

# Hyeon Park

Curriculum Vitae

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## EDUCATION

Ph.D. in Economics: University of Pittsburgh, Department of Economics, (2005-summer 2012)

Thesis Title: “*Inter-temporal Choices with Temporal Preferences*”

Committee: John Duffy (Chair), James Feigenbaum, Marla Ripoll, and Dave Dejong

M.S. in Financial Mathematics: The University of Chicago, Department of Mathematics, 2004

M.S. in Mathematics: Chicago State University, Department of Mathematics & Comp.Sci., 2001

B.A & M.A. in Economics(*magna cum laude*): Seoul National University, Seoul, South Korea

## RESEARCH FIELDS

Macroeconomics, Behavioral Economics, Public Economics  
Applied Theory, Inter-temporal Choice  
Experimental Economics

## RESEARCH PAPERS

### “A Lifecycle Model of Charitable Giving: A Quantitative Analysis of Social Preferences”

I develop a lifecycle model of warm glow for consumers who derive utility from the act of giving both goods and volunteering time and explore the general equilibrium characteristics of an economy that is populated by these pro-social consumers. By separating charitable deduction rate from income tax rate together with occupying non-separable utility between consumption and charitable giving, the model unambiguously determines welfare direction from any change in a tax system, enlightening the role of policy in private provision of public goods. I first derive analytic solutions that define the optimal resource level committed to spend on giving and consumption each period with respect to leisure or volunteer constraint. In the full model where consumers are subject to mortality risks for charitable bequests and choose endogenously their retirement age, I demonstrate that the model features salient facts regarding lifecycle giving/volunteer and consumption/leisure behaviors in an empirically plausible, calibrated overlapping-generations general equilibrium. I specifically show that reasonable parameterization of my model generates an inverse U-shaped consumption, giving, and labor, similar to the data, while it confirms the existing findings of a U-shaped leisure over a lifecycle.

### “Bounded Rationality and Lifecycle Consumption” (submitted, under review)

This paper analyzes the general equilibrium properties of a lifecycle model where optimizing agents have short term, planning horizons. Together with an increasing income profile and an exogenously imposed retirement date this model of boundedly rational short-term planning agents generates a lifecycle consumption hump that is consistent with that found the data. In particular, with no mechanism other than the short-term planning horizon, the model produces a consumption hump with a location and magnitude that matches the data in a well-calibrated general equilibrium model. The paper further demonstrates that the model with a planning horizon of around 20 years provides a best fit to the salient features of the consumption data and other evidence found in recent surveys on retirement planning.

**“Present Biased Preference and the Constrained Consumer”** (submitted, under review)

Based on the observation that a consumer with present biased preference is more likely to accumulate debts, this paper examines how such consumers react to credit constraints and explores the general equilibrium characteristics of an economy that is populated by these myopic consumers. This paper finds that the model of a constrained consumer, whose present-biased preference is specified by a generalized discounting function, produces the well known consumption hump in a  $T$ -period general equilibrium overlapping generations economy. To the baseline model, the paper then introduces PAYG social security, as well as mortality risk and bequests and continues to find that the model predicts many of the salient lifecycle features in a well-calibrated general equilibrium system.

**“A General Equilibrium Model of Decision Makers with Belief Dependent Preferences”**

I explore macroeconomic dynamics for a decision maker whose preferences depend not only on his actual consumption but also on comparisons to his beliefs about optimal consumption. The standard decision maker is loss averse with respect to this belief-dependent reference point. When loss aversion is low, the decision maker can deviate from the standard lifecycle consumption behavior. This deviation can help to explain some puzzling features of inter-temporal consumption data in general equilibrium. When the decision maker has age-related and time-varying degree of loss aversion and rebalances consistent consumptions through adjusted beliefs, the model produces a hump-shaped consumption profile that closely tracks the data.

**“Loss Aversion and Consumption Plan with Stochastic Reference Points”**

This paper studies risky choices with an endogenous reference point, under the two schemes of state-independent and state-dependent stochastic reference points. The former posits that the decision maker evaluates every possible outcome of a prospect with all possible outcomes of the reference point, while the latter assumes that the decision maker evaluates them only in the same state. Therefore, the decision maker experiences a loss if the outcome of the prospect in a state falls short of the outcome of the reference point in the other states in the state-independent world, while in the state-dependent world, losses are experienced only if they happen in the same state. In this paper I derive a two-period general equilibrium result with two agents who are different from each other in their attitudes toward losses.

**“Consumption and Leisure Choice under Short Term Planning Horizon”**

This research studies equilibrium for an economy with consumers who have shorter than life time planning horizons, but who face the intra-temporal choice between consumption and leisure at any given date. It is known that consumer optimization with short term planning horizon can help solve the so-called consumption puzzle in lifecycle theory, by producing a consumption hump similar to the data. This paper extends that result by including leisure in consumer's preferences. A calibrated version of the model shows that the addition of leisure provides a better fit to observed lifecycle consumption features. Moreover, when combined with endogenous retirement decisions, the agents with short term planning horizons tend to retire later than full term planners.

## **RESEARCH IN PROGRESS**

**“Surplus Utility, Asset Prices and Reference Dependent Preferences”** (With John Duffy)

We construct an asset pricing model where agents have reference dependence preferences (RDP) with respect to consumption following Koszegi and Rabin (2006, 2007, 2009). Distinct from prior work using RDP in which the formation of the reference point is not different from traditional habit formation models, we propose a model of RDP where the reference point is determined via forward looking expectations. Compared with the surplus consumption approach of Campbell and Cochrane (1999), in our model the surplus utility ratio can generate cyclical behavior for asset prices. We will

use this framework to determine if our forward looking RDP model provides a better fit to features of the asset price data relative to other RDP models. Finally, we wish to revisit the permanent income hypothesis and explore its implication under our forward-looking version of RDP.

**“A Bridge between Habit Formation and Reference Dependent Utility”** (With John Duffy)

Habit formation preferences have been widely utilized in many macroeconomic applications, while Reference Dependent Utility, a seemingly close cousin of habit formation preferences, has been used primarily to understand microeconomic behavior. This paper clarifies the relationship between these two modeling approaches. Using three different types of gain-loss functions, this research provides conditions under which habit formation and RDP approaches may be viewed as special cases of one another as well as conditions where the two approaches are distinct from one another.

**“Optimal Irrational Behavior with Idiosyncratic Risk”** (With James Feigenbaum)

Feigenbaum, Caliendo, and Gahramanov (JEBO, 2010) show that contrary to the usual presumption that welfare is maximized if consumers behave rationally, there always exists a rule of thumb that can weakly improve upon the lifecycle rule with irrational households. Here we focus on the risk-sharing properties of the optimal rule of thumb. We explore the possibility of welfare change of the irrational agents due to the uninsured idiosyncratic risk. Especially we entangle the welfare effect of precautionary saving of the irrational agents from (i) Prudence (curvature of marginal utility), (ii) Income uncertainty (iii) Potentially binding borrowing constraint in the future.

**“OLG Based Asset Pricing with Housing”**

The standard asset pricing model assumes the infinitely lived representative agent (ILA) with time separable utility. However many researchers argue a general advantage of OLG over ILA in asset pricing and Bohm, Kikuchi and Vachadze (2008) show, in two-period model that OLG performs better than ILA in terms of the risk premium, and equity and bond returns. This research aims to answer the question if we still get better predictions with OLG on the same three criterion, as well as housing returns when housing is included as an additional asset especially with or without a collateral constraint.

## **CONFERENCES & PAPER PRESENTATIONS**

- The Econometric Society North American Summer Meeting (June 2011, St. Louis)
- Midwest Economic Association 75<sup>th</sup> Annual Meetings (March 2011, St. Louis)
- Society for Advancement of Behavioral Economics (SABE: August 2010, San Diego)
- Quantitative Society for Pensions and Saving (QSPS: May 2010, Utah State University)
- Midwest Economic Association 74<sup>th</sup> Annual Meetings (March 2010, Evanston)
- Arts & Sciences Grad Expo, University of Pittsburgh (March 2010, Pittsburgh)
- Quantitative Society for Pensions and Saving (May 2009, Utah State University)
- Midwest Economic Association 73<sup>rd</sup> Annual Meetings (March 2009, Cleveland)
- North American Summer Meeting of the Econometric Society (June 2008, CMU)
- Macroeconomics Seminar, University of Pittsburgh (November, 2008)
- Macroeconomics Seminar, University of Pittsburgh (October, 2007)

## **MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS**

- Econometric Society
- Midwest Economic Association
- American Economic Association
- Society for Advancement of Behavioral Economics
- Quantitative Society for Pensions and Saving

## TEACHING EXPERIENCES

### INSTRUCTOR

- Intermediate Macroeconomics (Spring 2012)  
[Course Web] <http://www.pitt.edu/~hsp2>
- Intermediate Macroeconomics (Fall 2010)
- Intermediate Macroeconomics (Summer 2011, 2010, 2009)

### TEACHING FELLOW

- Intermediate Microeconomics (Spring 2009 / Fall 2008)
- Introduction to Microeconomic Theory (Fall 2009 / Fall 2007 / Summer 2007)
- Introduction to Macroeconomic Theory (Spring 2010 / Spring 2007)
- Applied Econometrics (Spring 2008)
- Introduction to Statistics (Fall 2006)

### AWARDS

- Arts and Sciences Travel Grant, University of Pittsburgh (2011)
- Arts and Sciences Summer Fellowship (2010)
- GPAS Travel Grant, University of Pittsburgh (2010)
- Arts and Sciences Summer Fellowship (2009)
- A&S-PBC and Alumni Fellowship (2009, 2010)
- GPAS Travel Grant, University of Pittsburgh (2009)
- Research Fellowship: Arts and Sciences, University of Pittsburgh (2008)
- Graduate Teaching Fellowship: University of Pittsburgh (2006-2010)
- Graduate Fellowship: Faculty of Arts and Science (2005)

### COMPUTER SKILLS

- MATLAB, STATA, MATHMATICA, C++

### PROFESSIONAL EXPERIENCES

- Referee Service: Journal of Economic Dynamics and Control (JEDC)
- Currency Analyst: Linden FX Research: Chicago, IL (2000-2002)
- Researcher: Angela Group: Chicago, IL (2002~2003)

### REFERENCES

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### PLACEMENT OFFICERS

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