

ECONOMICS FOR



A BETTER WORLD

Message from the Department Head



“ I am excited about the role that the Center can play in supporting research opportunities for faculty and students and in increasing the impact of these research findings by engaging different stakeholders in the public, private, and nonprofit sectors. ”

Economics is a powerful discipline that can provide deep insights into issues of great practical importance. This is why it anchors not only the social sciences but also public policy and business studies. The potential of economics to help us understand and address the problems of underdevelopment is what drew me to economics as an undergraduate. In recent years, social impact is increasingly being used as a criterion for assessing the value of research. For example, Hong Kong’s Research Assessment Exercise of 2020 included impact case studies for the first time.

In this year’s newsletter, we highlight the ways in which the Department’s faculty and students are creating a positive impact beyond the walls of the university. Earlier this year the University launched the Center for Economic Policy (CEP) with financial support from the Department. The creation of this center is a major effort to promote policy-relevant economics research and teaching across the University. I am excited about the role that the Center can play in supporting research opportunities for faculty and students and in increasing the impact of these research findings by engaging different stakeholders in the public, private, and nonprofit sectors. To learn more about the Center’s research and activities, check out its recently launched website at <https://cep.hkust.edu.hk>, and follow its Facebook and LinkedIn pages!

Earlier this year, our students organized the first-ever Hong Kong Economic Policy Challenge, with the support of the Center and Department. One hundred forty student teams submitted proposals for reforming Hong Kong’s housing policies; six finalists presented their ideas to a distinguished panel of judges. I think you will enjoy reading the winners’ accounts of their experiences.

Some ECON faculty are directly shaping policy by serving on influential commissions or panels. Siu Fai Leung was recently appointed by the HKSAR government to the Communications Authority; Emeritus Professor Francis Liu was appointed to Hong Kong’s Public Service Commission; Sujata Visaria was appointed to the Standing Panel on Impact Assessment for CGIAR (Consortium of International Agricultural Research Centers); and Byoungchan Lee served as a Council Fellow of the World Economic Forum’s Global Future Council on the New Agenda for Fiscal and Monetary Policy.

Finally, I myself will be going on leave from the Department starting this December to serve for three years as Chief Economist of the Asian Development Bank. In this role, I will lead ADB’s efforts to produce evidence-based research to support the Bank’s mission to reduce poverty and promote inclusive and sustainable development.

Faculty Comings and Goings

The department is very happy to welcome six new faculty members in 2021.



Marc Carreras
Assistant Professor
Ph.D. University of California, Berkeley
Fields: Macroeconomics, Monetary Policy, Banking, Financial Networks, Economic History



Zhigang Ge
Affiliate Assistant Professor
Ph.D. University of Wisconsin-Madison
Fields: Macroeconomics, Public Finance, Inequality, Entrepreneurship, Industrial Organization



Dominic Pegler
Adjunct Associate Professor
MSc (Economics) London School of Economics, MSc (Mathematics) Queen Mary University of London
Previous Position: Managing Director, BlackRock, Inc.
Fields: Macroeconomics, Finance

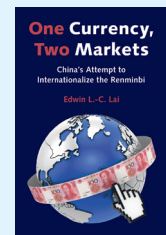
How Can China Internationalize the Renminbi?



Edwin Lai published a monograph titled *One Currency, Two Markets: China's Attempt to Internationalize the Renminbi* with Cambridge University Press. The book provides an authoritative account of the factors influencing internationalization of the renminbi and is expected to receive a great deal of attention from policymakers and practitioners, as well as from scholars. Reviewing the book, Barry Eichengreen of UC-Berkeley wrote, "This is far and away the most comprehensive and up-to-date analysis of renminbi internationalization".

In his book, Lai carries out a rigorous quantitative assessment of the prospects of the renminbi (RMB) to become a significant payment currency around the world. This approach is in contrast to the previous literature, which has only qualitatively assessed the prospects of RMB internationalization. Making use of a proprietary data set from SWIFT, he conducts an econometric study (using the "gravity model") to estimate the determinants of a currency's share in total international payments, and uses it to predict the future payment share of the RMB, an indicator of the degree of internationalization of the currency. Lai finds that financial development and capital account openness are much more important than the GDP of China in determining the payment share of its currency. His model predicts that it is possible that, by 2030, the RMB can rank a distant third (behind the USD and the euro) in the global ranking of payment currencies, but this is possible only if China greatly speeds up its financial development and capital account opening in the next decade. Specifically, he estimates that the RMB's payment share can reach 6% to 7% by 2030 (it is about 1.5% to 2.0% today, compared with about 55% for the USD and about 20% for the euro¹) if those conditions are met. His quantitative assessment makes the point that China's economic size alone cannot make the RMB an international currency, a conclusion which has important policy implications.

The printed version of the book was released in the UK and other parts of the world in summer 2021. The Kindle ebook is also available at Amazon.com.



¹ Intra-eurozone payments and payments to/from global market infrastructure are excluded.



Rui Tang
Assistant Professor
Ph.D. Princeton University

Fields: Decision Theory, Economic Theory, Microeconomics, Behavioral Economics, Health Economics



Kelvin Yuen
Affiliate Assistant Professor
Ph.D. Washington University in St. Louis

Fields: Macroeconomics, Labor Economics, Entrepreneurship



Xu Zhang
Affiliate Assistant Professor
Ph.D. Brown University

Fields: Microeconomic Theory, Behavioral Economics, Experimental Economics

Two faculty members also departed in the past year — Guojun He (to University of Hong Kong), and Pengfei Wang (to Peking University HSBC Business School). We wish them well in their new positions.

Center for Economic Policy Launched



The Center for Economic Policy (CEP) was officially launched in March 2021. Directed by **Albert Park**, the Center aims to improve the effectiveness of economic policies and programs by providing high-quality research insights. CEP is currently running two research programs:

The Antitrust and Competition Policy Program, led by **Siu Fai Leung**, studies interactions of business strategies and market competition, as well as the impact of laws and regulations on competition, business strategies, and the general economy.

The Development Economics Action Research (DEAR) Program, led by **Sujata Visaria**, focuses on rigorous evaluation of policy interventions in developing countries.

Other focal areas of the Center include COVID-19, globalization, future of work, macro policy and the China economy.

CEP now has 27 research affiliates from across different departments, including the Department of Economics, the Department of Finance, the Division of Social Science and the Department of Information Systems, Business Statistics and Operation Management. The Center responds to current issues by producing actionable research and making policy recommendations. Their ideas are shared with scholars through academic workshops and working papers. In June 2021, the Center hosted the 2021 HKUST Workshop on Industrial Organization. Ten distinguished scholars of industrial organization visited the HKUST campus to present and discuss their recent research. In addition, the CEP has established a working paper series to disseminate ongoing research by the Center’s research affiliates.

During the past academic year, the Center hosted a number of events, bringing researchers, practitioners and government officials together to better understand and share knowledge on various current issues. CEP hosted three panel discussions. “Challenges Facing Competition Policy in Hong Kong and Asia” discussed the



2021 HKUST Workshop on Industrial Organization in June

challenges of implementing the Competition Ordinance in Hong Kong and regulating digital platforms in Japan, and the role that economic analysis plays in evaluating whether business practices violate antitrust regulations. “Opening Schools in Hong Kong in the Time of COVID” explored the rationale for bringing students back into school from social, medical and economic perspectives. “Financial and Social Well-being of Migrant Domestic Workers in Hong Kong” looked at the financial and social stress faced by migrant domestic workers in Hong Kong and the factors causing it, and described the support offered by the Philippines government to help relieve their situation.

The Center hosted the HCEO-CEP-CREC Virtual Summer School on Socioeconomic Inequality 2021 from 9 to 13 August for Ph.D. students in economics and other social sciences. The summer school was co-organized with the Human Capital and Economic Opportunity Global Working Group (HCEO) of the University of Chicago and the HKUST-NES-SKOLKOVO China-Russia Eurasian Studies Center (CREC). **Albert Park**, CEP Director and **Shlomo Weber**, Director of CREC, President of the New



Panel discussion on “Opening Schools in Hong Kong in the Time of COVID” in April

Economic School, served as instructors along with renowned scholars from the University of Chicago, Stanford University, University of Wisconsin-Madison, and Cornell University. A total of 58 students from institutions in Mainland China, Hong Kong, Japan, Korea, the USA, Australia, India, Singapore, the UK, Sweden, and the Netherlands participated in the event. On the last day of the summer school, students presented their papers and exchanged ideas with scholars.




Panel discussion on “Financial and Social Well-being of Migrant Domestic Workers in Hong Kong” in July

Project Title	Principal Investigator(s)
Collusion and Innovation	Alminas Žaldokas
Agency Model versus Wholesale Model: Platforms’ Choice and Antitrust Issues	Yangguang Huang
A Structural Analysis of Resale Price Maintenance in the Japanese Publishing Industry	Kohei Kawaguchi
Developing a Digital Financial Planning Tool to Empower Migrant Domestic Workers in Hong Kong	Hyuncheol Bryant Kim
Environmental Blessing or Curse: Emission Effects of the Belt and Road Energy Infrastructure projects in Africa	<ul style="list-style-type: none"> Jin Wang Yatang Lin

The Center has set up the CEP Small Research Grants Program to support policy-relevant research on the two research programs. In 2021, five projects are being supported by the Small Research Grants Program. Abstracts of the funded projects are highlighted on the Center’s website.

CEP will continue to organize a wide variety of events as well as develop more research programs in the future. For example, the Center is planning to have lunchtime brown-bag seminars every month for DEAR research affiliates to discuss issues regarding development economics. For the latest updates on CEP, please visit its website, LinkedIn page, Facebook page and YouTube channel.

-  CEP website: <https://cep.hkust.edu.hk/>
-  CEP Facebook page: <https://www.facebook.com/hkustcep>
-  CEP LinkedIn page: <https://www.linkedin.com/company/hkust-center-for-economic-policy>
-  CEP YouTube channel: <https://www.youtube.com/channel/UCU031Rb2w06dNzQ4iDYBD5g>

The Hong Kong Economic Policy Challenge (HKEPC)



The Hong Kong Economic Policy Challenge, a student-initiated competition organized in partnership with the HKUST Economics Department, invited teams from Hong Kong’s universities to submit innovative policy solutions to one of Hong Kong’s most pressing economic issues: the shortage of affordable housing. From among 140 submissions, six teams were selected to compete in the Grand Finale on 6 February 2021. Judges from HKUST, HKU, James Law Cyberecture, and Ernst & Young chose as the winners three teams that demonstrated exceptional understanding of the underlying issues, and made bold, yet practical, recommendations. The winning team proposed using modular buildings (container houses) on idle land and on water to create transitional housing. The first runner-up suggested incentivizing landowners to pool empty sites; monetary compensation, tax rebates, and investment vehicles for relocated business owners; and benefits and retraining for workers. The proposal of the second runner-up included an online-matching platform for owners and tenants; rethinking industrial building revitalization, and a significant foreign buyers’ tax.

Winning Team

Team members:	Long Kit Daniel Chiu (HKUST)
	Edwin Chan (CUHK)
	Wing Lam Tai (CUHK)
	Wai Lam Leung (CUHK)

1st Runner-up

Team members:	Hsin Huai Li (HKUST)
	Kaustubh Kaushal (HKUST)
	Srijan Saxena (HKUST)
	Swapnil Mishra (HKUST)

2nd Runner-up

Team members:	Wai Yiu Wanda Tsang (HKU)
	Yiu Tung Lun (HKU)
	Hoi Yan Cheng (HKU)
	Yuen Ting Chiu (HKU)



HKEPC official website
<https://www.hkepc.ust.hk/>



Watch the HKEPC Grand Finale and read the Finalist Summaries at
<http://www.bm.ust.hk/econ/about-department/highlights/272>

Interview with Thomas Biek, Co-founder and President of Hong Kong Economic Policy Challenge

Can you share what drove you to organize a case competition instead of joining one?

I was mainly driven to start my own case competition due to a distinct lack of economics-based challenges to participate in. Here in Hong Kong, it’s incredibly common to see technology or finance competitions, but very rarely do we see one dedicated to solving the unique economic issues Hong Kong faces. This, combined with my exchange experience, motivated me to organize the Hong Kong Economic Policy Challenge to give students the opportunity to engage and address the difficulties facing Hong Kong’s economy.

What are the reasons for picking housing as the topic of this competition?

One of the most well-known issues plaguing Hong Kong is the high cost of housing. Many Hong Kongers cannot afford to purchase their own residence; some even have to rent cage homes for shelter. Additionally, given the multiple economic factors acting on the housing market, there exist many creative solutions to overcome the problem. Thus, we decided to make this the target of our competition.

Interview with the winning team

What do you think made the difference and qualified your team as the winning team?

Having competed against talented teams, we are honoured to win this competition and we believe our teamwork contributed a lot to this achievement. Given the limited preparation period, our team spent a large portion of time on generation of ideas and discussion of details. With frequent communication, we integrated our thoughts into a bold and comprehensive proposal. We also prepared for the presentation and Q&A session in detail. Our team spirit is one of our keys to success.

Besides, our open mindset and innovative spirit also made a difference. Before deciding our approach, we thoroughly discussed different potential solutions, including those adopted by foreign countries. After analysis, we recommended a bold solution, which is to build some floating transitional housing by utilizing containers. Our innovative idea and sophisticated research helped us stand out from other participants and led us to the championship.

Interview with the 1st runner-up team

How would you describe your experience in the case competitions?

If we had to summarise the entire experience in one word, it would be 'rewarding'. The structure of the competition and the topic was such that it required in-depth research, analysis and a fair bit of creativity to stand out. This allowed us to stretch the boundaries of our imaginations to come up with a solution that offers a win-win situation for all the stakeholders involved in it. From ideation to brainstorming and finally to putting all our ideas together and presenting them in a concise manner was in itself a rewarding experience and we definitely came out of it more learned and knowledgeable.

Faculty Shaping Policy



Albert Park has been appointed the **Chief Economist** and Director General, Economic Research and Regional Cooperation Department (ERCD), of the **Asian Development Bank (ADB)**. He will be the chief spokesperson for the ADB on economic and development trends, as well as lead the ERCD, which conducts rigorous

evidence-based research, publishes ADB's flagship knowledge products, and advises member governments. Established in 1966, the ADB supports projects in developing member countries that create economic and development impact, delivered through both public and private sector operations, advisory services, and knowledge support.



Francis T Lui, Professor Emeritus, has been appointed by the HKSAR Government to be a member of the **Public Service Commission**, effective from 1 June 2021. Established in 1950, the Public Service Commission is the principal statutory advisory body to the Chief Executive on civil service appointments, promotions,

and discipline. The Commission also acts as a think tank to advise the Civil Service Bureau on appointments, promotions, and human resource management issues. The Commission's aims are to ensure that the most deserving candidates are chosen for appointments and promotions, and that disciplinary punishment is consistent throughout the civil service.



Siu Fai Leung has been appointed by the HKSAR Government to be a member of the **Communications Authority**. The two-year appointment commenced on 1 April 2021. Established on 1 April 2012 under the Communications Authority Ordinance (Cap. 616), the Communications Authority is an independent statutory

body that shares concurrent jurisdiction with the Competition Commission in enforcing the Competition Ordinance (Cap. 619) in the telecommunications and broadcasting sectors. The functions of the Authority include handling the licensing, financial monitoring and regulation of telecommunications and broadcasting licensees in Hong Kong, and making recommendations on applications for renewal of domestic TV and sound broadcasting licenses.



Sujata Visaria has been appointed to the **Standing Panel on Impact Assessment (SPIA)** at the international research partnership, CGIAR (formerly known as the Consultative Group on International Agricultural Research). SPIA is a panel of six experts in impact assessment, tasked with providing rigorous,

evidence-based and independent strategic advice to the CGIAR system. This includes efficient and effective impact assessment methods and practices and innovative ways to improve knowledge and capacity on how research contributes to development outcomes.



A study by **Kohei Kawaguchi** and his co-authors investigated the effects of anti-contagion and economic policies on small business in Japan by conducting a survey on small business managers' expectations about the pandemic, policies, and firm performance. Its findings were presented in a morning

conference call at the Cabinet Office of Japan to **advise Mr. Yasutoshi Nishimura, Minister of State for Economic and Fiscal Policy**, on the business environment in light of the COVID-19 shocks in Japan. Among other duties, Mr. Nishimura is in charge of Japan's coronavirus response. In particular, Kawaguchi stressed the importance of real-time data analysis and urged the government to establish an organization that can systematically collect, monitor, and analyze data to support evidence-based policy making.



Byoungchan Lee recently served as a Fellow of the **Global Future Council on the New Agenda for Fiscal and Monetary Policy, World Economic Forum, 2020-2021**. The council's discussion is summarized in a white paper, *Building Back Broader*, which may be read at <https://www.weforum.org/whitepapers/building-back-broader-policy-pathways-for-an-economic-transformation>.



Songnian Chen Named RGC Senior Research Fellow 2021-22

Songnian Chen has been named a RGC (Research Grants Council) Senior Research Fellow for the 2021/22 academic year. This extremely prestigious honor aims to provide sustained support and relief from teaching and administrative duties to exceptionally outstanding full professors at UGC-funded universities in Hong Kong, with a view to facilitating their full dedication to research and development and helping universities attract and retain research talent.

It is awarded to only 10 professors in Hong Kong each year and provides HK\$7.8 million to support intensive research for a five-year period. Professor Chen's project is "Quantile Regression Subject to Sample Selection with Continuous and Binary Outcomes".

General Research Fund 20/21

Project Title	Principal Investigator
Understanding Individualism and Collectivism: Theory, Application, and Empirics	Tao Zhu

Early Career Scheme 20/21

Project Title	Principal Investigator
A Simple Inferential Method under Independence with an Application on Consumer Demand	Junlong Feng
An Empirical Investigation of Redistribution Effects of Monetary Policies	Byoungchan Lee
What Jobs Persistently Hire Remote Workers after the COVID-19 Pandemic? Evidence from Chinese Online Job Vacancy Postings	Xuan Li

Academic Achievement Medals 2020

BSc in Economics and Finance

Leyao Cao
Xueying Wu

BSc in Mathematics and Economics

Ke-cheng Hsu
Xiaoyan Zhuang

Ph.D. Placements

Run Li – Southern University of Science and Technology
Zhongchao Yang – Wuhan University
Yue Zhou – Hunan University

Academic Workshops

- The department hosted the 4th HKUST/Jinan Joint Macro Workshop online from 12 to 13 August 2021. Eight distinguished scholars presented their research at this year's workshop.
- The department co-hosted the 1st Hong Kong Empirical Microeconomics Workshop in June. This was a two-day event. The first day was held at HKU on 11 June, while the second day was held at HKUST on 25 June.
- In June 2021, the Center for Economic Policy hosted the 2021 HKUST Workshop on Industrial Organization. Ten distinguished scholars of industrial organization visited the HKUST campus to present and discuss their recent research.