

List of Publications

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Camera, G., and J. Kim (2016). Dynamic directed search. *Economic Theory*, 62(1), 131–154.

ABSTRACT: The directed search model (Peters 1984) is static; its dynamic extensions typically restrict strategies, often assuming price or match commitments. We lift such restrictions to study equilibrium when search can be directed over time, without constraints and at no cost. In equilibrium, trade frictions arise endogenously, and price commitments, if they do exist, are self-enforcing. In contrast to the typical model, there exists a continuum of equilibria that exhibit trade frictions. These equilibria support any price above the static price, including monopoly pricing in arbitrarily large markets. Dispersion in posted prices can naturally arise as temporary or permanent phenomenon despite the absence of preexisting heterogeneity.

Kim, J., and G. Camera (2014). Uniqueness of equilibrium in directed search models. *Journal of Economic Theory*, 151, 248–267.

ABSTRACT: We study a decentralized trading model as in Peters (1984), where a finite number of heterogeneous capacity-constrained sellers compete for a finite number of homogeneous buyers, by posting prices. This “directed search” model is known to admit symmetric equilibria; yet, uniqueness has proved elusive. This study makes two contributions: a substantive contribution is to establish uniqueness of symmetric equilibrium; a methodological contribution is to develop a tool based on directional derivatives to characterize equilibrium.

Camera, G., and J. Kim (2013). Buyer’s equilibrium with capacity constraints and restricted mobility: A recursive approach. *Economics Letters*, 118(2), 321–323.

ABSTRACT: We study a decentralized trading model as in Peters (1984), where heterogeneous market participants face a trade-off between price and trade probability. We present a novel proof of existence of a unique demand vector in Nash equilibrium, based on a recursive approach that exploits the monotonicity of matching functions.

Kim, J. (2009). A splitting theorem for holomorphic Banach bundles. *Mathematische Zeitschrift*, 263(1), 89–102.

ABSTRACT: This paper is motivated by Grothendieck’s splitting theorem. In the 1960s, Gohberg generalized this to a class of Banach bundles. We consider a compact complex manifold X and a holomorphic Banach bundle $E \rightarrow X$ that is a compact perturbation of a trivial bundle in a sense recently introduced by Lempert. We prove that E splits into the sum of a finite rank bundle and a trivial bundle, provided $H^1(X, \mathcal{O}) = 0$.

Equilibrium wage rigidity in directed search. (w/ G. Camera).

ABSTRACT: Matching frictions and downward wage rigidity emerge as equilibrium phenomena in a two-sided labor market where firms sustain variable wage adjustment costs. Firms post wages to attract workers and matches are endogenous. Reducing the wage relative to the wage previously posted is costly to the firm, where the cost is proportional to the size of the proposed cut. Shocks to the firm's profitability may yield an equilibrium wage above what the firm would offer absent proportional adjustment costs. Wage cuts can be partial or full, immediate or delayed, and are non-linear in the shock size. Importantly, wages are sticky even if firms have negligible costs for cutting wages.

Central bank purchases of government bonds. (w/ S. Huber).

ABSTRACT: We develop a dynamic general equilibrium model to analyze the effects of central bank purchases of government bonds by investigating the following three questions: Under what conditions are these purchases socially desirable, what incentive problems do they mitigate, and how large are these effects? We show that by purchasing government bonds, central banks induce agents to increase their demand for money, which increases the value of money and thereby improves the allocation and welfare. Furthermore, we show that the optimal amount of these purchases critically depends on the structure of the secondary bond market.

Centralized trading of corporate bonds. (w/ S. Huber).

ABSTRACT: In the post-crisis period, increased regulation of financial intermediaries has led to a significant decline in corporate bond market liquidity. In order to stabilize these bond markets, policy makers recently proposed that the trading of corporate bonds should be more centralized. In this paper, we show that a centralization of corporate bond markets generally leads to an inferior outcome when compared with the initial over-the-counter structure. The reason is that in a frictionless centralized secondary bond market, the demand for bonds increases by such a magnitude that the return on bonds decreases until equaling the return on money, and hence, the market becomes redundant.