

Research Statement

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My current research interests are primarily in the area of macroeconomics, pension, saving, international finance, and the Chinese economy. My economic background has triggered my strong research interests in what determines high savings and sizeable current account surplus in China. I have always been keen on exploring the real impact of the interaction between early retirement age and the change of pension incomes brought by the pension reform in China. During my time in the Ph.D. program at the University of Connecticut, I have been fortunate to work with my advisor Prof. Francis Ahking through whom I have been exposed to research that straddles different streams of literature, macroeconomics, international finance, microeconomics, and econometrics. I am also fortunate to have the opportunity to have Prof. Kai Jackie Zhao and Prof. Kanda Naknoi who are experts in pension, savings, and international capital flows, as my committee members. Below I will discuss my job market paper, several working papers, and my future research plan.

My dissertation is titled **“Essays on Demographic Structure, Pension, Saving, and International Capital Flow”**. It consists of three chapters, and studies the relationship between demographic structure, the pension system, savings, and international capital flows in China and for developing countries.

Job market paper: “Early Retirement, Pension System and the High Saving Rate in China”

Since the reform and opening policy, China has maintained remarkable high national saving rates for over 35 years. Especially from 2000 to 2008, the national saving rate in China rose by an unprecedented 40% percentage. This paper studies the role of early retirement and the pension system as drivers of China’s persistent high savings. The model in this paper is a heterogeneous agent life-cycle model. The model incorporates China’s empirical fact of early retirement and features of the mixed-pension system with both Pay-As-You-Go and Fully Funded. The findings suggest that, qualitatively, the model

is capable of generating changes in the national saving rate in China with the dominant positive early retirement effect over the negative wealth substitution effect which leads to an increase in China's savings. Quantitatively, the model can explain approximately 44% of the increase in the saving rate between 1995 and 2015.

The second chapter: “Pension System, early retirement and capital outflows in China”

This paper extends the first chapter of my dissertation to an open economy model to explore the reason for sizeable current account surplus in China. While the first chapter focuses on savings, which is the right-hand side of the current account equation $NX = S - I$, the second chapter concentrates on the current account, which is the left-hand side of the current account equation. Based on the results of the role of the pension system and early retirement in China's persistent high savings in the first chapter, the model in this paper introduces the agent who owns firms, loans, and the financial friction to capture the investment. The high saving rates due to the early retirement and the low domestic investment result in a large current account surplus in China.

The third chapter: “Demographic feature and capital outflows in developing countries”

This is an empirical paper. From the perspective of demographic structure, this paper uses the annual panel data of 102 developing countries from 1995 to 2013 and system GMM to investigate the empirical relationship between demographic structure and current account surplus. The main findings are that the proportion of the younger population has a significantly positive effect on the current account or international capital flows. However, the old population does not show a significant relationship with the current account.

In the years to come, I plan to continue pursuing research on saving rates and current account surplus in developing countries, with a particular focus on the pension system as the motivation of savings and a non-financial-market factor as the motivation of investment. I would also like to identify the impact of the universal two-child policy on China's economy. By incorporating Chinese traditional culture-parents' altruism for children, I want to see whether the universal two-child policy will increase the saving

and human capital under current child-bearing willingness. In addition, I would like to investigate the difference in the expenditure of raising boys and girls which originates from the traditional thought "Poor Boys, Rich Girls" in China. This can be a potential unexplored saving motive for China's household, given the difference in preparing for the education and life expenditure of children as the children grow up and the unbalanced sex ratio in China.