

# Terry S. Moon

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## Education

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<b>Ph.D. Candidate in Economics</b>	2019 ( <i>expected</i> )
Department of Economics, Princeton University	
<b>M.A. Economics</b> , Princeton University	2015
<b>B.A. Mathematics and Economics</b> ( <i>summa cum laude</i> ), Cornell University	2013

## Research and Teaching Fields of Interest

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Public Economics and Corporate Finance

## References

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Professor Henrik Kleven (Chair)  
Department of Economics  
Princeton University  
(609) 986 6890, [kleven@princeton.edu](mailto:kleven@princeton.edu)

Professor Alex Mas (Co-chair)  
Department of Economics  
Princeton University  
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Professor Jakub Kastl (Co-chair)  
Department of Economics  
Princeton University  
(609) 258 4012, [jkastl@princeton.edu](mailto:jkastl@princeton.edu)

Professor Owen Zidar  
Department of Economics  
Princeton University  
(609) 258 2791, [ozidar@princeton.edu](mailto:ozidar@princeton.edu)

Professor David Schoenherr  
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Princeton University  
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## Job Market Paper

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“Capital Gains Taxes and Real Corporate Investment”

*Best Paper Award at Oxford Centre for Business Taxation Doctoral Conference (2018)*

**Abstract:** This paper assesses the effects of capital gains taxes on investment by exploiting a unique institutional setting in Korea, where the capital gains tax rates vary by firm size. I use a difference-in-differences design that compares the outcomes of firms whose tax rates were reduced, due to an unanticipated reform in 2014, to the outcomes of unaffected firms. I find that firms whose capital gains tax rates dropped from 24 percent to 10 percent experienced an average increase in market value of 16 percent compared to unaffected firms. I estimate that these firms increased investment by 50 log points, with the implied elasticity of 2.8 with respect to the net of tax rate, and increased newly issued equity by 4 cents per dollar of lagged revenue. The effects of the tax cut were larger for firms that appeared more cash-constrained, suggesting that these firms faced a higher marginal cost of investment, and for firms that appeared to have more agency conflicts. Taken together, the findings are consistent with a class of the “traditional-view” models predicting that lower capital gains taxes spur equity-financed investment by increasing the marginal returns on investment.

## Working Papers

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“Political Connections and Resource Allocation in Private Markets: A Social Network Channel”, with David Schoenherr

**Abstract:** In this paper, we assess how politically connected firms benefit from better access to resources in private markets. After the election of a new president in Korea in 2007, we observe that private banks appoint executives from his alumni network following the appointment of members from his alumni network into important positions in the administration. This leads to an increase in social connections to the banking sector for private firms with a CEO from the new president’s alumni network. These firms obtain more credit at a lower rate from private banks that appoint an executive from the same alumni network after the election. Additionally, banks protect connected firms from default through renegotiating existing loans and extending new credit that is used for refinancing existing debt rather than profitable investment. Despite the lower rates and banks’ higher willingness to renegotiate firms’ debt, loans from banks to firms connected through the president’s alumni network are more likely to default after the election. Overall, our findings suggest that the election of a president from their network increases the influence of the alumni network over resource allocation in private markets, which leads to more resources being (mis-)allocated to firms run by fellow alumni.

“Capital Gains Taxation and Investment Dynamics”, with Sungki Hong

**Abstract:** This paper quantifies the long-run effects of reducing capital gains taxes on aggregate investment. We develop a dynamic general equilibrium model with heterogeneous firms, which face discrete capital gains tax rates based on their firm size. We calibrate our model by targeting important micro moments as well as the difference-in-differences estimate of the capital elasticity based on our institutional setting in Korea. We find that the firm-size reform that reduced the capital gains tax rates from 24 percent to 10 percent for the affected firms increased aggregate investment by 1.61 percent in the steady state, with the short-run effects

overstating the effects by 1 percentage points. Additionally, a counterfactual analysis where we set the uniformly low tax rate of 10 percent reveals that aggregate investment rose by 6.89 percent in the long-run. We also find that general equilibrium effects through prices are substantial in our simulation. Taken together, our findings suggest that reducing capital gains tax rates would substantially increase investment in the short-term, and accounting for dynamic and general equilibrium responses is important for understanding the aggregate effects of capital gains taxes.

#### “Access to Local Amenity and Housing Prices”

**Abstract:** This paper assesses the effects of relaxing a restricted access to local schools on housing prices by comparing prices near school district boundaries before and after a school choice reform in Korea. Prior to the reform, students were randomly assigned to high schools within their school districts, where the difference of one and a half standard deviations in average college entrance exam scores was associated with a 10 percent housing premium at the district borders. In 2010, the school choice reform weakened the role of school district boundaries by opening up to 60 percent of seats within a district for outside district competition through application-based lotteries. Using geo-coded data on apartment transactions and a difference-in-discontinuity design, I find that the pre-reform housing price gap decreased by 5 percentage points within four years after the reform. As a placebo test, I find that the housing price gap across district borders with similar average test scores was statistically indistinguishable from zero both before and after the reform. Even though the school choice reform significantly reduced the housing price gap, I find that the test score gap remained similar after the reform. Overall, the findings suggest that alleviating restrictions on access to local schools significantly decreases the housing premium, and the effects are consistent with the channel of altering parents’ perception of expected school quality within their districts.

### Work in Progress

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“Market Power and Investment Stimulus”, with Sungki Hong

### Professional Activities

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#### **Invited Presentations (including scheduled; #co-author)**

2019: London School of Economics; MIT Sloan School of Management; University of British Columbia; University of Warwick; Columbia University; Einaudi Institute for Economics and Finance

2018: Trans-Atlantic Doctoral Conference, *London Business School*; European Conference on Networks, *Barcelona* (#); Federal Reserve Bank of St. Louis (#); USC Marshall PhD Conference in Finance; University of Texas Dallas Jindal (#); Oxford Centre for Business Taxation Doctoral Conference, *Oxford University*; National Tax Association Annual Conference, *New Orleans*; European Winter Meetings of the Econometric Society, *Naples*

2017: Australasian Finance & Banking Conference and PhD Forum, *UNSW Sydney*

#### **Discussions**

“Local Demand, Financial Frictions, and Prices: Evidence from India,” by Gupta (2018), Trans-Atlantic Doctoral Conference

“Governance, Board Inattention, and the Appointment of Overconfident CEOs,” by Banerjee, Dai, Humphery-Jenner, and Nanda (2017), Australasian Finance & Banking Conference

### **Seminar Organizations**

Industrial Organization Doctoral Workshop, *Princeton University*

### **Refereeing**

*American Economic Journal: Applied Economics, Journal of Urban Economics*

## **Awards, Fellowships, and Grants**

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Best Paper Award at Oxford Centre for Business Taxation Doctoral Conference	2018
Princeton Institute for International and Regional Studies (PIIRS)	2018-2019
Dissertation Writing Fellowship	
Clarence J. Hicks Fellowship, Princeton University	2017-2018
Industrial Relations Section Research Travel Grant, Princeton University	2014-2018
Graduate Fellowship, Princeton University	2013-2019
Best Thesis in Industrial Organization Award, Cornell University	2013
Departmental Honors, Cornell University	2013

## **Research Experience**

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Visiting Scholar, Federal Reserve Bank of St. Louis	June 2018
Research Assistant for Professor Bo Honore	Summer 2014
Research Assistant for Professor Tom Vogl	Summer 2014
Research Assistant for Professor Samuel Kleiner	Summer 2013
Research Assistant for Professor Damon Clark	Summer 2013
Research Analyst, Bureau of Economics, Federal Trade Commission	Spring 2010

## **Teaching Experience**

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### **Instructor**

Advanced Statistics (undergraduate-level)	Summer 2017
Instructor for Junior Summer Institute, Princeton University	
Statistics for Public Policy (graduate-level)	Summer 2016
Instructor for Masters of Public Policy, Princeton University	

### **Teaching Assistant**

Advanced Applied Econometrics (graduate-level)	Spring 2016-2018
Teaching Assistant for Professor Tom Vogl, Princeton University	

## **Personal**

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Nationality: South Korea (F-1 Visa)  
Legal (Korean) Name: Seok Min Moon