

# Ji Huang

Placement Director: Stephen Redding  
Graduate Administrator: Laura Hedden

[reddings@princeton.edu](mailto:reddings@princeton.edu)  
[lhedden@princeton.edu](mailto:lhedden@princeton.edu)

+1(609)258-4016  
+1(609)258-4006

## Contact Information

Department of Economics, Princeton University  
001 Fisher Hall, Princeton, NJ 08544  
Email: [jihuang@princeton.edu](mailto:jihuang@princeton.edu)  
Phone: +1(609)865-7556  
Webpage: <http://www.princeton.edu/~jihuang>

## Doctoral Studies

Princeton University  
Ph.D. in Economics, expected June 2015

### References

Professor Markus Brunnermeier(co-adviser)  
Department of Economics  
Princeton University  
26 Prospect Avenue, Princeton, NJ 08544  
[markus@princeton.edu](mailto:markus@princeton.edu)

Professor Yuliy Sannikov(co-adviser)  
Department of Economics  
Princeton University  
208 Fisher Hall, Princeton, NJ 08544  
[sannikov@gmail.com](mailto:sannikov@gmail.com)

Professor Mark Aguiar  
Department of Economics  
Princeton University  
110 Fisher Hall, Princeton, NJ 08544  
[maguiar@princeton.edu](mailto:maguiar@princeton.edu)

## Prior Education

M.A. Economics, Nankai University, China, 2009  
B.A. Management, Southwestern University of Finance and Economics, China, 2006

## Teaching and Research Fields

Primary Fields	Financial Economics, Asset Pricing, Banking, Corporate Finance
Secondary Fields	Macroeconomics

## Job Market Paper

*"Banking and Shadow Banking"*

Does stringent financial regulation always secure financial stability? No, not when shadow banking plays a role. This paper incorporates shadow banking modeled as off-balance-sheet financing in a standard continuous-time macro-finance model. In this model, regular banks pursue regulatory arbitrage by extending their businesses outside the regulatory perimeter via shadow banking. The absence of regulatory authorities in the shadow banking sector creates an enforcement problem. We show that the enforcement problem gives rise to an endogenous constraint on leverage for shadow banking. Shadow banking adds to financial instability because tightening market discipline in economic downturns forces shadow banks to sell assets at fire-sale prices to regular banks. Overall, financial instability as a function of financial regulation is U-shaped rather than monotonically decreasing as conventional wisdom predicts. This paper proposes a framework that can comprehensively evaluate the impact of different regulatory regimes on both the regulated and unregulated banking sectors.

## Working Papers

### *“Systemic Run on Shadow Banks: The Minsky Moment ”*

In this paper, we modernize Minsky’s “Financial Instability Hypothesis” within a continuous-time macro-finance model in which the financial market consists of both regular banking and shadow banking. Specifically, we model shadow banking as off-balance-sheet financing. A friction exists with off-balance-sheet financing, inasmuch as banks can strategically default on securities generated via off-balance-sheet financing. This friction constrains the borrowing capacity of shadow banking, although shadow banking provides cheaper credit than regular banking does. We show that the decline of asset volatility in economic upturns speeds up the growth of shadow banking. The overheated expansion of shadow banking exposes the economy to the risk of a self-fulfilling systemic run; in turn, this risk then may lead to the sudden collapse of the shadow banking system (i.e., the Minsky moment in this model). We show that this systemic risk arises because individual banks fail to internalize the impact of their leverage choices and, in so doing, expose the entire economy to the systemic risk.

This model provides a framework that could quantify the likelihood of a systemic run in a dynamic setting. Our results show that the chance of a systemic run on the US shadow banking sector occurring in the subsequent year increased from 0 percent in 2003 to 25 percent in 2007.

### *“A Tale of Two Items Sent Off-Balance Sheet: Securitization and C&I Loan Commitment”*

There are two competing explanations for the liquidity problem that US banks suffered in the 2007-09 financial crisis: the malfunction of the securitization market and the loan commitment drawdowns. However, the two explanations are inseparable. Based on the bank-level panel data, we find that US banks issue more Commercial and Industrial (C&I) loan commitments when they perceive more loan securitization potential. A critical missing variable problem results when only one of the two is applied as an explanatory variable. We find that the exposure to C&I loan commitment takedown is the dominant influence that explains US banks’ liquidity problem in the initial twelve-month period from July 2007 to June 2008. For the latter twelve-month period from July 2008 to June 2009, the freeze of the securitization market is the dominant influence. The detailed panel data allows us to observe that the two explanations are complementary and inseparable across the full two years of crisis.

## Honors and Fellowships

2009 - 2014	Graduate Fellowship and Summer Fellowship, Princeton University
2013 - 2015	Macro Financial Modeling Dissertation Fellowship, <a href="#">Macro Financial Modeling Group</a>
2014	Dean’s Fund for Scholarly Travel, Princeton University

<b>Computer Skills</b>	MATLAB, Stata, and L <sup>A</sup> T <sub>E</sub> X
------------------------	--

## Teaching Experience

Fall 2011, Fall 2012	Econ 310, Undergraduate Microeconomic Theory, Princeton University
Spring 2012, Spring 2013	Econ 363, Undergraduate Corporate Finance, Princeton University
Fall 2012	Econ 525, half semester, Graduate Asset Pricing, Princeton University
Spring 2013	Econ 527, half semester, Graduate Financial Modeling, Princeton University
Spring 2014	Econ 101, Undergraduate Introduction to Macroeconomics, Princeton University
Fall 2014	Econ 100, Undergraduate Introduction to Macroeconomics, Princeton University