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Personal Information: 11/10/1987, Male, Chinese

Undergraduate and Master Studies:

B.S/B.A., Mathematics/Economics, Renmin University of China, Beijing, China, 2010
M.A., Economics, Hanqing Institute, Renmin University of China, Beijing, 2013

Graduate Studies:

University of Pennsylvania, 2011 to present
Thesis Title: “*Essays on Macroeconomics*”
Expected Completion Date: May 2018

Thesis Committee and References:

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Research Fields:

Fields: Macroeconomics, Bounded Rationality, Money and Banking

Teaching Experience:

Spring, 2014	Statistics for Economists, for Prof. Francis Ditraglia
Fall, 2013	Economics for Business, for Prof. Gizen Saka
Spring, 2013	Introductory Macroeconomics for Prof. Luca Bossi
Fall, 2012	Introductory Macroeconomics for Prof. Luca Bossi

Publications:

“**Housing and Saving with Finance Imperfection**”, with Yanbin Chen and Fangxing Li, *Annals of Economics and Finance* 14, no. 1 (2013): 207-248.

Research Papers:

“Finite Depth of Reasoning and Monetary Policy” (Job Market Paper)

This paper develops a new framework of level-k DSGE for monetary policy analysis. Incomplete markets are introduced to guarantee the eductive stability of the equilibrium. $k=1.265$ is identified using growth and inflation expectations from the Michigan Survey of Consumers, capturing the missing indirect channels and weakened direct channels in households' forecast rules, as well as the wedge between expectations and reality. With more empirical support, the model is applied in four different issues related to monetary policy. First, the real effects of monetary shocks are accumulative when reasoning levels are low and households' planning horizons are short. Second, inflation targeting confuses households with the dynamics of GDP, and hence weakens demand stabilization. Third, in liquidity traps, recovery can be fast, slow or even impossible, depending on how deep the recession is. Fourth, the initial effect of monetary shocks in far future is dampened by level-k, but the cumulative effects across time can be large. When k goes to infinity, the level-k DSGE reduces to a basic New Keynesian model as in Galí (2015).

“Search-Based Sticky Prices” (with José Víctor Ríos Rull, in progress)

We pose a directed search style shopping friction on top of an otherwise standard New Keynesian structure, and nest it as a special case. Firms are not free to increase prices not only because it reduces the quantity demand, but also because it induces more competition on the supply side, and hence reduce the likelihood that a produced good can be sold. When the good market is tighter in aggregate, there is less room for a firm to reduce its own market tightness by posting a lower price, so that all firms have higher desired price markup. As a result, our model can produce procyclical price markup and labor productivity conditional on monetary shocks, which is consistent with our empirical findings in SVAR. In our model, inflation is partly pulled by demand, in contrast to the standard model in which it is completely pushed by cost. Our model performs equally well in other aspects, compared with a medium scale New Keynesian DSGE model, and provide new insights on how demand creates its own supply.

“Rehypothecon and Intermediary Leverage”

This paper provides a theory of endogenous leverage through rehypothecon in collateralized intermediation. Overcollateralization with a rehypothecon option arises as an optimal contract between broker dealers and their clients due to clients' private information on collateral quality. Knowing less about the quality of the collateral, broker dealers are able to repledge the collateral with lower margins to obtain cheap cash flows from intermediating the collateral. The cheap cash flow increases broker dealers' risk-shifting incentive, and induces potential risks of losing the collateral, to the clients with high collateral quality. A compensation for these risks arises to make the high quality clients break even, but becomes an information rent for the lower quality ones. Hence, clients' private information on collateral quality enables the broker dealers with positive net worth to obtain higher leverage through cheap cash flow, but also makes the cheap cash flow more expensive. As a result, the private information on collateral quality first raises broker dealers' leverage, and then reduces it. In the over-the-counter market, this induces too much leverage, and too little leverage, respectively. The results shed light on why rehypothecon flourishes before the 2008 financial crisis, and then collapses in U.S.

Computer Skills:

Matlab, Fortran, Stata

Language Skills:

English (fluent), Chinese (native)