R. Jay Kahn

Contact information

Stephen M. Ross School of Business
University of Michigan
R-4323
Ann Arbor, MI 48109

(217) 552-5688
rjaykahn@umich.edu
http://j-kahn.com

Research interests

Dynamic corporate finance, macrofinance, investment, structural estimation.

Education

Ross School of Business, University of Michigan, Ann Arbor, MI

Ph.D., Finance, *Expected:* 2019

Simon Business School, University of Rochester, Rochester, NY

M.S.B.A. Applied Economics, 2015

M.S., Finance, Aug 2011, *Beta Gamma Sigma*

Reed College, Portland, OR

B.A., Mathematics and Economics, May 2011

Job market paper

Corporate demand for safe assets and government crowding-in
Presented: Transatlantic doctoral conference, 2018.

This paper quantifies a channel through which government borrowing can increase corporate investment. I present and estimate a general equilibrium model where long-lived corporations make endogenous corporate financing and investment decisions. The government affects these decisions through its issuance of safe debt. In the model, firms use safe assets to retain their earnings and avoid future financing costs. When the corporate sector is limited in its ability to create safe assets by the pledgability of their capital, safe assets are scarce: a liquidity premium emerges, and the return on safe assets falls below the return on the firm in equilibrium. When safe assets are scarce, low interest rates on safe assets mean firms rely more on costly financing, resulting in lower investment. In this setting, in contrast to the common crowding-out story, increasing government borrowing raises the return on safe assets, making safe assets more available to firms and allowing them to better retain earnings in order to invest in the future. This channel is quantitatively important: estimating the model from data on the panel of public firms using structural methods, I find that a 1% increase in government borrowing increases the return on safe assets by 60 basis points and increases aggregate investment by 13 basis points. I explore the equilibrium consequences of a variety of standard corporate financing frictions through the lens of my model, and validate its mechanism empirically by turning to the long time series of corporate cash holding, government borrowing, and spreads of corporate bonds over government bonds.

Publications

1. **R. Jay Kahn and Toni Whited**, "Identification is not causality, and vice versa," *Review of Corporate Finance Studies*, 7 (2018), 1-21.

We distinguish between identification and establishing causality. Identification means forming a unique mapping from features of data to quantities that are of interest to economists. Establishing causality by finding sources of exogenous variation is often considered synonymous with identification, but these two concepts are distinct. Exogenous variation is only sometimes necessary and never sufficient to identify economically interesting parameters. Instead, even for causal questions identification must rest on an underlying economic model. We illustrate these points by analyzing identification in three recent papers and by examining the estimation of a simple dynamic model.

2. **Bazdresch, Santiago, R. Jay Kahn, and Toni Whited**, "Estimating and testing dynamic corporate finance models," *Review of Financial Studies*, 31 (2018), 322-361.

   We assess the finite sample performance of simulation estimators that are used to estimate the parameters of dynamic corporate finance models. We formulate an out-of-sample specification test and propose a new set of statistical benchmarks that can be used to estimate and evaluate these models. These benchmarks are based on model policy functions. Our Monte Carlo simulations show that the estimators are largely unbiased with low root mean squared errors. When computed with an optimal weight matrix, the specification tests associated with the estimators are close to correctly sized. These tests have excellent power to detect misspecification.

3. **R. Jay Kahn and Toni Whited**, "Identification with models and exogenous data variation," *Foundations and Trends in Accounting*, 10 (2016), 361-375.

Other research experience

Dissertation Intern, Federal Reserve Board of Governors	Summer 2018
Research Assistant for Martin Schmalz	2018
Research Assistant for Ron Kaniel	2013

Conference participation

Presenter, *Transatlantic Doctoral Conference*, 2018.
Presenter, *Western Finance Association*, 2013.
Discussant, *Financial Management Association*, 2017.

Awards

Robert G. Rodkey Fellowship, 2015-2018
Macrofinance Society PhD Student Award, 2014
American Finance Association Travel Grant, 2014

Simon Business School
- Doctoral Fellowship, 2012 to 2014
- Dean's List, 2011 to 2012
- Early Leaders Award, 2011 to 2012

Reed College
- Commendation for Academic Excellence, 2010 to 2011
- Alta S. Corbett Grant for Public Policy Research, 2010

Teaching experience

Instructor — Winter 2017
- FIN 317 - Corporate finance
- Ross School of Business
- University of Michigan
- Rating: 4.45/5

Lab Instructor — Summer 2013

STR 401 - Managerial Economics
Instructor: James A. Brickley
Simon Business School
University of Rochester

Teaching Assistant — Summer 2017
Mitsui Center Summer School on Structural Estimation
Instructors: Aubhik Khan, Luke Taylor, Toni Whited

Teaching Assistant — Winter 2016
Fin 885 - Dynamic Models and Structural Estimation in Corporate Finance
Instructor: Toni Whited
Simon Business School
University of Rochester

Service Referee, *Journal of Financial Economics*, *Finance Research Letters*, *Review of Finance*.

Programming C++, Python, R, Matlab, Stata, SQL. Experience with high-performance computing and supercomputing.

References

Toni Whited (chair)
Dale L. Dykema Professor of Business Administration
Stephen M. Ross School of Business
University of Michigan
Ann Arbor, MI 48109
Phone: (734) 764-1269
E-mail: twhited@umich.edu

Martin Schmalz
NBD Bancorp Assistant Professor of Business Administration
Stephen M. Ross School of Business
University of Michigan
Ann Arbor, MI 48109
Phone: (734) 764-0304
E-mail: schmalz@umich.edu

Uday Rajan
David B. Hermelin Professor of Business Administration
Stephen M. Ross School of Business
University of Michigan
Ann Arbor, MI 48109
Phone: (734) 764-2310
E-mail: urajan@umich.edu

Christopher House
Associate Professor of Economics
Department of Economics
University of Michigan
Ann Arbor, MI 48109
Phone: (734) 764-2364
E-mail: chouse@umich.edu