Yu Xiao

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Education

Rutgers University **New Brunswick, US**
Ph.D. candidate in Economics expected graduation May 2022

Vanderbilt University **Nashville, US**
M.A. in Economics May 2016

China University of Political Science and Law **Beijing, China**
B.A. in Economics; dual major in Law June 2014

Dissertation Committee and References

Todd Keister (chair)
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Department of Economics
Rutgers University
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Department of Economics
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Research Interests

Macroeconomics, Money and Banking, Financial Stability

Teaching Experience

Rutgers University
Instructor, Intermediate Macroeconomics (Spring 2020)
Instructor, Introduction to Macroeconomics (Summer 2019)

Conference & Seminars

Macroeconomic Seminar, Rutgers University, 2021
Quantitative China Studies Seminar, New York University, 2021
Macro Finance Research, the University of Chicago, 2020
Beijing Normal University, 2018

Working Papers

Privacy, Payments and Financial Stability **(Job Market Paper)**

I study how lenders' access to the information contained in borrowers' payments data affects financial stability and welfare. When lenders can infer more about borrower quality, they are able to discontinue investment projects with low pledgeable returns. Doing so harms borrowers whose projects have high non-pledgeable returns. By offering privacy, a central bank digital currency (CBDC) would facilitate risk-sharing between borrowers and lenders. At the same time, however, a private means of payment like

CBDC will affect equilibrium interest rates and banks' portfolio choices. I show that privacy leads banks to hold more liquid asset portfolios and thereby increases financial stability. In equilibrium, borrowers with non-pledgeable returns benefit from privacy in payments but depositors are worse off. The central bank can offset some of these effects by providing payments information back to lenders.
(Presented at Macroeconomic Seminar, Rutgers University, 2021)

Competition, Bailouts and Financial Fragility **(Under Review)**

I study the relationship between competition in the banking sector and financial stability by introducing the spatial competition into a bank run model with limited commitment. I identify a new channel through which more intense competition leads to a more fragile banking system. A more competitive banking system will be larger in the sense that more total liabilities are issued to depositors. In the event of a run, a government with limited resources will then choose bailout amounts that are smaller as a fraction of banks' liabilities. Depositors anticipate these smaller bailouts and, therefore, have a stronger incentive to run on their bank. In other words, increased competition can make the banking system "too big to save".

Government Guarantees and Shadow Banking

This paper investigates the role of government guarantees in credit lending. Government guarantees can turn information sensitive assets into insensitive ones and change depositors' investment incentives. When investment verification costs and risk are high, government guarantees have a positive role by generating more risk sharing and helping borrowers obtain funding when private banking arrangements alone cannot achieve efficient outcomes.
(Presented at Beijing Normal University, 2018)

Marketization Reform, Banking and Perception of Guarantees *(with Bin Huang)*

We investigate the role of households' perception of government guarantee, which serves as both the outcome and determinant of China's marketization reforms. We find the historical State-owned Enterprise (SOE) Reform led to a decrease in households' belief in government guarantees. Then we identified the existence of households' guarantee perception in the banking system, relying on the recent banking reform. There is a significant yield discrepancy between the state and non-state banks' financial products. Households' perception of implicit government guarantees serves as a critical channel that links the reforms: In prefectures that experienced more severe SOE Reform shock, households with lower beliefs are less likely to hold guarantee perception and the discrepancy is smaller.
(Presented at Quantitative China Studies Seminar, New York University, 2021)

Other Work in Progress

Shadow Banking, Competition and the Banking Reform: Evidence from Wealth Management Product Market (with Jidong Yang and Bin Huang)

Honors & Awards

Teaching Assistantship, Rutgers University, 2017-21

Graduate Program of Economic Development Medal, Vanderbilt University, 2016

Academic Excellence Scholarships, China University of Political Science and Law, 2014

Software Skills

MATLAB, R, Stata, Latex, Python (basic)