

# Mi Lu

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## Education

- University of California, Riverside  
PhD in Economics, expected June 2012  
Dissertation: “Essays in Open Economy Macroeconomics”  
Dissertation Committee: Marcelle Chauvet (Chair), Richard Arnott, Aman Ullah
- City University of Hong Kong, Hong Kong (2006-2007)  
Master of Science in Applied Economics **with Distinction**
- Wuhan University, China (2002-2006)  
Bachelor of Science in Mathematics and Economics

## Research Interests

- Macroeconomics and Monetary Economics, International Economics, Computational Economics, Applied Econometrics

## Teaching Interests

- Macroeconomics, International Economics, International Finance, Financial Economics, Econometrics and Statistics

## Completed Papers

- “Credit, Financial Frictions and Business Cycles: an Open DSGE Model of the United States and the Euro Area”, October 2011. (Job Market Paper)
- “The Dynamics of Hong Kong Saving Rate”, March 2011.
- “International Monetary Transmission in a Small Open Economy: an Application to Hong Kong”, December 2010.

## Work in Progress

- “Recent Developments on the DSGEs of Modeling Financial Markets”
- “Forecasting Economic Variables in a Small Open Economy DSGE-BVAR Model”
- “Cyclical Productivity and Cyclical Unemployment in OECD Countries”

## Teaching

- Instructor, University of California, Riverside (Summer 2011)  
Econ 135: The Stock Market
- Teaching Assistant, University of California, Riverside (September 2008 - present)  
Econ 002: Introduction to Macroeconomics  
Econ 003: Introduction to Microeconomics  
Econ 101: Statistics for Economics (Laboratory)  
Econ 103: Intermediate Macroeconomics  
Econ 105A: Intermediate Macroeconomics Theory I  
Econ 105B: Intermediate Macroeconomics Theory II  
Econ 135: The Stock Market  
Econ 130: Introduction to Money, Banking and Credit

## Honors, Awards and Fellowships

- Distinguished Fellowship, Graduate Division, University of California, Riverside, 2007-2012.
- Travel Grant, Economics Department, University of California, Riverside, 2010-2012.
- Travel Grant, Graduate Student Association, University of California, Riverside, 2010-2012.
- Professor Gregory Chow Distinguished Graduate Student Fellowship, City University of Hong Kong, 2006-2007.
- Outstanding Student Fellowship, Wuhan University, 2002-2006.

## Conference and Seminar Presentations

- “Credit, Financial Frictions and Business Cycles: an Open DSGE Model of the United States and the Euro Area”, Economic Theory Seminar, University of California, Riverside, October 2011.
- “International Monetary Transmission in a Small Open Economy: an Application to Hong Kong”, Singapore Economic Review Conference, Singapore, August 2011.
- “International Monetary Transmission in a Small Open Economy: an Application to Hong Kong”, The 19th Annual Symposium of the Society for Nonlinear Dynamics and Econometrics, Washington DC, March 2011.

## Referee

- Journal of Quantitative Economics, Macroeconomic Dynamics

## Skills

- Matlab, Dynare, Stata, R, SAS, Eviews
- LaTeX/Winedt, Scientific Workplace, Microsoft Office

## Language

- Native Chinese (Mandarin and Cantonese)
- English (fluent)

## References

- Professor Marcelle Chauvet (Chair)  
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- Professor Richard Arnott  
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## **Research Summary**

### **“Credit, Financial Frictions and Business Cycles: an Open DSGE Model of the United States and the Euro Area” (Job Market Paper)**

This paper investigates the importance of the banking sector and the financial system in the transmission of shocks within and across the U.S. and the Euro area in a two-country Dynamic Stochastic General Equilibrium (DSGE) model with financial frictions. To the best of my knowledge, my research on two large open economies with bank intermediaries and financial frictions is new to the literature. The model is estimated using Bayesian methods. The results suggest that shocks originating in the banking sector have a substantial role in macroeconomic fluctuations. In addition, the contribution of financial shocks (repayment shocks) to the economic activity when considering open economies with banks is greater than for closed economies with banks. The banking sector acts to dampen the transmission of national demand shocks (i.e. monetary policy shock), and to magnify the propagation of national supply shocks (i.e. technology shock), as well as shocks across the U.S. and the Euro area.

### **“International Monetary Transmission in a Small Open Economy: an Application to Hong Kong”**

This paper proposes a small open economy model to investigate the dynamic effects of shocks from the United States – and from Hong Kong – on the Hong Kong economy. This paper is the first attempt to set up a channel of international monetary transmission in a small open economy under the Linked Exchange Rate System. The model is estimated using Bayesian methods. The results indicate that shocks from the U.S. economy, including monetary policy shocks, only explain a small fraction of Hong Kong economic fluctuations. On the other hand, domestic shocks account for around 90 percent of the variability in Hong Kong output growth, inflation and nominal interest rate in the long run. These findings somewhat invalidate the argument that U.S. shocks can, to some extent, destabilize the Hong Kong economy through the interest rate channel under the Linked Exchange Rate system.

### **“The Dynamics of Hong Kong Saving Rate”**

This paper uses general equilibrium models to study factors affecting agents’ intertemporal decisions in Hong Kong. First, a standard closed economy growth model is applied to this economy. Simulation results indicate that this model is not able to explain the dynamics of Hong Kong saving rate. This paper then proposes a small open economy model with a housing sector for the Hong Kong economy. The simulation results show that the extended version successfully explains agents’ intertemporal decisions. In particular, total factor productivity (TFP) growth rate and population growth rate are the main factors driving the Hong Kong saving rate between 1975 and 1996, whereas these factors and the growing current account balances are the main important drivers of Hong Kong saving rate after the Asian financial crisis. Compared to the closed economy model, the open economy model can explain most of the cyclical behavior of the Hong Kong saving rate. Labor and investment wedges play an important role in improving the explanation power of the open economy model.