

Fall 2012, 2013 ECO 372/EPS 342, Undergraduate Topics in European Union, Princeton University
Teaching assistant for Prof. Silvia Weyerbrock
Fall 2011 ECO 101, Undergraduate Introductory Macroeconomics, Princeton University
Teaching assistant for Prof. Elizabeth Bogan

Professional Activities

Summer School in Behavioral Finance, Yale School of Management, June 2011

Honors, Scholarships, and Fellowships

2009-2014 Graduate Student Fellowship, Princeton University
2007-2008 C.V. Starr Fellowship, The University of Hong Kong
2007, 2009 Dean's Honor List, Faculty of Business and Economics, The University of Hong Kong
Fall 2008 Dean's Honor List, College of Letters and Science, University of California, Berkeley

Job Market Paper

"Asset Bundling and Information Acquisition of Investors with different Expertise"

Abstract: This paper investigates how a profit-maximizing asset originator can incentivize and coordinate the information acquisition of and interaction among investors with different expertise by means of asset bundling. Bundling is beneficial to the originator when it can discourage investors from learning about idiosyncratic risks and focusses their attention on aggregate risks. But it is optimal to sell aggregate risks separately, to exploit investors' heterogeneous expertise in learning about them and thus lower the risk premium. This analysis rationalizes the common practice of bundling loans by asset classes in securitization, which is at odds with existing theories based on diversification. The analysis also offers an alternative perspective on conglomerate formation (a form of asset bundling) and the relation to empirical evidence in that context is discussed.

Research Paper

"The Middle-Income Trap, Branching Deregulation, and Political Influence" (with Cheng Chen)

Abstract: The last thirty years of the 20th century have witnessed branching deregulation of the U.S. banking industry in most states. One striking feature is that branching deregulation usually happened in those states in recessions. We present a model featuring the tradeoff between social welfare and political contributions faced by the government to justify this finding. When a state is in recession, the banking sector's profit, a part of which is extracted by the government through contribution, shrinks more than the decrease in the profit of non-financial firms. As a result, the government gains less from restricting the entry in the banking industry, and accordingly has a greater incentive to deregulate it to achieve a higher social welfare. We then use Bank Regulatory data from Compustat and micro-level data from Center for Responsive Politics of political contributions from the banking sector to provide evidence to support the basic premise and main results of the paper. We argue that our story for branching deregulation provides a new explanation for the middle income trap. That is, only when the economy achieves a certain level of development, does the government have a large enough incentive to design distorted policies and extract rents from the economy. These distorted policies reduce social welfare and hinder further development of the economy. Empirical evidence presented in Aiyar et al. (2013) strongly supports this argument.

Research Papers in Progress*“Security design with routine auditing”*

In real life, investors usually hire accounting firms to audit the firm they invest in routinely—the effort involved in auditing is set upfront and does not depend on the information reported by the firm. This paper explores the implication of routine auditing in an otherwise standard costly state verification framework of Townsend (1979). The resulting optimal security is shown to be equity instead of debt. This contrasts the majority of existing security design models, and points out report-contingency of auditing as a driving force of their result.

“Multi-agent Dynamic Contracting Problems in Continuous Time” (with Xiuneng Zhu)

Citizenship

People’s Republic of China

Languages

Chinese (native), English (fluent)