1997-2000, 2004  
BA in Economics (*cum laude*)

## RESEARCH AND TEACHING INTERESTS

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Corporate Finance; Macroeconomics; Financial Economics; International Economics; Business Cycles;

## WORKING PAPERS

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- *The Price of Imports and TFP: Application to the Korean Crisis of 1997-98*. 2012. Minor revision requested from *Review of Economic Dynamics*.
- *Corporate Credit Spreads and Business Cycles*. 2012.
- *Information Production, Financial Development, and Resource Allocation Between Small- and Large-Firms*. 2012. With Bongseok Choi.

## WORK IN PROGRESS

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- *Default Risk and Capital Structure*.
- *Repayment Structure of Sovereign Bonds*. With Yan Bai and Gabriel Mihalache.
- *Default- and Recovery-Rates Dynamics of Sovereign Bonds*. With Yan Bai.

## PRESENTATIONS

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- The Price of Imports and TFP: Application to the Korean Crisis of 1997-98

- *Macroeconomics Workshop*, Arizona State University, September 10<sup>th</sup>, 2009, Tempe, AZ.
- Corporate Credit Spreads and Business Cycles
  - *North American Summer Meeting of the Econometric Society*, Northwestern University, June 28<sup>th</sup>-July 1<sup>st</sup>, 2012, Evanston, IL.
  - *Financial and Macroeconomic Stability: Challenges Ahead*, the Central Bank of the Republic of Turkey, June 4th-5th, 2012, Istanbul, Turkey.
  - *Midwest Macroeconomics Meetings*, University of Notre Dame. May 11th-13th, 2012, South Bend, IN.
  - *Research Seminar, Banco de Mexico*. November 11th, 2011, Mexico City, D.F., Mexico.
  - *Korea Development Institute*. February 23rd, 2011, Seoul, S. Korea.
  - *Hanyang University*. February 21th, 2011, Seoul, S. Korea.
  - *ITAM Business School*. February 10th, 2011, Mexico, D. F., Mexico.
  - *Samsung Research Institute of Finance*. January 18th, 2011, Seoul, S. Korea.

#### TEACHING EXPERIENCES

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Corporate Finance, ITAM Business School, Fall 2011 - present  
 Fundamentals of Corporate Finance, ITAM Business School, Spring 2012 - present  
 Business Statistics, ASU School of Business, Summer 2007, Summer 2008, Summer 2009

#### HONORS AND AWARDS

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The 6<sup>th</sup> year funding, ASU, 2011  
 Full tuition and stipend, ASU, 2005-2010  
 Research assistantship for professor E. C. Prescott, ASU, Summer 2010  
 Outstanding Dissertation Research Award, ASU, 2009  
 Best qualifying examination in macroeconomics, ASU, 2007  
 Outstanding first year student, ASU, 2006

#### REFERENCES

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Richard Rogerson  
 Professor of Economics and Public Affairs  
 Woodrow Wilson School of  
 Public and International Affairs  
 323 Bendheim Hall  
 Princeton University  
 Princeton, NJ 08544  
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Edward C. Prescott  
 Regents' Professor  
 Department of Economics  
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Pablo Galván Téllez  
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**Corporate Credit Spreads and Business Cycles**

This paper studies credit spreads between the high and low default-risk corporate bonds, labeled as corporate credit spreads, and business cycles in a general equilibrium model. The mechanism of and conditions for the negative impact of corporate credit spreads on output and TFP are presented. In the presence of corporate credit spreads, a high-risk firm has more difficulty in raising fund relative to a low-risk firm does, resulting in the difference in the (expected) marginal product of capital between the two firms, i.e., misallocation of capital. As a result, output and TFP are lower than they would be. The higher the corporate credit spreads, the larger the extent of misallocation of capital, the lower the output and TFP. This key mechanism is embedded into an otherwise standard growth model, which is then calibrated to data for the U.S. economy during the period 1964-2009, default rates of corporate bonds by credit ratings in particular. Simulated results show that fluctuations in the corporate credit spread, essentially driven by shocks to the default risk for high-risk firms, can account for about 60% of output fluctuations and 70% of TFP fluctuations. The firm-level investment data supports the model's prediction on the comovement between the corporate credit spread and allocation of capital between high-risk and low-risk firms.

**The Price of Imports and TFP: Application to the Korean Crisis of 1997-98**

This paper studies the effects of import-price shocks on measured output and productivity in a standard small open economy model and quantifies such effects in the case of the Korean crisis of 1997-98. I argue that it is the price of imported goods relative to the price of domestic goods but not the terms of trade that determine measured output and productivity. Simulated results show that shocks to the price of imports account for about half of the output deviation (from trend), one third of the TFP deviation and two thirds of the labor deviation in 1998. For the quantitative results, the extent to which the usage of the imported goods is distorted is critical and substantially larger than tariffs because of significantly sizable non-tariff distortions.

**Information Production, Financial Development, and Resource Allocation Between Small- and Large-Firms**

This paper studies the information production in financial markets and allocation of resources across firms. Focusing on the efficiency-gains generated by financial development, this paper revisits the well-known hypothesis that financial innovation raises the output growth rate of a small firm relative to that of a large firm. Novel feature of our empirical analysis is that our dataset includes both the financially highly- and under-developed countries while only the former countries are considered in the extant literature. We find that the dominant view in the literature that the effect of financial innovation on the small firm's growth is larger relative to the large firm's is restricted to the financially highly-developed countries and overturned for the financially under-developed countries. We extend a standard model of information production and capital allocation between entrepreneurs differing (privately known) productivity by adding key feature that information production to uncover the entrepreneur/borrower's private information is less costly for the higher-productivity entrepreneur/borrower. In the model, there is a trade-off between the two channels, the supply-, i.e., cost, and demand-side, i.e., benefit, of the information production, and the relative importance between the two channels varies over the country's overall productivity of information production. Model-prediction results are consistent with our main empirical findings.