

## INHWAN SO

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### **EDUCATION**

Ph.D. candidate in Economics, University of Washington, Seattle (Expected Completion: June 2016)  
B.A. in Economics and B.B.A, Yonsei University, Seoul, South Korea, 2005 (Cum Laude).

### **FIELD OF INTEREST**

Primary field: Open Economy Macroeconomics.

Secondary fields: Banking and Financial Institutions, Monetary Policy, Empirical Time-Series.

### **WORKING PAPERS**

“Bank Globalization and Monetary Policy Transmission in Small Open Economies” (**Job Market Paper**)

“Which Monetary Shocks Matter in Small Open Economies? Evidence from SVARs” with Jongrim Ha

### **WORK IN PROGRESS**

“Identifying the Interdependence between Monetary Policy and the Stock Market in Small Open Economies”

“Monetary Policy, Financial Integration and Inequality in Small Open Economies” with Jorge Rojas-Vallejos

### **PUBLICATIONS**

“Influence of the Banks' Money Mediation Behavior on the Monetary Policy: A Study of Korean Case” with Jongrim Ha, *Global Economic Review*, 42:4, 396-424, 2013.

“Effects of the National Pension Fund and Ageing on Private Consumption and Savings” with Heedon Kang, *Monthly Bulletin*, The Bank of Korea, Dec. 2005 (written in Korean)

### **SCHOLARSHIPS, HONORS AND AWARDS**

2015-16 Henry T. Buechel Memorial Scholarship at UW (Dissertation Fellowship)

2011-13 The Bank of Korea Fellowship for a US Doctoral Program

2009 First Prize, The Best Working Paper Awards, The Bank of Korea

“Influence of the Recent Banks' Money Mediation Behavior on the Monetary Policy of the Central Bank: an Analysis Using the New Keynesian DSGE Model” with Jongrim Ha (written in Korean)

- 2007 Third Prize, The Best Working Paper Awards, The Bank of Korea  
 “Principle Component Analysis based Early Warning System with consideration to the Financial Imbalance” with Nayeon Park (written in Korean)
- 2005 Monthly Bulletin Paper of the Year, Research Department, The Bank of Korea  
 “Effects of the National Pension Fund and Ageing on Private Consumption and Savings” with Heedon Kang, *Monthly Bulletin*, The Bank of Korea, Dec. 2005 (written in Korean)

### **RELEVANT POSITIONS**

- 2009-11 Economist, Office of International Affairs, The Bank of Korea
- Researched G-20 agenda on Commodity Price Volatility and Development
  - Drafted and organized bilateral meetings with the Bank of Japan, the People’s Bank of China, Deutsche Bundesbank and the Bank of Russia
- 2007-09 Junior Economist, Information & Economic Education Center, The Bank of Korea
- Conducted an introductory microeconomics e-learning course for the general public
  - Performed market research to develop the Bank of Korea’s new identity logo
- 2005-07 Junior Economist, Research Department, The Bank of Korea
- Researched theoretical aspects of monetary and interest rate movements and analyzed their implications on monetary policy
  - Monitored the development of domestic and international financial markets

### **TEACHING EXPERIENCE**

- 2013-15 Teaching Assistant, University of Washington
- Econ 200 Introduction to Microeconomics
  - Econ 201 Introduction to Macroeconomics

### **PERSONAL INFORMATION**

Citizenship/VISA: South Korea/F-1  
 Languages: English (Fluent), Korean (Native)  
 Military Service: Sergeant, South Korea, Dec 1999 - Feb 2002  
 Family Status: Married; A son and a daughter

### **DISSERTATION COMMITTEE**

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## **RESEARCH PAPERS**

### *Bank Globalization and Monetary Policy Transmission in Small Open Economies (Job Market Paper)*

This paper investigates how the openness of banking sector influences the transmission channels of domestic and international monetary policy shocks in small open economies. I study these relationships in a small open economy DSGE model enriched with a globalized banking sector. Two forms of bank globalization are considered: international finance of operating funds and import of foreign loan contract. For a quantitative analysis of the channels linked to each type of bank globalization, I compare the responses of macroeconomic and financial variables to monetary shocks with the ones which allow for different degrees of bank globalization. The analysis delivers the following results. First, bank globalization leads to a significant attenuation of domestic monetary policy transmission. This is because, against domestic monetary shocks, banks' global activities help maintain bank rates and loan supplies to some extent in contrast to the responses in financial autarky. On the other hand, opening of the banking sector intensifies the impact of foreign interest rate shocks on the local bank activities. In addition to the indirect international monetary spillover through interest-parity condition, global bank operation opens a new channel which makes bank rates respond directly to foreign monetary shock.

### *Which Monetary Shocks Matter in Small Open Economies? Evidence from SVARs (with Jongrim Ha)*

This paper investigates the nature of monetary policy transmission in four small open economies - Australia, Canada, South Korea, and the U.K. - and the U.S. (the benchmark) by estimating structural vector autoregressive models using the external instrument identification method. Differing from related studies on U.S. monetary policy, which mostly employ high-frequency futures data on monetary policy operating instruments (federal fund futures rates) to identify monetary policy shocks, we propose and test alternative sets of external instruments for the four focal open economies that do not yet have well-established futures markets in monetary policy instruments. The empirical results obtained by applying this data-oriented method yield important messages from both the econometric and macroeconomic perspectives. First, U.S. monetary policy plays an important role in monetary transmission in SOEs, presumably hampering the effectiveness of domestic monetary policy. In particular, the effect of domestic monetary policy shocks on medium- and long-term interest rates is quite weak and short-lived, while U.S. monetary innovation significantly and persistently influences domestic financial variables. Second, the paper provides some evidence that foreign exchange rates in this process respond to monetary shocks as Dornbusch (1976)'s overshooting hypothesis.

## **RESEARCH IN PROGRESS**

### *Identifying the Interdependence between Monetary Policy and the Stock Market in Small Open Economies*

This paper aims to understand the interdependence between monetary policy and the stock market in small open economies - Australia, Canada, South Korea, and the U.K. - using SVAR methodology. A solution is proposed to the simultaneity issue of open economy VAR applications by employing an external instrument identification scheme that uses information identified outside the VAR. This data-oriented analysis delivers the following results. First, I find great interdependence between the domestic interest rate setting and stock prices. Second, the asset returns in open economies exhibit strong and persistent responses to the U.S. monetary condition.

*Monetary Policy, Financial Integration and Inequality in Small Open Economies* (with Jorge Rojas-Vallejos)

Monetary policy has substantial distributional consequences between savers and borrowers, and the recent increase in financial integration can affect these distributional effects because it changes the conditions around credit supply. However, relatively less attention has been paid on the distributional implications of those policy choices and financial liberalization. The paper will introduce heterogeneous household distinguished by the degree of impatience and incorporate financial frictions faced by banks and borrowers. We will examine the aggregate welfare implications as well as the distributional consequences of monetary policy choices. We will also study how the distributional effects of monetary policy changes as financial markets are integrated.

## **PUBLICATION**

*Influence of the Banks' Money Mediation Behavior on the Monetary Policy: A Study of Korean Case*, (with Jongrim Ha) *Global Economic Review*, 42:4, 396-424, 2013.

This paper analyses how financial institutions' arbitrary intermediation behaviors, including adjustments in bank lending and deposit rates, influence monetary policy transmission channels. For the analysis, we develop a New Keynesian Dynamic Stochastic General Equilibrium (NK DSGE) model with parameters estimated to fit the Korean conditions. The role of banks is subsequently examined by classifying monetary policy transmission channels (real rate channel, nominal debt channel, financial accelerating channel, and banking attenuator channel). A notable part of this analysis is the inclusion of the banking sector in the model specifically with the intent to study transmissions from the financial sector to the real economy. This paper follows this line of inquiry with recent research in mind. Empirical analysis verifies the existence of the banking attenuator effect in Korea, which means banks act to reduce the effect of monetary policies. This indicates that if financial intermediaries strengthen arbitrary adjustment behaviors of lending and deposit rates, the effect of the monetary policy intended to relieve volatility in the business cycle may not be as high as expected.