Liang Fu

Last updated: October 2021

Hudson Building, Room 103
1400 Washington Avenue
Albany, NY 12222

lfu@albany.edu
+1 (518)912-9346
https://liang-fu-econ.github.io/website/

Education

Ph.D. Economics, **University at Albany, SUNY**

Expected Completion: May 2022

Dissertation: Three essays in monetary economics

M.A. Economics, **Central University of Finance and Economics** 2014

B.S. Management, **Qingdao University** 2011

Research and Teaching Fields

Primary fields: Monetary Economics, International Economics

Secondary fields: Chinese Economy

Research Papers

"Monetary Policy Surprises and Interest Rates under China's Evolving Monetary Policy Framework" (with Chun-Yu Ho) August 2021, Revision Requested by *Emerging Markets Review*.

"Political Stability and Credibility of Currency Boards" (with Shu Feng, Chun-Yu Ho and Wai-Yip Alex Ho) August 2021, Revision Requested by *Journal of International Money and Finance*.

"Real Exchange Rate and Innovation: Firm-Level Evidence from China" (with Chun-Yu Ho and Xiaoli Zhang) June 2021.

Research Papers in Progress

"The Impact of China's Monetary Policy on Exchange Rates: Evidence from High-Frequency Data"

"Time-Varying Effects of China's Monetary Policy" (with Cheng Yang)

Teaching Experience

Instructor, University at Albany, SNUY 08/2018 - current

Economic Statistics (Undergraduate): Fall 2021

Money and Banking (Undergraduate): Summer 2018, Fall 2018, Fall 2019, Spring 2020

Intermediate Macroeconomics (Undergraduate): Spring 2019, Fall 2020, Spring 2021

Teaching Assistant, University at Albany, SUNY 09/2014 - 05/2016

Microeconomics II (PhD): Spring 2016

Public Microeconomics (Undergraduate): Spring 2016

Applied Econometrics (Undergraduate): Fall 2015

Economics of Labor (Undergraduate): Fall 2014, Spring 2015

Teaching Assistant, Central University of Finance and Economics 02/2012 - 01/2013

Production and Consumption Theory (Undergraduate): Fall 2012

Intermediate Microeconomics (Undergraduate): Spring 2012

Research Experience and Other Employments

Research Assistant, New York State Division of the Budget 05/2016 - 08/2018

Scholarships, Honors, and Awards

Helen Horowitz Excellence in Teaching Award, University at Albany, SUNY 2019
Distinction in Preliminary Examinations, University at Albany, SUNY 2015
Graduate Assistantship, University at Albany, SUNY 2014-2018
First Class Scholarship, Qingdao University 2008, 2009
Outstanding Student Award, Qingdao University 2008, 2009

Skills

Computer: R, Stata, MATLAB, SAS, LaTeX
Language: Chinese Mandarin (Native), English (Fluent)

Personal Information

Date of Birth: July 7, 1989
Gender: Male
Citizenship: China

Abstracts of Research Papers

"Monetary Policy Surprises and Interest Rates under China's Evolving Monetary Policy Framework" (with Chun-Yu Ho) August 2021, Revision Requested by *Emerging Markets Review*.

Abstract: The monetary policy framework in China has evolved considerably in the past two decades, increasingly moving from using quantity-based instruments and targets to using price-based ones. The monetary policy in China traditionally focused on quantity-based targets such as growth rates of monetary and credit aggregates (for example, M2 and the total amount of commercial bank lending). Since 2013, the central bank in China has introduced a range of lending facilities to develop an interest rate corridor, shifting the focus toward price-based targets such as short-term market interest rates.

This paper assesses the effectiveness of monetary policy in China by examining the influence of monetary policy on market interest rates using an event-study approach. We find that the effectiveness of price-based instruments in impacting market interest rates is increasing over time, and that price-based instruments are as effective as quantity instruments for the period since October 2015, when China completed the liberalization of bank deposit and lending rates. Furthermore, central bank communications containing information on future monetary policy affect medium- and long-term market interest rates. Our findings provide support for the successful transition of the monetary policy framework in China.

"Political Stability and Credibility of Currency Boards" (with Shu Feng, Chun-Yu Ho and Wai-Yip Alex Ho) August 2021, Revision Requested by *Journal of International Money and Finance*.

Abstract: The currency board arrangement is mainly characterized by a fixed nominal exchange rate against some anchor currency and the full backing of domestic central bank liabilities by foreign reserves. Under a currency board arrangement, the domestic monetary base is changed only through buying and selling the anchor currency at a fixed nominal exchange rate, removing discretion over monetary policy, and disciplining the monetary authorities. Moreover, a currency board arrangement is usually codified in a law, which further increases the credibility of the system since any change would involve parliamentary or constitutional changes.

A pegged exchange rate regime is prone to speculative attacks since the possibility of adjustment under a currency peg can create an expectation of adjustment that is self-fulfilling. The main advantage of a currency board system over a standard pegged exchange rate regime is the gain in the credibility of monetary policy. Do currency boards offer protection against self-fulfilling speculative attacks? This paper examines the credibility of currency boards of Argentina, Bulgaria, Estonia, Hong Kong, Latvia, and Lithuania. We estimate a Bayesian Markov switching model to analyze the role of economic fundamentals and self-fulfilling expectations in accounting for the credibility of the currency board. We find that the credibility of currency boards is subject to self-fulfilling runs. We also find that the credibility of currency boards positively relates to the political stability of adopting economies.

"Real Exchange Rate and Innovation: Firm-Level Evidence from China" (with Chun-Yu Ho and Xiaoli Zhang) June 2021.

Abstract: This paper examines how exchange rate movement affects firms' innovation activities using a panel dataset of Chinese manufacturing firms. We measure firm-level innovation activities by the share of new product sales in total sales and the number of patent applications. We construct firm-specific effective real exchange rates (RER) to measure the exchange rate shocks faced by each firm according to its composition of trading partners. We find that a 10% increase in effective RER (i.e., depreciation) increases the share of new product sales in total sales by about 0.2 percentage points. Our result is robust to 1) the inclusion of firm- and industry-specific control variables, firm-specific fixed effects, and year effects, 2) alternative measures of effective RER, and 3) alternative empirical specifications. Nonetheless, there is no evidence showing that firm-specific RER shocks affect patent applications. We further show that a better export opportunity is the main channel through which

a depreciation of exchange rate promotes innovation activities. A better export opportunity leads to higher revenue from exports, which in turn relaxes the financial constraint faced by firms to conduct innovation activities.