

HOWEI WU

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ACADEMIC POSITION

Since 2018/09 Lecturer of Economics, China Europe International Business School
2014-2018/03 Assistant Professor (Tenure track), Institute for Advanced Research, Shanghai University of Finance and Economics
2014-2018/03 Economist, China Macroeconomic Analysis and Forecast Project, Institute for Advanced Research, Shanghai University of Finance and Economics

EDUCATION

2014 Ph.D. in Economics, Stanford University,
DISSERTATION: “*Essays on Monetary Policy with Heterogeneous Beliefs*”
2013 M.A. in Economics, Stanford University,
2006 B.A. in Economics, Tsinghua University (Taiwan)
2006 B.S. in Quantitative Finance, Tsinghua University (Taiwan)

RESEARCH AND TEACHING FIELDS

Primary fields Macroeconomics, Monetary Economics, and Financial Economics
Secondary fields Computational Economics, Cross-Sectional Econometrics (Survey data on forecasts), and Development of China's Economy

COURSES TAUGHT

Since 2018 Chinese Economy, Exchange EMBA, China Europe International Business School
Macroeconomics, MBA, China Europe International Business School
2014-2018 Intermediate Macroeconomics, Shanghai University of Finance and Economics

- Chinese lecture in year 2014, English lecture in the following three years. Teaching evaluation ranked in the top 5% (4.8 out of 5) among the 1300 courses offered in the 2015 fall semester and in the top 1% (4.99 out of 5) among the 1300 courses offered in the 2016 fall semester. Received second place award in SUFE's 2nd school-wide teaching competition in the 2017 fall semester.

WORK AS FORECAST ECONOMIST

2014-2018 Economist, China Macroeconomic Analysis and Forecast Project

- Publish bi-annual policy reports and hold quarterly conferences each year with wide media coverage in China. Forecasts, scenario analyses and policy recommendations are based on a semi-structural China macro model using monthly or quarterly China and global data.

PUBLICATIONS

"Modeling Diverse Expectations In An Aggregated New Keynesian Model", *Journal of Economic Dynamics and Control*, with Mordecai Kurz and Giulia Piccillo, Volume 37, Issue 8, pp. 1403-1433, August 2013

WORKING PAPERS

1. "Monetary Policy With Diverse Private Expectations", with Mordecai Kurz, Maurizio Motolese, and Giulia Piccillo (submitted to *Econometrica*)

Abstract: We study the impact of diverse beliefs on the conduct of monetary policy. Individual belief is modeled by a state variable that defines the laws of motion perceived by an agent. Aggregation renders the belief distribution an aggregate state variable. Although the model has standard technology and cost-push shocks, diverse expectations change materially standard results of a smooth trade-off between inflation and output volatility. Under diverse beliefs inflation and output volatility are non-monotonic in policy parameters: changes of policy rule may induce unexpected market results unleashed by the effect of private expectations on policy outcomes. Higher optimism about the future state of the economy may lower or increase aggregate output and increases inflation. Higher dispersion of individual beliefs lowers inflation.

2. "One Model to Rule Them All: A Simple Open Economy with Credit Channel ", with Giulia Piccillo (November of 2018)

Abstract: By combining Taylor (1993) and Bernanke and Blinder (1988, 1992) we develop a simple two country model with a financial sector. We study this model using three shocks. The first one aims to reproduce the crucial stylized facts of the recent financial crisis. The second studies the spill-over effects of monetary policy shocks on the foreign country. The third shock focusses on the frictions to capital mobility. The results show that in this very simple framework we are able to replicate the stylized facts of the recent financial crisis and shed further light into the contagion channels between the home and foreign economy. While this model should not be seen as once and for all tool to financial shocks, it can in a very intuitive setting provide clear guidelines and interpretation of events which until now have only been integrated into complex models.

3. "Diverse Risk Preferences or Diverse Private Expectations?" (May of 2017)

Abstract: The main question asked in this paper is whether belief heterogeneity can be explained instead by risk preference heterogeneity. This paper studies two parallel models; one follows the conventional workhorse of modern macroeconomics by using the New Keynesian model with diverse risk preference. The other studies heterogeneous beliefs (as developed in Kurz (2012) and Kurz, Piccillo and Wu (2013), but when there are demand shocks in the economy) in the New Keynesian framework. Both models have the unique characteristic of a micro-founded macro model and shed light on how different heterogeneity affect the dynamics of the economy, and most importantly, policy implications. I explore by looking at the volatilities and impulse response functions of the calibrated model for the US economy.

4. "Understanding Monetary Policy Shocks" , with Mordecai Kurz, Maurizio Motolese, and Giulia Piccillo (May of 2018)

Abstract: Policy shocks are usually characterized as deviations of the instrument of policy from the baseline policy rule. Since there is a known policy rule to which the central bank will return after a shock, viewing

policy shocks as policy discretion is not plausible. If a policy maker uses discretion then there is no known fixed policy rule. The shocks must then arise from unusual circumstances when a policy maker deviates from the known rule for reasons that are unrelated to expected, present or past values of observed variables. This explains why these shocks are exogenous and unpredictable except for their own persistence. However, there is no universal baseline policy rule and policy instrument for each country and for all time periods. The main contribution of this paper is the calibration of monetary policy rules for US, EU and China over available time periods and studies how the persistence level of these shocks contribute to economic stability.

5. "The Effect of Beliefs in Forecasting Consumption and Asset Wealth", with Maurizio Motolese (submitted to *Journal of Economic Dynamics and Control*)

Abstract: We reevaluate the importance of the trend deviation term of the consumption-wealth ratio (*cay* variable) established by Lettau and Ludvigson (2001, 2004) and study the role of market beliefs for predicting changes in consumption and asset wealth. The existing literature lacks the theoretical structure for a direct measure of expectations. We use expectations data from the Livingston Survey and Blue Chip Financial Forecast to construct the average market belief by following Kurz (1994, 1997), Kurz and Motolese (2007). Our paper reports two main results. First, we find that the significant forecasting power the *cay* variable Lettau and Ludvigson (2001, 2004) presented is not stable. Over certain time spans, the *cay* variable does exhibit some explanatory power; however, it is not consistent. Second, once we introduce the belief variable into the model, the effect of the *cay* variable dies out, regardless of whatever time interval we're looking at.

6. "Dilemma, Trilemma, or Neither? Evidence From China's Policies" (March of 2018)

Abstract: A key challenge facing most emerging market economies today is how to simultaneously maintain monetary independence, exchange rate stability and financial integration subject to the constraints imposed by the Impossible Trinity. In this paper, I study whether China is bounded by the Trilemma constraint, and if so, how the policy objectives change over time? I use three price-based measures to evaluate financial openness: onshore and offshore foreign exchange forwards, onshore and offshore short-term interest rates, and onshore and offshore share prices. For measurement of exchange rate stability and monetary policy independence, I follow Chinn-Ito (2008).