香港經濟學會
HONG KONG ECONOMIC ASSOCIATION

The 8th Biennial Conference of The Hong Kong Economic Association

Yunan, China

Co-organized by

Kong University of Hong Kong of Hong Kong Baptist University Science and Technology Polytechnic University of Hong

The 8th Biennial Conference of Hong Kong Economic Association
13 14 December 2014
Shandong University

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Introduction of the Hong Kong Economics Association

The Hong Kong Economic Association is intended to be a platform through which economists, business executives, government officials, as well as others interested in the working of the economy come together and share views and insights on economic issues of common concern and thus extend the frontiers of economic knowledge.

The Association is a fully accredited member of the International Economic Association in Paris.

The Association welcomes anyone, local or overseas, who shares the same interest in furthering the above objectives to join as members. Members can participate in the Association's academic, intellectual, and social functions at subsidized rates and will receive the Pacific Economic Review, published by Blackwell Publishers. The Pacific Economic Review, which is SSCI indexed, has a strong international editorial board and is committed to a double blind refereeing process to ensure high quality in published papers. Members are exempt from submission fees when submitting to the Pacific Economic Review.

ACTIVITIES

The activities of the Association include:

- lectures, seminars, and luncheon speeches by local and overseas experts;
- forums on topical subjects;
- conferences;
- social activities such as dinners, cocktail parties, and academic field trips;
- publication of the Pacific Economic Review.

MEMBERSHIP

The Association invites applications for membership from all who are interested in economic analysis and the economic problems of the world. Annual subscription rates are as follows:

- Ordinary Member: HK$200 for Hong Kong Members; US$30 for overseas Members
- Life Member: HK$2000 for Hong Kong Members; US$250 for Overseas Members

There is also an initial entrance fee of US$10 or HK$50. Please download the enrollment form from http://www.ln.edu.hk/econ/econ_association/HKEA-EnrollForm-1.doc if you wish to become a member. Please email to economic@LN.edu.hk if you have any questions.
All the information can be copied and pasted from the HKEA website at
http://www.ln.edu.hk/econ/econ_association/

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Introduction of Shandong University

Shandong University, under the direct jurisdiction of the Ministry of Education, is a key comprehensive university with a long history, a variety of disciplines, strong academic strength, and distinctive characteristics, which has great influence both at home and abroad. Shandong University is a member university of Project 211 and Project 985, two national key construction projects to support the development of high-quality universities.

Shandong University is one of the initiative universities of modern Chinese higher education. Its medical school, established in 1864, signified the beginning of modern Chinese higher education. Its main body, Shandong Imperial College (Shandong Da Xue Tang) established in 1901, was the second national university in China, only after the Imperial University of Peking. Moreover, it was the first university to be established and run in accordance with a chartered constitution.

Shandong University comprises 8 campuses (Jinan Central Campus, Hongjialou Campus, Baotuquan Campus, Qianfoshan Campus, Software Park Campus, Xinglongshan Campus, Qingdao Campus and Weihai Campus) in three different cities (Jinan, Qingdao and Weihai). Currently Professor Zhang Rong is the president.

Shandong University provides programs for Bachelor s, Master s and Doctoral degree, covering 11 fields of study, namely, literature, history, philosophy, economics, management, law, natural sciences, engineering, medicine and educational and strategies. There are 40 first-level doctoral programs, 55 first-level master degree programs, 3 professional doctoral programs, 27 professional master degree programs, 118 programs for undergraduates, 38 mobile post-doctoral research stations, forming a complete system for cultivation of talent.

Shandong University is made up of 42 colleges, 3 affiliated hospitals, and 12 internship hospitals. It has the college of postgraduates. Currently, the number of students reaches 60000, with 43000 full time undergraduates, 14500 postgraduates, and 2000 international students.

Shandong University has established a broad international network for educational cooperation and has signed exchange agreements with over 124 universities from over 40 countries and regions, like America, Canada, Japan, South Korea, France, Germany, England, Russia, Israel, Australia, etc.

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Introduction of the School of Economics, Shandong University

As one of the largest economics schools, the School of Economics at Shandong University is currently ranked Top 12 economic schools in the discipline of applied economics in China. It houses 5 departments (i.e. economics, finance, International Economics and Trade, Public Finance, Risk Management and Insurance), 37 degree programs (i.e.7 undergraduate programs, 13 academic master programs and 7 professional master programs, and 10 Ph.D. programs) and more than 5 research institutes such as Institute of Consumption and Development, Taiyue Center for Research and Education in Economics (TREE) and Research Center for Games and Economic Behavior (RCGEB), as well as a computer lab, an international interactive teaching and recorded broadcast lab and a school library (in addition to university libraries). Currently the dean of school of economics is Prof. LI Changying.

There are as many as 39 full professors and 32 associate professors among 103 en-1284(r)qu89(br)3(nBT1 0 0

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Biographies of Keynote Speakers

(by order of their speeches)

Professor Avinash Dixit

Avinash Dixit is John J. F. 52 University Professor of Economics Emeritus at Princeton University. He is also a Distinguished Adjunct Professor of Economics at Lingnan University, Hong Kong, and a Senior Research Fellow at Nuffield College, Oxford.

His research interests have included microeconomic theory, game theory, international trade, industrial organization, growth and development theories, public economics, political economy, and the new institutional economics. His book publications include Theory of International Trade (with Victor Norman), The Art of Strategy (with Barry Nalebuff), Investment Under Uncertainty (with Robert Pindyck), Games of Strategy (with Susan Skeath), Lawlessness and Economics: Alternative Modes of Governance, and The Making of Economic Policy: A Transaction Cost Politics Perspective. He has also published numerous articles in professional journals and collective volumes. He was President of the Econometric Society in 2001, and of the American Economic Association in 2008. He was elected to the American Academy of Arts and Sciences in 1992, the National Academy of Sciences in 2005, and the American Philosophical Society in 2010, and was elected a Corresponding Fellow of the British Academy in 2006.

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Professor Junsen Zhang

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Professor Yew-Kwang Ng

Yew-Kwang Ng, Winsemius professor in economics, Nanyang Technological University, Singapore, was born in 1942 in Malaysia. He obtained his BCom from Nanyang University in 1966, and PhD from Sydney University in 1971. He was a professor of economics at Monash University 1985-2012 (and an emeritus professor since 2013) and has been a fellow of the Academy of Social Sciences in Australia since 1980. In 2007, he received the highest award (Distinguished Fellow) of the Economic Society of Australia. He has published over two hundred refereed papers in leading journals in economics, including American Economic Review (7 papers), Economica (9), Economic Journal (6), Journal of Economic Theory, Journal of Political Economy (3), Review of Economic Studies (2), Social Choice & Welfare (13), and in biology, cosmology, mathematics, philosophy, psychology, and sociology. Recent books: Common Mistakes in Economics by the Public, Students, Economists and Nobel Laureates, Nova, 2011 (open access); How Did the Universe Come About? Fudan University Press, 2011; The Road to Happiness, Fudan University Press, 2013. Hobbies: Chinese couplets and poetry; reading.

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Professor Lawrence White

School of Business and Deputy Chair of the Economics Department at Stern. During 1986-1989 he was on leave to serve as Board Member, Federal Home Loan Bank Board, in which capacity he also served as Board Member for Freddie Mac; and during 1982-1983 he was on leave to serve as Director of the Economic Policy Office, Antitrust Division, U.S. Department of Justice. He is the General Editor of The Review of Industrial Organization and formerly Secretary-Treasurer of the Western Economic Association International.

Professor White received the B.A. from Harvard University (1964), the M.Sc. from the London School of Economics (1965), and the Ph.D. from Harvard University (1969). He is the author of The Automobile Industry Since 1945 (1971); Industrial Concentration and Economic Power in Pakistan (1974); Reforming Regulation: Processes and Problems (1981); The Regulation of Air Pollutant Emissions from Motor Vehicles (1982); The Public Library in the 1980s: The Problems of Choice (1983); International Trade in Ocean Shipping Services: The U.S. and the World (1988); The S&L Debacle: Public Policy Lessons for Bank and Thrift Regulation (1991); and articles in leading economics, finance, and law journals. He is the co-author of Guaranteed to Fail: Fannie Mae, Freddie Mac, and the Debacle of Mortgage Finance, Princeton University Press, 2011 (with V.V. Acharya, M. Richardson, and S. Van Nieuwerburgh).

He is editor or coeditor of twelve volumes: Deregulation of the Banking and Securities Industries (1979); Mergers and Acquisitions: Current Problems in Perspective (1982); Technology and the Regulation of Financial Markets: Securities, Futures, and Banking (1986); Private Antitrust Litigation: New Evidence, New Learning (1988); The Antitrust Revolution (1989); Bank Management and Regulation (1992); Structural Change in Banking (1993); The Antitrust Revolution: The Role of Economics, 2nd edn. (1994); The Antitrust Revolution: Economics, Competition, and Policy, 3rd edn. (1999); The Antitrust Revolution: Economics, Competition, and Policy, 4th edn. (2004); The Antitrust Revolution: Economics, Competition, and Policy, 5th edn. (2009); and The Antitrust Revolution: Economics, Competition, and Policy, 6th edn. (2014). He was the North American Editor of The Journal of Industrial Economics, 1984-1987 and 1990-1995.

Professor
1978-1979, rtment of Economics, 1990-1995. His webpage is found at http://pages.stern.nyu.edu/~Lwhite/. His e-mail address is Lwhite@stern.nyu.edu.

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Professor Yongmin Chen

Yongmin Chen is Professor of Economics at the University of Colorado at Boulder. He earned his PhD from Boston University in 1992. An expert in industrial organization, Professor Chen s research areas include vertical contracting, price theory, innovation and intellectual property, consumer search, antitrust, and international trade. He has published over 40 journal articles on these and other economic topics. Professor Chen currently serves as Managing Editor of *International Journal of Industrial Organization* and Associate Editor of *RAND Journal of Economics*. He previously served on the editorial boards of *Canadian Journal of Economics*, *European Economic Review*, *Journal of Industrial Economics*, and *Quantitative Marketing and Economics*. He served as a consultant to the U.S. Federal Communications Commission, and has also provided consulting services to private clients on antitrust and competition policy issues.

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Professor Kamal Saggi

Professor Kamal Saggi is the Frances and John Downing Family Professor of Economics at Vanderbilt University. He is also the Chair of the Department of Economics and Director of the Graduate Program in Economic Development at Vanderbilt.

He is an Associate Editor of the Journal of International Economics and the Indian Growth and Development Review and serves on the Editorial Council of the Journal of International Business Studies.

Professor Saggi has written extensively in the areas of international trade and investment, international technology transfer, economic development, and the global trading system. Two major themes underlying his current research are: (*i*) the inter-relationships between intellectual property protection, foreign direct investment, and international technology transfer and (*ii*) economics of the multilateral trading system.

Professor Saggi has given invited research presentations at leading institutions through-out the world and has been a visiting scholar at European University Institute, Hitotsubashi University, Hong Kong University of Science and Technology, Hong Kong Polytechnic University, McGill University, National University of Singapore, Princeton University, Shanghai University of Finance and Economics, Stanford University, the University of International Business and Economics (Beijing), the University of New South Wales, the University of Sydney, the World Bank, the World Intellectual Property Organization, and the World Trade Organization.

He has extensive consulting experience in the areas of international trade and economic development and has been a consultant for Andean Development Corporation, Commonwealth Secretariat, Copenhagen Consensus, International Finance Corporation, International Centre for Trade and Sustainable Development, SciDev.Net, Sidley Austin LLC, the World Intellectual Property Organization, and the World Bank.

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Professor Ian Crawford

Ian Crawford is Professor of Economics at the University of Oxford and Senior Research Fellow at Nuffield College, Oxford. He is also a Research Fellow of the Institute for Fiscal Studies in London. His work focuses on revealed preference analysis of consumer choice models and blends economic theory with empirical work. His work has appeared in a variety of journals including the American Economic Review, the Review of Economics Studies and Econometrica. Recently he has been working on the nonparametric analysis of some important classes of models in behavioural economics.

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Conference Programme

Day 1: Saturday, 13 December 2014

8:30 Registration

9:00 9:15 Opening Remark, Ping Lin, President of the Hong Kong Economic Association
Welcome Remark, Rong Zhang, President of Shandong University

9:15 10:05 ***Opening Address***, Avinash Dixit, Princeton University
How Business Community Institutions Can Help Fight Corruption
(Venue: ZX C312)
Chairman: Ping Lin, Lingnan University

10:05 10:20 Photo-taking (Venue: the front area of Block B, Zhixin Complex)

10:20 10:30 Tea break (Venue: lobby on the third floor of Block B, Zhixin Complex)

10:30 12:15 Parallel Sessions

Session 1A **Innovation, Productivity and International Trade** **(Venue: ZX B305)**

(Organizer: The University of Hong Kong)
Chairman: Larry Dongxiao Qiu

1. Non-Neutral Technology and Labor Demand: Firm-Level Evidence , Hongsong Zhang, The University of Hong Kong
2. Agency Problems, Trade Liberalization, and Within-Firm Productivity Gains: Theory and Evidence , Cheng Chen, The University of Hong Kong
3. Intermediate Input Imports and Innovation: Evidence from China , Larry Dongxiao Qiu, The University of Hong Kong

Session 1 B **Education** **(Venue: ZX B307)**
Chairman: Bing Ye

1. Economic Returns to Educational Expansion in Hong Kong , Dongshu Ou, The Chinese University of Hong Kong
2. , Xiaohan Zhong, Tsinghua University

3. Competition, Peer Effects and Students Performance in Universities: Results from China , Bing Ye, Zhejiang University

Session 1C **Banking and Insurance** **(Venue: ZX B309)**
Chairman: Zhiyong John Liu

1. Using Weighted , Junshan Lin, Shandong University
2. Professional Connections between Firm and Bank: How Do They Impact Relationship Banking? , Yuejuan Yu, Shandong University
3. Asymmetric Beta Comovement , Qunzi Zhang, Shandong University
4. John Liu, Indiana State University

Session 1D **Property Rights and Regulation** **(Venue: ZX B311)**
Chairman: Jianyu Yu

1. Siguang Li, Southwest University of Economics and Finance
2. Evidence from a Quasi- University
3. Chinese University of Hong Kong
4. Food Safety Crisis, Coordination and Law Enforcement - A Study of the Food Safety Regulation in China , Jianyu Yu, Southwestern University of Finance and Economics

12:20 13:20 Lunch (Venue: Sunshine Hall, University Hotel, 1/F, Shandong University)

13:30 14:50 Parallel Sessions

Session 2A **Labour** **(Venue: ZX B305)**
Chairman: Chun-Kai Wang

1. Substitution and Labor Market Friction in the U.S.:1948- , Mingming Jiang, Shandong University

2. The effects of Job Search Method on Wages among Rural
, Yuanyuan Chen, Shanghai University of Finance and Economics
3.
, Chun-Kai Wang, Shandong University

Session 2B **Industrial Organization I** **(Venue: ZX B307)**
Chairman: Mingzhi Li

1. Pricing in Mixed Two- , Ming Gao, Tsinghua University
2. , Mingming Li, Shandong University
3.

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Session 2E **Economics of Networks** **(Venue: ZX B313)**
Chairman: Jie Zheng

1. Broadband Internet and Regulation in China: Is There a Need for Network Neutrality Rules? , Hairong Mu, Harper Adams University
2. Pricing Strategies in Social Networks , Junjie Zhou, Shanghai University of Finance and Economics
3. First Mover Advantage vs. Price Advantage: Network Effects in the Competition between Proprietary and Open Source Software , Jie Zheng, Tsinghua University

14:50 16:10 Parallel Sessions

Session 3A **Housing Market** **(Venue: ZX B305)**
Chairman: Zhiwei Tian

1. - , Te Bao, University of Groningen
2. , Mingzhe Tang, Shandong University
3. of the VAT , Zhiwei Tian, Shanghai University of Finance and Economics

Session 3B **Health and Aging** **(Venue: ZX B307)**
Chairman: Yigang Zhang

1. The Long-term Impact of an Early Career Recession on Health and Health-related Behaviors , Naijia Guo, The Chinese University of Hong Kong
2. , Yinghua Jin, Zhongnan University of Economics and Law
3. The Fifth Variable , Yigang Zhang, Shandong University

Session 3C **Markets in China** **(Venue: ZX B309)**
Chairman: Wuyang Hu

1. The Price Stabilization Effects of C ,

Xi Tian and Xuejun Wang, Nanjing Agricultural University

2. - What Can China Learn? , Na Zuo, University of Kentucky
3. Economic Values for Equestrian Trails , Wuyang Hu, University of Kentucky

Session 3D **China and History** **(Venue: ZX B311)**
Chairman: Chicheng Ma

1. State Power and Taxation in Autocracies: Theory and Evidence from Late Imperial China , Qiang Chen, Shandong University
2. Was the Price Revolution in Qing China a Result of American Silver Inflow? - Empirical Evidence from the Northern China plain 1736-1911 , Hongjun Zhao, Shanghai University of International Business and Economics
3. Political Capital and Financial Development in Qing China , Chicheng Ma, Shandong University

16:10 16:30 Tea break (Venue: lobby on the third floor of Block B Zhixin Complex)

16:30 17:20 ***Keynote Speech***, Junsen Zhang (The Chinese University of Hong Kong)
The Great Gatsby Curve in China: Cross-Sectional Inequality and Intergenerational Mobility **(Venue: ZX C312)**

Chairman: Changying Li**,** Shandong University

17:20 18:10 ***Keynote Speech***, Yew-Kwang Ng (Nanyang Technological University)
Are Unrealistic Assumptions/Simplifications Acceptable? Some Methodological Issues in Economics **(Venue: ZX C312)**

Chairman: Changying Li, Shandong University

18:10 19:30 Conference Dinner (Venue: Sunshine Hall, University Hotel, 1/F, Shandong University)

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Day 2, Sunday, 14 December 2014

8:45 10:30 Parallel Sessions

Session 4A **Economics of Education** **(Venue: ZX B305)**
(Organizer: The Chinese University of Hong Kong)
Chairman: Hongliang Zhang

1. What Kind of Teachers Are Schools Looking For? Evidence from a Randomized Field Experiment , Peter Hinrichs, Federal Reserve Bank of Cleveland
2. Early Production of Cognitive Skill: Evidence from Randomly-Assigned Childcare Prices and Pre-natal Investments , Aaron Sojourner, University of Minnesota
3. The Graduate Premium, Fees, Grants and Student Loans in the UK , Yu Zhu, University of Dundee
4. The Mirage of Elite Schools: Evidence from Lottery-based School Admissions in China , Hongliang Zhang, The Chinese University of Hong Kong

Session 4B **Industrial Organization II** **(Venue: ZX B307)**
(Organizer: Lingnan University)
Chairman: Tianle Zhang

1. Optimal Advertising to Consumers with Differentiated Preferences , Daniel Zhiyun Li, Durham University
2. Low Price and Limited Supply Signal Product Quality , Lan Zhang, Southwestern University of Finance and Economics
3. Li, Liaoning University
4. Tort Law and Innovation Incentive , Tianle Zhang, Lingnan University

Session 4C **Games, Auctions and Mechanism Design** **(Venue: ZX B309)**
Chairman: Gyoung-Gyu Choi

1. Optimal Design of Multi-dimension Tournaments , Zhewei Wang (with Jingfeng Lu), Shandong University
2. Elections as a Conflict Processing Mechanism , Tianyang Xi, Peking University
3. All-Pay Auctions with a Buy

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Session 4D **Trade and FDI** **(Venue: ZX B311)**
Chairman: Farrukh Nawaz Kayani

1. Trends in United States - China Commodity Terms of Trade: A Case of Heterogeneous Goods , Mahdi Asgari, University of Kentucky
2. Zhang, University of International Business and Economics
3. Chinese Rationale of Free Trade Agreements and China-Pakistan Free Trade Agreement , Farrukh Nawaz Kayani, COMSATS Institute of Information Technology

Session 4E **Applied Economics** **(Venue: ZX B313)**
(Organizer: Hong Kong Baptist University)
Chairman: Sung Ko Li

1. Fragmentation, Global Trade and Gravity , Han Qi, Hong Kong Baptist University
2. The Nonlinear Effects of Market Structure on Service Quality: Evidence from the U.S. Airline Industry , Kang Hua Cao, Hong Kong Baptist University
3. Technical Advance, Income Allocation and Economic Growth , Pak Hung Mo, Hong Kong Baptist University
4. The Competitiveness of Factor-driven Countries: A Data Envelopment Analysis , Sung Ko Li, Hong Kong Baptist University

10:30 10:45 Tea break (Venue: lobby on the third floor of Block B, Zhixin Complex)

10:45 11:35 ***Keynote Speech***, Lawrence White (New York University)
Credit Rating Agencies: An Examination through the Lenses of Finance, Industrial Organization, and Regulation **(Venue: ZX C312)**

Chairman: Yin-wong Cheung, City University of Hong Kong

11:35 12:25 ***Keynote Speech***, Yongmin Chen (University of Colorado)
Economics of Bundled Sales and Purchases **(Venue: ZX C312)**

Chairman: Yin-wong Cheung, City University of Hong Kong

12:25 13:30 Lunch (Venue: Sunshine Hall, University Hotel, 1/F, Shandong University)

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13:30 14:50 Parallel Sessions

Session 5A **Industrial Organization III** **(Venue: ZX B305)**
Chairman: Hongkun Ma

1. -part Tari Licensing Contract in Cournot Competition under Asymmetric Information , Yue Qiao, Shandong University
2. A Note on Endogenous Heterogeneity in a Duopoly , Chenhang Zeng, Shandong University
3. Analysis of Endogenous Cross-Holding in Oligopoly , Hongkun Ma, Shandong University

Session 5B **Labour and Education** **(Venue: ZX B307)**
Chairman: Dongpeng Liu

1. Expectation Effects of Regime Shifts on Labor Market Dynamics , Tong Wang, Shandong University
2. -
University
3. On the Rising Educational Requirement for Job Application and Skill Mismatch in China , Dongpeng Liu, Nanjing University

Session 5C **Income Equality** **(Venue: ZX B309)**
Chairman: Melanie Meng Xue

1. An Empirical Approach to Rising Inequality and High Saving in China , Guoqiang Li, University of Macau
2. Distortionary Capital Gains Tax, Income Distribution and Welfare Costs , Jiashan Wu, Fudan University
3. Textiles and the Historical Emergence of Gender Equality in China , Melanie Meng Xue, George Mason University

Session 5D **Trade and FDI II** **(Venue: ZX B311)**
(Organizer: Lingnan University)
Chairman: Heiwai Tang

1. , Hongyong Zhang, Research Institute of Economy, Trade and Industry
2. f , Wen Yue, Shanghai Jiao Tong University
3. Quality Upgrading: The Impact of Competition from China at Home and , Heiwai Tang, Johns Hopkins University

14:50 16:10 Parallel Sessions

Session 6A **R&D and Financial Markets** **(Venue: ZX B305)**
Chairman: Hua Yin

1. Finance Development and Innovation: The Role of Political Institution , Jun Wu, Shanghai Jiao Tong University
2. Credit Market Development and Firm Innovation: from the Perspective of Financial Resource Allocation , Hua Shang, Southwestern University of Finance and Economics
3. The Impacts of the China Growth Enterprise Market on the Main Board , Hua Yin, Southwestern University of Finance and Economics

Session 6B **Chinese Economy II** **(Venue: ZX B307)**
Chairman: Liu Yongzheng

1. University
2. - Wang, The Chinese University of Hong Kong
3. d Intra- Yongzheng Liu, Renmin University of China

Session 6C **Macroeconomics** **(Venue: ZX B309)**
Chairman: Na Zuo

1. Monetary Shocks, Asset Pricing, and Asymmetric Effects: with an Application to the Chinese Stock Market , Mingming Jiang, Shandong University
2. SOE and Chinese Real Business Cycle , Daoju Peng, The Chinese University of Hong Kong

3. Macroeconomic Volatility and Prudential Macroeconomic Policies in China: Evidence from an Estimated DSGE Model , Tao Peng, Southwestern University of Finance and Economics
4. -out Effect or Institutions? Resource Curse Revisit with Investigation of

Session 6D **Poverty** **(Venue: ZX B311)**
Chairman: Ying Wu

1.

2. Parental Migration and Left-Behind Children's Educational Aspirations in Rural China , Shaoping Li, University of Chinese Academy of Sciences
3.
and Hong Yao, Salisbury University

16:10 16:30 Tea break (Venue: lobby on the third floor of Block B, Zhixin Complex)

16:30 17:20 ***Keynote Speech***, Kamal Saggi (Vanderbilt University)
-
(Venue: ZX C312)
Chairman: Yue Qiao, Shandong University

17:20 18:10 ***Keynote Speech***, Ian Crawford (Oxford University)
Home AEqualis: A Structural, Cross-Society Analysis of Three Bargaining Games **(Venue: ZX C312)**

Chairman: Yue Qiao, Shandong University

18:15 Conference Ends

18:30-19:30 Dinner (Venue: Sunshine Hall, University Hotel, 1/F, Shandong University)

Note: ZX represents Zhixin Complex in the central campus of Shandong University, which consists of block A\B\C\D. e.g. ZX B305 is the room 305 on the third floor of block B, Zhixin Complex.

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Abstracts from Keynote Speech

Professor Avinash Dixit (Princeton University)

This paper considers the possibility of collective action by the business community to counter corruption in the award of government licenses and contracts. The analogy is with contract enforcement institutions studied by economic historians and contract law scholars. The institution in this context comprises a no-bribery norm, a community system to detect violations, and a multilateral ostracism penalty upon conviction in a community tribunal. The requirements such an institution must meet if it is to be effective are analyzed. It is shown that an institution of sufficient quality-combining probability of correct detection and severity of punishment-can eliminate bribery. If the private institution is not sufficiently good, then in conjunction with the state's formal apparatus it reduces the level of bribes demanded, but increases the probability of winning the -corruption
mechanism, holding the private institution constant, reduces both the level of bribes and the probability of success through bribery. The two institutions together are shown to achieve substantially better outcomes than either can on its own.

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Abstracts from sessions

Session 1A Innovation, Productivity and International Trade

Author: Hongsong Zhang (The University of Hong Kong)

Title: Non-Neutral Technology and Labor Demand: Firm-Level Evidence

The neutrality (non-neutrality) nature of technology is the key to understanding of many firm activities. This paper investigates the non-neutrality nature of technology heterogeneity across firms, and that of technology change over time. I develop a method to estimate the production function with non-neutral technology heterogeneity at the firm level, which is captured by a firm-specific multidimensional productivity measure allowing for a capital-augmenting efficiency, a labor-augmenting efficiency, and a material-augmenting efficiency. This method combines both parametric and nonparametric ways to control for the unobserved multidimensional factor-augmenting efficiencies, based on firms' optimal choices of both static and dynamic inputs. In the empirical application to Chinese steel industry, I first find that there is large heterogeneity of non-neutral technology across firms, both in efficiency levels and technological non-neutrality. Second, technology change over time is non-neutral --- labor efficiency grows much faster than capital efficiency, while the change of material efficiency is marginal. As a result, technology change is labor-saving given that the estimated elasticity of substitution is smaller than one (0.4358). The evolution of non-neutral technology, both in levels and technological non-neutrality, differs systematically across firms of different size. Third, while capital and labor efficiency levels are converging slowly during the sample period, I found no obvious converging trend of the technological non-neutrality over time in the data period. Finally, I apply the recovered non-neutral productivity measures to analyse labor demand at the firm level. I find that non-neutral technology explains a large portion of the cross-firm variation in labor demand (15%), labor-material ratio (70%), and labor share (70%). I also find that restricting technology to be Hicks-neutral will substantially overestimate the elasticity of substitution and underestimate the wage rate effect on labor demand.

Author: Cheng Chen (The University of Hong Kong)

Title: Agency problems, trade liberalization, and within-firm productivity gains: Theory and evidence

A vast set of empirical findings shows that intensified competition due to trade liberalization mitigates the agency problem inside the firm and improves firm productivity. These findings do not square well with a recent literature that emphasizes the importance of improved market access for productivity improvement at the firm level. In this paper, I propose a general equilibrium theory highlighting the agency problem inside the firm to explain these findings. When an economy opens up to trade and the trade costs are not too small,

managers of small surviving non-exporters are incentivized to exert more effort in order to induce their owners to produce and continue to receive rents by running their firms (i.e., the disciplining effect). This leads to a within-firm productivity improvement for this type of firm after trade liberalization. I then consider an alternative world in which firms are not subject to the agency problem in order to highlight unique and robust predictions of the model. The comparison of these two cases shows that among small non-exporters, firms that are subject to the agency problem increase productivity relative to firms that are not after trade liberalization. Furthermore, this prediction does not hold for big non-exporters. I present evidence supporting above predictions of the model.

Author: Larry Dongxiao Qiu (The University of Hong Kong)
Title: Intermediate input imports and innovation: Evidence from China

In this paper, we investigate the effects of intermediate input tariff reduction on importing firms' innovation activities. The input tariff reduction exerts two opposite effects on a firm's make-or-buy decision in innovation: It raises the Make decision as the cost of doing innovation becomes lower, but it raises the Buy decision because external technologies are cheaper. Using Chinese firm-level data from 1998 to 2007 which features a drastic input tariff cut in 2002 due to China' WTO accession, we find that input tariff cut results in less innovation taken by firms, supporting the Buy decision. This result is obtained using the difference-in-difference technique and robust to many specifications and concerns of the model. Although the Buy decision is not necessarily surprising from theoretical point of view, the empirical finding does not seems to be in line with existing empirical results about trade liberalization on Chinese firms' performance.

Session 1B Education

Author: Dongshu Ou (The Chinese University of Hong Kong)
Title: Economic Returns to Educational Expansion in Hong Kong

Hong Kong underwent massive educational expansion during the 1970s and 1990s, including compulsory education reforms and higher education expansion. We study the wage effects of this expansion using Hong Kong Census data. We find that the expans

increases as well. Further, treating the expansion as an exogenous increase in educational attainment, we obtain two-stage least squares estimates of returns to schooling of about 27% for women, which is 10 percentage points higher than the OLS estimates. The impact sheds light on the importance of improved educational equality on long-term economic equality for women.

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Author: Xiaohan Zhong (Tsinghua University)

Title:

In this paper we use nation-wide individual data on college admission from year 1999 to 2003 to study

measures to measure mismatch across admission batches, college levels and individual college ranks

Session 1C Banking and Insurance

Author: Junshan Lin (Shandong University)

Title:

An operational macroprudential approach to financial stability requires tools that reasonably evaluate the systemic risk of individual institutions. The intricate network of claims and obligations inside the modern financial systems pose challenges in identifying individual institution

weighted Shapley value methodology to measure the systemic risk of interconnected banks. The model

structure and (ii) its position in the interbank network. An empirical implementation of this measure reveals that the primitive asset structure and interconnectedness are main drivers of systemic risk contribution. Importantly, when allocating the systemic risk to banks with interbank linkages, the weighted Shapley value accounts for not only potential excess marginal loss the bank imposes on other subsystems as the general Shapley value does, but also increase in the joint default probability. In addition, different types of interbank

Author: Yuejuan Yu (Shandong University)

Title: Professional Connections between Firm and Bank: How Do They Impact Relationship Banking?

Literature has documented how social connections help reduce borrowing cost. However, a related question which would be raised first is, do connections formed through personal ties between firms and banks facilitate the establishment of firm-bank relationships? To answer this question, I focus on professional connections and construct two types of connection measures with a sample of listed firms in Germany from 2004 to 2012. Addressing reverse causality concerns and controlling fora set of firm and bank characteristics, I find that more past connections between firms and banks lead to a higher probability of relationship banking. Connections also foster the transmission of soft information, and the effect of connection is larger when firm is distant, while it gets weaker given the firm is riskier and with information asymmetry. Decomposing connections according to the types of board positions, connected individuals holding supervisory board positions contribute the most to relationship banking.

Author: Qunzi Zhang (Shandong University)

Title: Asymmetric Beta Comovement

In this paper, we document that downside betas tend to comove more than upside betas during financial crisis but upside betas tend to comove more than the downside betas during financial booms. We find that the

asymmetry between downside-beta comovement and upside-beta comovement is the main driving force for market level skewness. Furthermore, this asymmetry negatively predicts future market return. An indicator

betas. The SDR effectively forecasts future monthly stock market movements with out-of-sample R-squares above 2.27% relative to a strategy based on historical mean. An investor who timed the market using SDR would have obtained a Sharpe ratio gain of 0.206.

Author: Zhiyong John Liu (Indiana State University)
Title: Competition and Corporate Demand for Insurance: Theory and Evidence

This article shows that there is a monotonic relationship between the competitiveness of the product

competing in it will acquire some insurance or more likely to purchase full coverage. This holds true regardless of whether or not the firms are risk averse. Investment in risk management prior to product market competition is used as a strategic commitment device in market competition. Firms optimize their risk management investments by balancing the strategic commitment benefit and the cost of insurance. Accordingly, industry characteristics, market environment and competitive pressure are important factors in

ear empirical implications for corporate investment in risk management and its relationship to the product market. Using NAIC data on

the theoretical predictions.

Session 1D Property Rights and Regulation

Author: Siguang Li (Southwest University of Economics and Finance)
Title:

It is widely believed that assigning property rights via auctions always outperforms the pre-assigned property rights system in achieving efficiency. This paper reexamine the efficiency of the auction-based and pre-assigned property rights system in the presence of externality. We consider a situation with two risk neutral players and one object. The owner of the object has the rights to take an action. Each player dislikes deviations of action taken from her preferred value, which is each player's private information. In the pre-assigned property rights system, property rights are assigned to one of the players, and the player who does not own the property can make a take-it-or-leave-it menu contract, including action taken and side payments, to the owner. In the auction-based property rights system, property rights are assigned via a first price auction, and the loser of the auction can make a take-it-or-leave-it offer to the winner, without knowing the winning bid of the auction. We show that the pre-assigned property rights system can outperform the

auction-based property rights system under certain circumstances.

Author: Mingqin Wu (South China Normal University)
Title: Does Environmental Regulation Drive away Inbound Foreign Direct Investment? Evidence from a Quasi-Natural Experiment in China

In this paper, we investigate whether environmental regulation affects inbound foreign direct investment. Our identification uses the Two Control Zones policy implemented by the Chinese government in 1998. The difference-in-differences and difference-in-difference-in-differences estimations show that cities with tougher environmental regulation attract less foreign direct investment. Specifically, toughening environmental regulation causes the amount of FDI to drop by 31.9%. We also find that the negative effect of environmental regulation is stronger for polluting industries than non-polluting industries.

Author: Gewei Wang (The Chinese University of Hong Kong)
Title: Minimum Wages and Firm Employment: Evidence from China

This paper provides the first systematic study of how minimum wage policies in China affect firm employment over the period 2001-2007. Using a novel dataset of minimum wage regulations across more than 2,800 counties matched with countrywide firm data, we investigate both the effect of the minimum wage and its regulation reform in 2004. A dynamic panel estimator is combined with a neighbor-pairs approach to control for unobservable heterogeneity common to border counties that are subject to different minimum wage changes. We show that minimum wage increases have a significant negative impact on employment, with an estimated employment elasticity of0:116. By contrast, the employment response to minimum wage hikes was minuscule before 2004. In addition, we find a heterogeneous effect of the minimum wage on employment that depends on th the minimum wage has a larger negative impact on employment in low-wage firms than in high-wage firms. We explore labor market competition as a potential explanation of this heterogeneity. Our results are robust for sample attrition checks and spillover tests.

Author: Jianyu Yu (Southwestern University of Finance and Economics)
Title: Food Safety Crisis, Coordination and Law Enforcement - A Study of the Food Safety Regulation in China

In this paper, we investigate the rationale of the food safety crisis in China, where consumers pay low price and producers provide unsafe food. Taking into account the regulation features, we attribute the outbreak of food safety crisis to the fact that producers, unsure about the other o

that the others will cheat under weak regulatory system, hence have no incentive to provide safe products. Such strategic uncertainty leads to the coordination failure among producers in building up their collective reputation and eventually provokes the market collapse. Based on the global game approach, we develop a theoretical model to analyze the effect of public regulation on the likelihood of food safety crisis. Our result shows that the government can reduce the likelihood of food safety crisis either by releasing public signal of enhancing law enforcement, or by raising the punishment level for the cheating producers. The effects of these two measures depends on the precision of public signals. If the public signal precisely shows that the law enforcement is weak, a slight improvement of the public signal can largely reduce the likelihood of food safety crisis. However, if the signal is noisy, its effect on the food safety crisis is limited. In this case, much severe punishment is required to control the food safety crisis.

Session 2A Labour

Author: Mingming Jiang (Shandong University)

Title: Factor Substitution and Labor Market Friction in the U.S.:1948-2012

We present new estimates of the factor substitution elasticity and biased factor-augmenting technical progress using the supply-side system (Klump et al., 2007) for the aggregate U.S. economy during the period 1948-2012. On the basis of recursive scheme estimations, we first show that significant variations of estimated model parameters arise from different sample periods, calling for attention on the impacts of sample periods on parameter estimations. We next incorporate labor market friction (Farmer, 2012) into the supply-side system and show that the augmented model fits the data better. In the presence of labor market friction, the estimated elasticity of substitution between capital and labor does not statistically significantly differ from unity in most of the sample periods. The long-run technical progress tends to be purely labor-augmenting although non-negligible variations arise during some sample periods.

Author: Yuanyuan Chen (Shanghai University of Finance and Economics)

Title: Informal Search, Bad Search?: The effects of Job Search Method on Wages among Rural Migrants in China

Over the past three decades China has seen a sharp increase in the inflow of rural migrants to urban cities. However, little is known about what determines their labor market outcomes such as wages. This paper contributes to the literature by focusing on a potential candidate informal job search method. Using the 2007 Rural-Urban Migration in China and Indonesia data, we find that the use of the informal job search through social network is prevalent among the Chinese rural migrants, accounting for about two-thirds of our sample. To our complete surprise, we find that workers are penalized for their utilization of the informal search method despite its popularity in job search process. Specifically, workers utilizing the informal

method earn roughly 30.8 percent less than their counterparts who find jobs through formal market-based search methods. Our further analysis points to two potential explanations for this seemingly surprising result. First, the negative return to network search may be due to the fact that job search through social network sends a negative signal (of workers' weak labor market attachment and inability to successfully find a job in a competitive market) to potential employers. Second, the wage penalty associated with the informal method also appears to be a result of a trade-off between job quality and search efficiency for quicker entry into local labor market. While wages may be lower for those who find jobs through personal contacts, they are able to greatly shorten the job search time. These mechanisms are consistent with job search theory and may be at work together to explain our results. We evaluate a variety of alternative explanations but do not find strong evidence supporting them. We discuss the relevant policy implications of our results.

Author: Chun-Kai Wang (Shandong University)
Title: Bilateral Migration and Multinationals: On the Welfare Effects of Firm and Labor Mobility

I propose a general equilibrium model motivated by two novel observations a pervasive bilateral migration pattern across OECD countries and a high tendency for immigrants to work in multinational corporations. The model emphasizes the interaction between migration and multinationals, and predicts these two factors promote each other. Calibration and counterfactual experiments are implemented to study the impact of immigration policies between the United States and Canada on welfare. Jointly migration and multinationals produce mutual gains to both countries, rather than benefiting one country at the cost of another as predicting by traditional labor migration models.

Session 2B Industrial Organization I

Author: Ming Gao (Tsinghua University)
Title: Platform Pricing in Mixed Two-Sided Markets

When a participant can appear on both sides of a two-sided market, such as on eBay, the platform may want to bundle the services provided to two sides. We develop -sided platform would have an incentive to bundle and what the optimal pricing strategy is. We find that the answers to these questions can be expressed in simple formulas using various price elasticities of demand, which capture the effects of bundling, and price-cost margins of two sides adjusted for network externalities, which capture the impact of two-sidedness.

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Author: Mingming Li (Shandong University)
Title: The Impact of Competition on Chinese Credit Rating Quality

What kind of market structure credit rating industry should be? There are two contrary viewpoints:
paper explores the effect of competition in Chinese credit rating industry on credit rating quality using Herfindahl-Hirschman Index. We find that credit ratings are lower and ratings are more likely to be downgraded when competition becomes more fierce, which means that competition can reduce the probability of rating inflation. Besides, by employing the information value model, we find that the sensitivity of bond yield spread to ratings becomes larger when competition becomes more fierce, which indicates that competition increases the information value of credit ratings. The results in the two aspects indicate that competition helps to improve quality of Chinese credit ratings. This argument is consistent
effect of competition on credit rating quality is larger for non-state-owned companies and companies rated by credit rating agencies in better law environment. Our results have some implications for improving market structure of Chinese credit rating industry and increasing capital market efficiency.

Author: Mingzhi Li (Tsinghua University)
Title: A Simple Model of Advertisement on Digital Map

Digital maps, such as google maps and baidu maps, are becoming more and more popular in recent years. However until now, few formal economic models have been built to study this market. A digital map can be thought of as a two-sided market with strong network externality between users and locations (firms), but it also has its own features. First, any search results on the map also show nearby places automatically, and therefore consumers might revise their decisions based on the new information. Put differently, any firm

separate the pool of firms that are labeled on the map and firms that advertise. If a firm is labeled on the map, anyone who searches nearby

engine.

Based on these two observations, we build a model in which consumers search for their target firms but might be lured by nearby firms. Map owner controls the number types of firms that enter the map by

constraint that the search pool and the advertisement pool are inseparable. Moreover, we compare the equilibrium firm quality in the digital map mode and that in a traditional search engine mode, and derive some unambiguous implications.

Our main result shows that the map owner has the incentive to manipulate the quality of firms on the

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Author: Tingqiu Cao (Shandong University)
Title: The High Agency Costs of Overvalued Equity: Evidence from the Growth Enterprise Market (GEM) in China

Restriction on the access to the public equity market and non-market based selection of public listing create overvaluation and distort managerial incentives in the public listed companies in the Chinese stock market. Using the sample of newly listed firms in the Growth Enterprise Market (GEM), this paper documents evidence on the high agency costs of overvalued equity. We show that newly listed firms experience exodus of top executives shortly after public listing, and the executives time their resignations in order t
likely to experience executive resignation. Consistent with Jensen (2005), we find that managerial actions resulting from systemic equity overvaluation can be destructive: market reactions to executive resignation are negative and firms that experience executive exodus perform poorly. The results suggest that high valuation of public companies resulting from tight control of public equity market entry helps to create wealth for the corporate insiders rather than to create successful enterprises.

Author: Jimmy Ran, Lingnan University
Title: The Equilibrium RMB Exchange Rate Reconsideration in Edwards Model

This paper empirically extends the Edwards (1988) framework in search of the equilibrium RMB exchange rate. His model is based on the balance of the internal and external factors and provides a list of the

developing countries. I modify his equations to incorporate some Chinese special characteristics by inserting unemployment and foreign reserves, I find that RMB should have depreciated for the convergence of the equilibrium level.

Author: Yifan Zhang, Lingnan University
Title: Cross-Country Diffusion of Culture through FDI: A Firm-Level Analysis of Gender Inequality in China

This paper studies how foreign direct investment (FDI) contributes to cultural convergence across countries. Specifically, we focus on whether multinational firms transfer corporate culture of hiring women to foreign affiliates and eventually to other local firms in the host country. To guide our empirical analysis, we build a parsimonious multi-sector task-based model that features heterogeneity in firms productivity and their biases towards female workers. Workers are differentiated by gender, with women having a comparative advantage in skill-intensive versus brawn-intensive tasks, and sectors differing in their

dependence on these tasks. Discrimination lowers profits. Increased prevalence of foreign firms induce discriminating firms to increase female employment, due to both competition and imitation. Using a large manufacturing firm data set from China over the 2004-2007 period, we find that foreign-invested enterprises (FIEs)

might limit their operating range.

Therefore, we intend to contribute to the research in this field by examining the effect of educational background of Chinese provincial leaders on economic performance of the province they govern. To achieve this, we first describe the educational background of a set of 391 provincial leaders by utilizing numerous public accessible sources. Second, we empirically measure the effect of the educational background of provincial leaders on the GDP growth rate of the province they governed. Third, we investigate the possible

show that the educational background of a governor considerably contributes to his or her respective performance, measured in provincial GDP growth rate. Meanwhile, the education of party secretaries does not seem to have significant influence on the economic performance of a province. On the channel of

nce to the free market system, which in turn affects the economic growth.

Author: Xinyu Li (Lingnan University)

Title: Urban Density, Human Capital, and Productivity in Service Industries: An Analysis of Firm-Level Data of China

This study aims to empirically investigate the links between urban density, human capital and productivity in service industries. By using firm-level data of manufacturing and service industries in China, the study estimates the production function and compares how density effects vary between manufacturing and services and between producer services and non-producer services. The preliminary results suggest that significant economies of density exist in both the manufacturing sector and the service sector, and that doubling city population density increases productivity in services by around 10%, slightly higher than the density elasticity of productivity estimated for manufacturing firms (7%). Moreover, after controlling for firm-level human capital, the population density effects on productivity are close in magnitude for non-producer services and for producer services. Examples of non-producer services include catering and retail trade, whereas business and polytechnic services are examples of producer services, where a larger proportion

(smaller) share of better educated employees are hired in producer (non-producer) service industries in cities with denser employment, and that human capital effects on productivity are much larger in producer services than in non-producer services.

Session 2E Economics of Networks

Author: Hairong Mu (Harper Adams University)

Title: Broadband Internet and Regulation in China: Is There a Need for Network Neutrality Rules?

The fast development of the Internet sector has made it currently at the centre of the attention of policy makers around Europe and in the US. The broadband technology, characterized by a faster speed of delivery of data packets, allows network owners to potentially discriminate between content providers. This

So far there has been no unified definition for NN. In essence NN means the non-discriminatory treatment of data packets transmitted over the Internet by network operators, including the access providers, involved in the routing and transmission, irrespective of their origins, destinations, applications or content. The lack of consensus regarding NN regulation has been reflected in different policy responses on the two sides of the Atlantic.

Both the US and the EC have relied on a combination of ex ante and ex post remedies to control market power in the telecommunications. However, due to the lack of competition in the broadband market, it seems that the US tends to adopt more ex ante regulation for NN issues. In contrast, witnessing the increasingly effective competition in the telecoms markets, the EC has showed their preference of abandoning sector-specific regulation.

dominant position in the broadband access market, very little research has examined NN from the perspectives of the Chinese environment. Therefore, with comparison to the US and the European Commission (EC), we aim to provide a comprehensive assessment of the situation in China with a particular focus on the NN issues in the broadband Internet access. In addition, we intend to discuss whether it is necessary to introduce the NN regulation to China and consequently derive a framework for policy decisions.

Author: Junjie Zhou (Shanghai University of Finance and Economics)
Title: Competitive Pricing Strategies in Social Networks

In this paper, we study the competitive price strategies in social networks. In our model, competing firms sell heterogeneous products to a group of customers with local network externalities and charge personalized prices. The products offered by different firms may be imperfectly substitutable, independent, or complementary, and each customer gains network externalities from her friends who consume the same products. We provide a full characterization of the equilibrium prices for any network structure, and relate these equilibrium outcomes to the familiar centrality measures. In contrast to a monopoly firm case, the equilibrium prices exhibit strong network dependence; thus, knowledge regarding the network structure becomes crucial for the profit maximization. We document the possibility that firms' equilibrium profits can drop when either the network gets denser or the network effect is strengthened, which would not arise in the monopoly scenario. We also explore some comparative statics and demonstrate our analytical approach via several commonly studied networks

Author: Jie Zheng (Tsinghua University)
Title: First Mover Advantage vs. Price Advantage: Network Effects in the Competition between Proprietary and Open Source Software

The flourishing of the Open-Source Movement has been an important phenomenon in the software industry since the 1990s. From the viewpoint of economics, Open-Source Software (OSS) is a public good which could achieve full value transfer. Its emergence has highly influenced the traditional software industry, and offers a good opportunity for developing countries to develop their downstream software industry. Based on the existing literature, this paper focuses on market competition and considers the case where a Proprietary Software (PS) has a first mover advantage while OSS has a price advantage. A theoretical model is established to describe the market competition between PS and OSS under the assumption of the network effect. We analyze how the market structure changes with the degree of network effect, when the OSS comes into a market monopolized by the PS.

Session 3A Housing Market

Author: Te Bao (University of Groningen)
Title: Non-Recourse Mortgage and Housing Price Boom, Bust, and Rebound

This paper investigates the impact of non-recourse vs. recourse mortgages on housing price dynamics in major US metropolitan statistical areas for the period from 2000 to 2013. We find strong evidence that non-recourse states experience faster price growth during the boom period (2000-2006) and a sharper price drop during the bust period (2006-2009). The results lend limited support to the notion that non-recourse states also experience faster price recovery in the rebound period after a crisis (2009-2013). Moreover, the volatility of housing prices is higher in non-recourse states than in recourse states, particularly during the rebound period**.**

Author: Mingzhe Tang (Shandong University)
Title:
Evidence from the Chinese Household Finance Survey

In the absence of well-functioning credit and mortgage markets, the Chinese government has implemented several reforms to encourage home purchases. Among the most prominent of these is the Housing Provident Fund, which requires employers and employee contributions which are later used for mortgage loans. We use the 2011 Chinese Household Finance survey to examine the extent to which the Fund encourages real estate purchases. We find that fund participants, depending on the size of the contributions and length of time in the program, do purchase more real estate, but not necessarily for the

purpose of owner-occupancy. Fund utilizers also purchase smaller properties than they otherwise might have, due to the size restrictions on mortgage loans. As gradual economic reforms in other areas in China, we also find that some Chinese institutional features play an important role in the family housing decisions. When all these features as well as other standard demographics are controlled, the effectiveness of HPF policies is confirmed yet with very modest impact in our study.

Author: Zhiwei Tian (Shanghai University of Finance and Economics)
Title:
and the Business Tax in China

tax from 2002 to 2010. The research found that although the VAT and the business tax, which worsens the annual income dis
distribution, the deterioration is reduced more than a third and would be further reduced in the long term. The VAT and business tax, which improves the lifetime income distribution, is a progressive tax when it is used and the improvement remains unchanged in a large degree. The research found out the key factors of the income redistribution effect of the VAT and the business tax in China, and found that the different effective tax rate of different commodities, together with the different consumption structure of different income groups reduced the deterioration of urban residents' annual income distribution sharply, which is above 50%.

Session 3B Health and Aging

Author: Naijia Guo (The Chinese University of Hong Kong)
Title: The Long-term Impact of an Early Career Recession on Health and Health-related Behaviors

Using data from the restricted-access National Longitudinal Survey of Youth 1997, we estimate the long- -reported health status, obesity, mental health, various chronic problems, smoking, drinking and drug use up to age 30. The estimated effects differ by race and gender in both the sign and the magnitude. In particular, for white males, a 1% increase in the unemployment rate at the labor market entry leads to a 1.14 percentage points (3.9%) decrease in the probability of being in excellent health and a 3.11 percentage points (15%) increase in the probability of being obese; for black males, an increase in the unemployment rate at entry leads to better health, decrease in obesity, and lower chances of having chronic disease. An early career recession increases the probability of being obese for white females, but has an opposite effect on black females. A higher unemployment rate at entry also leads to an increase in the heavy drinking behavior for white and black males, an increase in days

of smoking and a decline in heavy drinking for black females. In addition, an early career recession causes a decrease in the exercise time for white males and females, but an increase for black males and females. It e by decreasing their TV-watching time and increasing their hours of sleep. The initial impact of labor market condition on health outcomes and health behaviors also changes with time. For example, the initial impact on obesity for black males diminishes over time while the impact on white female increases over time. Our findings are robust when we instrument the local unemployment rate at labor market entry and accumulated years of schooling using the local unemployment rate and state college tuition at age 17 and 22.

Author: Yinghua Jin (Zhongnan University of Economics and Law)
Title:

Regional Chinese infant mortality rates (IMRs) are examined using a stochastic frontier method for the first time. The composite error term method yields estimates of large underreporting of IMRs over time and provinces in China during the past 30 years. China does not follow the standard growth paradigm of more growth leading to lower IMRs. Fiscal decentralization has not alleviated the problem of high IMRs. Both IMRs and the sex ratio at birth suggest reported data constitute a floor or minimal level of demographic distress across provinces with millions of missing females not fully included in the data.

Author: Yigang Zhang (Shandong University)
Title: The Fifth Variable

In Levine and Renelt (1992) only four variables are identified robustly correlated with long term economic growth in cross-country regressions. They are investment, trade, education, and initial income level. Despite being crucial in the theoretical analysis and included in every single cross-county growth regression, population is not robustly correlated with long term economic growth from the sensitivity analyses in Levine and Renelt (1992) and in Sala-i-Martin, Doppelhofer, and Miller (2004). In this paper an overlapping generation model is developed to decompose life cycle and extract age structure from population growth and then sensitivity analyses are conducted to test the robustness of age structure in cross-county regressions. The results identify age structure as the fifth variable robustly correlating long term economic growth. The results are consistent with demographic dividend, which states a rise in the rate of economic growth can be induced because of a rising share of working age people in a population while population itself is insignificantly correlated with economic growth.

Session 3C Markets in China

Author: Xi Tian and Xuejun Wang (Nanjing Agricultural University)

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Title: The Price Stabilization Effects of C

The price gap between imported and domestic produced cotton has increased substantially in recent years. Along tariff-rate quotas, China introduced a sliding scale duty (SSD) that varies within a range in response to the prices of imported cotton in 2005, aiming to stabilize domestic cotton prices and protect domestic cotton producers against international competition. Adopting a threshold vector autoregressive

ton prices

and those of imports from 2005 to 2013. Our results suggest that SSD affects the price determination process of all three major grades of cottons, in the sense that the price determination process of importing and domestic cottons follow different pattern when importing prices are below the predetermined reference prices, and therefore SSD applied. However, the isolation effects disappeared when the central government become a denominate buy-side player through national reserve purchasing started in the late of 2011.

Author: Na Zuo (University of Kentucky)
Title: - What Can China Learn?

Carbon market is an innovation to battle with the global warming problem across the world. While a well-designed instrument per se is more important than the choice of marketbased instrument, this exploration study focuses on the debates and practices on key design choices to set up a carbon market, including the point and scope of the regulation, the allocation rule, measurement and verification, price stabilization, and so on. Then the ex post analyses of operating emission trading systems are reviewed with respect to the environmental effectiveness, market efficiency and induced technological innovation. Both the design practice and the early evaluations on carbon market draw valuable experiences as well as lessons to

market pilot.

Author: Wuyang Hu (University of Kentucky)
Title: Economic Values for Equestrian Trails

lopment in the equestrian industry, it has put itself on the list of some of the most desirable equestrian riding destinations in the world, including both southern China (including Hong Kong) and the northern grassland regions in Mongolia. Through a study of the more mature industry in the

number of horses primarily used for trail riding/pleasure is almost 33% of all U.S. horses (American Horse Council 2012). Of the various recreational activities, trail riding stands out as the pastime with the most

the third (35.3%) most pressing issue of the equine industry among respondents in 2010 and fifth (27.6%) when it was repeated in 2012.

The question then becomes how to maintain and construct trails attractive to recreational horseback riders and harmonious with other user groups? To answer this question, one first needs to understand what characteristics of a trail riders are looking for and how much economic value may be associated with each one. Surprisingly, however, no study has been conducted at national or regional levels to address these questions. This study makes a direct contribution to the literature to assess rider preferences and economic values of trail attributes.

This study conducted a survey of horse-back riders in three major U.S. states: California, Kentucky, and Florida. Each of the state features a high proportion of GDP contribution through equine-related industry. A total number of 373, 263, and 365 respondents were collected in the three respective states with a field survey in 2012. A choice experiment was conducted where respondents were asked to make selections of trails featuring different trail characteristics. The mixed logit model was applied to analyze the choice data and obtain rider willingness to pay (WTP) estimates.

Results indicate that trail riders valued beautiful landscapes, opportunities for longer rides, and trail restrictions for other users. While the presence of scenic views was the most highly valued attribute in absolute terms, trail length was also of great importance. Riders were willing to spend between $2 and $5 per trip for an additional mile of trail available. However, it should also be noted that riders were generally less willing to pay entry fees or travel long distances to get to the trails. This means that while riders were willing to travel some distance or spend some amount of money to get to a trail, there were limits to how far (or how much) they were willing to go (spend).

Policy makers need to be aware of these preferences. The problem seems to be the link between the trail and the rider. While constructing trails close to riders, fairly long, and with scenic views seems straightforward, they are realistically unlikely. Scenic views cannot be built and trails that meander through

use. However, the closer to population centers, the more people whose recreational desires also need to be accommodated. This is particularly true in more crowded urban areas such as most metropolitans in China.

The answers to these questions are not easy but the results of this study offer a basis for comparing policy strategies for multiple user groups. For example, according to our results, scenic views are the single most important attribute to trail riders. Views are often in fixed quantity in fixed locations. Given this

corridors for hikers uncomfortable around horses, and only those seeking longer hikes or comfortable around horses, would make use of multi-use trails, indirectly reducing the number of encounters for the horseback riders. For newly constructed trails, this has the added benefit of putting horses in areas less ecologically sensitive.

The last section of the paper discusses the limitation of this study and offers areas for further analysis.

Session 3D China and History

Author: Qiang Chen (Shandong University)

Title: State Power and Taxation in Autocracies: Theory and Evidence from Late Imperial China

While autocracy has been the dominant political system of the world, few theories have tried to understand how it works. We propose a game-theoretic model to study the fundamental problem of tax conflict and political violence in autocracies. The game is played by a ruler and her people, where political violence is a two-way threat. The ruler can invest in state coercive power to deter rebellions, but it is costly to do so. The equilibrium tax rate and state power are jointly determined. We then take the theory to a rich data set of prefectural-level land taxes in late imperial China. The empirical strategy exploits exogenous variations in army sizes due to foreign defense and rugged terrain to identify the causal effects of army sizes on per capita land taxes. The results from GMM estimations are consistent with the theory.

Author: Hongjun Zhao (Shanghai University of International Business and Economics)

Title: Was the Price Revolution in Qing China a Result of American Silver Inflow? - Empirical Evidence from the Northern China plain 1736-1911

Employing the panel data from the Northern China Plain during 1736-1911, this paper tests the so called price revolution hypothesis in the 18th and earlier 19th China. It finds that American silver inflow played an important role in raising the grain price even when weather, population etc. are controlled. This role is verified in two aspects, one is silver flow, the other is silver stock, and we do find that the role of silver flow is much more important than that of silver stock even when they are both input into regression. This paper provides the first econometric test of the price revolution hypothesis in the 18th and 19th century China and deepens the understanding of American silver inflow and its relationship with Chinese economic development in late imperial period.

Author: Chicheng Ma (Shandong University)

Title: Political Capital and Financial Development in Qing China

It remains a puzzle that the Qing dynasty (1644-1911) had a prosperous banking industry (qianzhuang

and piaohao) despite the lacking of legal protection of financial activities. Drawing upon a unique data set of 269 prefectures in 1912, we examine whether and to
the missing legal institutions to facilitate the development of local banks. Our primary measure of political capital is the number of high (provincial level or above) officials born in a prefecture during the Qing time. For robustness we also employ the number of palace-degree holders (jinshi) a prefecture had produced in the imperial civil service exams during 1644-1905 as an alternative (but more comprehensive) measure, based upon the reasoning that the jinshi represented a passport for appointment in the imperial government. Our results show that the number of banks was predominantly determined by the number of high officials or jinshi, rather than the economic forces of the openness to trade and the number of industrial firms. While our finding provides fresh historical evidence to the positive relationship between political connections and financial development, it also illuminates the decline of these traditional banks after the eventual collapse of regime (1911).

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Abstracts from Keynote Speech

Professor Junsen Zhang (The Chinese University of Hong Kong)

The Great Gatsby Curve in China: Cross-Sectional Inequality and Intergenerational Mobility

This study examines the temporal patterns of cross-sectional inequality and intergenerational

intergenerational mobility in incom
rank increases from 0.27 to 0.35 for cohorts born before and after 1970, with one percentile increase
-rank estimates for intergenerational
education mobility are 0.24 and 0.29 respectively. The declining pattern is more significant for females and residents in economically disadvantaged regions, such as rural and western areas. Second, we correlate intergenerational mobility with cross-sectional inequality and find a Great Gatsby Curve with a negative slope in China. Finally, we discuss the structural forces behind the decreasing intergenerational mobility and the negative correlation between cross-sectional inequality and intergenerational mobility, namely, the increase in return to human capital and educational cost, as well as the decentralization of government expenditure on education. Results imply that in China the inequality may increase in the future.

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Abstracts from Keynote Speech

Professor Yew-Kwang Ng (Nanyang Technological University)

Are Unrealistic Assumptions/Simplifications Acceptable? Some Methodological Issues in Economics

Are unrealistic assumptions acceptable? If results are not changed in a misleading way, they are acceptable. The same assumption may be acceptable in one context and not in another. Assuming identical pairs of individuals in the Parity and Limit Theorems in general equilibrium theory is acceptable as results are not changed substantially. The alleged equivalence of the first and second-price auctions is based on misleading assumptions; Coase s case against taxing pollution is based on a misleading all-or-nothing comparison. The contrasting results (neutrality versus non-neutrality of money) of perfect vs. imperfect competition in macroeconomics with important real-world policy relevance are also used to illustrate the point.

Session 4A Economics of Education

Author: Peter Hinrichs (Federal Reserve Bank of Cleveland)

Title: What Kind of Teachers Are Schools Looking For? Evidence from a Randomized Field Experiment

Teacher quality is a pressing public policy concern, yet there is little evidence on what types of teachers schools actually prefer to hire. This paper reports the results of an experiment that involved sending schools fictitious resumes with randomly-chosen characteristics in an attempt to determine what characteristics schools value when

background has little impact on the likelihood of success at private and charter schools, although public schools respond more favorably to candidates from more selective colleges. Additionally, private schools demonstrate a slight preference for female candidates, and all three sectors demonstrate a preference for in-state candidates.

Author: Aaron Sojourner (University of Minnesota)

Title: Early Production of Cognitive Skill: Evidence from Randomly-Assigned Childcare Prices and Pre-natal Investments

This paper estimates the production function for early cognitive skill as a function of innate endowment, pre-natal influences, and post-natal influences. To disentangle the production technology from maternal preferences, we develop a model of maternal choice of child human-capital investment, consumption, labor, and leisure and study the properties of optimal choices. We take the model to data from the Infant Health and Development Study (IHDP), which recruited at birth 985 children born low-birth-weight and premature. Data on pre-natal care choices, made under the veil of ignorance with respect to child endowment, are used to proxy for maternal tastes. A treatment group was randomly assigned the offer of 1 year of weekly home visits followed by 2 years of free, full-day, high-quality care at a child development center. In our model, treatment constitutes a shock to the price and availability of high-quality care. Maternal responses with respect to parenting effort, maternal time use, and other margins are studied. We estimate parameters of the early cognitive skill production function with particular attention to the degree of productive complementarity between (1) pre-natal and age 0-3 investments (inter-temporal complementarity as in Cunha and Heckman 2008) and (2) maternal and non-maternal post-natal care (intra-temporal complementarity as in the literature on the effects of maternal employment).

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Session 4B Industrial Organization II

Author: Daniel Zhiyun Li (Durham University)

Title: Optimal Advertising to Consumers with Differentiated Preferences

We study the optimal advertising of product attributes to consumers with differentiated preferences, in the case of a monopoly seller. Consumers valuations depend on the match between the product attribute and their preferences. Informative advertising has the universal effect of risk-reduction for all consumers, and the idiosyncratic effect of improving the match between the product and the target consumers.

We first provide a close-form solution on the relationship between signal precision and the distribution of consumers' posterior valuations. We then prove that advertising drives the clockwise rotation of the demand curves, and the demand curves satisfy the single-crossing property, which implies that for more precise signals, the optimal prices are higher. And the profit maximizing information can be intermediate, which is in contrast to the result in the literature. Furthermore, we also show that social welfare loss under monopoly stems from two sources: one is the monopoly price, and the other is information, as the monopoly seller generally reveals less information than socially optimal level. And a standard subsidy scheme by a regulator, that induces equal-to-marginal-cost price, will encourage the monopoly seller to reveal even less information.

Author: Lan Zhang (Southwestern University of Finance and Economics)

Title: Low Price and Limited Supply Signal Product Quality

We explicitly study the role of word-of-mouth communication in a signaling model. We identify the conditions under which word-of-mouth communication is necessary for signaling and find that the high-quality firm could use both low price and limited supply to signal its quality. In contrast with Milgrom and Roberts (1986), our results do not rely on repeat purchase, however information diffusion plays a crucial role in our model.

Author: Bo Li (Liaoning University)

Title: The Adjustment of Government Functions in Japan's Corporate Governance Reform

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between the government and enterprises. Among these relat -

which resulted in a prolonged period of economic stagnation, the effectiveness of this traditional system has come into question. The current economic situation in Japan calls for adaptive changes in the corporate

governance system which, in turn, calls for a corre

-term goal of deepening the Market. By taking these steps, Japanese companies have made great strides in improving their financing structure, their governance frameworks, and their employment forms, and they are showing more market-oriented, open and diversified characteristics. The terprises in Japan is less rigid and more flexible than in the

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Author: Tianle Zhang (Lingnan University)
Title: Tort Law and Innovation Incentive

This paper studies the effect of stricter tort law on innovation incentive. Traditional studies argue that stricter tort law hinders product innovation because firms will not risk releasing innovative products for fear of unforeseen liability. In this paper, we show that stricter tort law may promote innovation under an asymmetric duopoly when two firms differ in the cost of safety production. In our model, when liability costs become sufficiently large which causes the less innovative firm to exit the market, the market expansion effect provides more incentive for the more innovative firm to conduct safety and product innovation. We discuss how our results relate to the Calabresian idea (Calabresi, 1970) that the costs of accidents should be shifted to cheaper cost providers.

Session 4C Games, Auctions and Mechanism Design

Author: Zhewei Wang (with Jingfeng Lu) (Shandong University)
Title: Optimal Design of Multi-dimension Tournaments

Multi-dimension tournaments/contests, which refer to situations where players compete for prizes by exerting effort in multiple dimensions, are commonplace in reality. In an extended multi-dimension version of Lazear and Rosen (1981), where perceivable output in every dimension is determined by one's effort and a random shock. We analyze a situation where the contest designer with a fixed budget for prize(s) chooses between running a grand K-dimension contest where all players compete in all K dimensions and having a number of divided subcontest where in each contest all players compete in fewer dimensions. We show that, when random shocks follow a number of commonly-used symmetrical distributions (such as normal, uniform or triangular distributions, etc) with symmetric players the grand K-dimension contest generates higher payoff for the contest designer than any set of divided subcontests does. When players become more imbalanced asymmetric, the grand contest becomes less likely to dominate the divided subcontests and thus, will generate less payoff when players become sufficiently asymmetric; when players are balanced asymmetric, the divided contests are always dominated.

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Author: Tianyang Xi (Peking University)
Title: Elections as a Conflict Processing Mechanism

We examine the conditions under which societal conflicts are peacefully processed by competitive elections when the contending parties can revert to force as an alternative. We show that the viability of the electoral mechanism depends on the balance of military force, the sharpness of divisions within a society, and institutions that moderate policies implemented by winners of elections. For elections to be held and their outcomes to be respected, the probabilities that they would be won by incumbents must bear an inverse relation to the magnitude of policy changes resulting from elections. Elections are competitive when their outcomes make some but not too much difference. Constraining the scope of policy divergence associated with outcomes of elections increases the range of the balance of force under which elections are competitive in divided, but not in homogeneous, societies. Hence, competitiveness of elections and constitutional constraints on policies of the winners the norms being promoted as essential for democracies do not always go together.

Author: Minbo Xu (Beijing Normal University)
Title: All-Pay Auctions with a Buy-Price Option

Consider an all-pay auction for a product in which there is an option for bidders to guarantee purchases at a seller-specified posted price at any time. We analyze the symmetric pure-strategy equilibria in the first- and second-price all-pay auctions with a buy-price option. Under these equilibria the buy-price option will affect high-value bidders' bidding behavior, and increases their surplus. Provided the seller chooses the optimal posted price to maximize the (expected) revenue, the first- and second-price all-pay auctions maintain revenue equivalence.

Author: Gyoung-Gyu Choi (Dongguk Business School)
Title: Respect Games

In this paper, we define the respect game. In a respect game, a player who respects another chooses the strategy by taking account of the payoff of the player he respects. We define the R-Nash equilibrium in the respect game, and prove the existence of the R-Nash equilibrium
establish the indifference theorem which shows that in two-person symmetric/quasi-symmetric games, each strategy equilibrium is the same in the original game and in the respect game.
Given that we discuss the repeated respect game in which the respect relation is updated as a consequence of the choices of the players. Finally, we briefly discuss the implication of general respect on cooperation in the society.

Session 4D Trade and FDI

Author: Mahdi Asgari (University of Kentucky)

Title: Trends in United States - China Commodity Terms of Trade: A Case of Heterogeneous Goods

The long run trend in the relative price of primary commodities and manufactures has been the center of various researches including Cuddington (1992), Kellard and Wohar (2006), Ghoshray (2011), and Ghoshray (2013). The main focus of these studies is to explain the dynamics of the movements in the price index of 24 individual primary commodities relative to manufactures unit value index, proposed by Grilli and Yang (1988).

In order to tailor the policy suggestions to the needs of a specific country, two issues should be reconsidered in constructing terms of trade. The first one is to construct the terms of trade index using country-specific trade data and the second one is to consider a proper index for heterogeneous commodities in the study.

The trade composition of a country is diverse and includes a significant share of heterogeneous goods. Changing the composition of trade and quality improvements of goods are the main sources of heterogeneity over time which lead to quality bias in price indexes. Although primary commodities such as tea, coffee, rubber, cotton, and vegetable oils are also subject to quality improvements through increasing pre-export processing treatments, ignoring such bias is more acceptable compared to manufactures and processed food products for which, the issue is more significant. In this case the alternative measure would be using unit values which can reflect product quality and heterogeneity.

The contribution of this paper is to address these two issues by using data from United States trade with China in processed food industry. Unlike the literature that uses annual data, we use monthly data since the volatility of goods prices is higher in the short term (Baxter and Kouparitsas 2000); thus identification of shocks in higher frequency data would be more accurate. Processed foods, in their production factor intensity, are not quite similar to manufactures but clearly distinct from primary commodities. However, the processed foods price is expected to follow the dynamic aspects of agricultural primary goods price series due to the linkages between them (since the latter category is typically the input for the former). The main goal of this paper is to examine the long-run trend and to determine the existence and duration of shocks to US processed food exports to China and compare the results with the previous findings about primary commodities.

Author: Jin Zhang (University of International Business and Economics)

Title: Parallel Developments of Trading Blocs in Asia: A Game Theoretical Explanation

In last three decades, rapid expansion in trade has accelerated the process toward regional economic integration in Asia. Compared to relatively unified trading regime in Europe (like EU) and North America

(like NAFTA), the regionalism in Asia exhibits a parallel pattern with two competing trading blocs. Specifically, there are two kinds of regionalism in Asia. One is called East Asian regionalism which is taking place within and between Northeast Asia (Japan, Korea, China, Chinese Taipei, Hongkong) and Southeast (Malaysia, Thailand, Laos,...). The other is Asia Pacific Regionalism which refers to integration through trade and investment of "Pacific Rim" (East Asia, North America, Australia, Pacific South America). This pattern is examplified by the coexistence of APEC and ASEAN plus three in early 2000.s, and the confrontation of TPP (Trans-Pacific Partnership) and RECP (Regional Comprehensive Economic Partnership) since 2009. APEC or TPP is described as Asia-Pacific based, United States-led projects, while ASEAN or RCEP is East Asia-centered projects. They are frequently described as rival trading blocs led by different leaders. This paper designs a network formation game to explain this phenomenon. Same as the existing literature, this paper assumes that Global Free Trade yields a larger surplus than any other configurations, thus the achievement of globalization is inevitable. However, different from the existing work with homogenous countries, this paper assumes that two large countries strive for a leadership in any PTA that they want to form. Specifically, in a four-country setting with two large and two small countries, the trade network formation process is divided into two steps. In the first step, two large countries sequentially negotiate free trade agreements with other countries, aiming to seize the leadership of the established bilateral FTA. We show how the strategic interaction between two large countries shape the choice between different trading structure, and we identify the circumstance in which the parallel trading blocs is the equilibrium outcome. In the second step, after observing outcomes in the first step, all countries consider about globalization and how to achieve it. We are interested in how countries. strategic behavior affect the equilibrium path.

Author: Farrukh Nawaz Kayani (COMSATS Institute of Information Technology)
Title: Chinese Rationale of Free Trade Agreements and China-Pakistan Free Trade Agreement

In East Asia Free Trade Agreements (FTAs) are proliferating at enormous pace despite being the latecomer as compared with Americas and Europe. In East Asia FTAs started to mushroom after the Asian Financial crisis of 1997. The East Asian economies were disappointed with the way the IMF handled the crisis, especially in Thailand and Indonesia. Presently, there are over 100 FTAs at different stages of improvement in East Asia. China is also actively engaged in FTAs like the other East Asian neighboring nations. In this paper we have discussed in detail that why China is pursuing FTAs? We also analyzed that whether FTAs undermine the WTO approach of upholding a liberal and multilateral exchanging framework. Whether FTAs are building or stumbling blocks? Lastly, China-Pakistan Free Trade Agreement of 2007 has

decrease its chronic trade deficit with China by utilizing the increased market access given by China.

Pakistan can also reduce its overall trade deficit by diverting its exports from traditional destinations to the new 1.3 Billion consumer base of China.

Session 4E Applied Economics

Author: Han Qi (Hong Kong Baptist University)

Title: Fragmentation, Global Trade and Gravity

In this paper, we develop a Ricardian model of comparative advantage in tasks of production, by modifying the Eaton and Kortum (2002) framework. We model fragmentation in a multiple-country setting, taking into account trade costs. The model is able to explain the large gap between bilateral gross trade and bilateral trade in value-added. Furthermore, we derive a gravity equation that captures fragmented production and trade within radis wit4(h)11(i)ch[ )]TJETBT1 0 0 1 143.04 522.31 Tm[ )]TJETBT1 0 0 49.17.04 522.31 Tmi6(t)-4(s)9

study suggests that the relationship is not predetermined but driven by the rate of technical progress that is in turn determined by the allocation of innovation rent. Under proper institutions that reward activities according to their social contributions, with higher per head income and production surplus in an economy, more and more people can afford to conduct risky innovative ventures. Larger domestic market size also expands the expected and realized return of successful ventures. Therefore, higher per head GDP can potentially generate a virtuous cycle of technical advances and development. This virtuous cycle will result in continuous high level of income inequality along with a rapid increase in technical advances and per head income. In the empirical part of this paper, we provide some evidences to validate the possible co-evolution among the related variables and quantify the importance of income allocation in attaining sustained economic growth. Our results suggest that with proper institutions, advanced countries can escape the

Author: Sung Ko Li (Hong Kong Baptist University)
Title: The Competitiveness of Factor-driven Countries: A Data Envelopment Analysis

Applying the method of efficiency and productivity measurement, this paper studies the competitiveness of factor-driven countries from a new angle. We point out that countries can consider improving competitiveness through proportionally expanding all dimensions or changing dimension mix. This issue has not been systematically investigated before. In particular, it is shown that foreign aids to developing countries, similar to Tjønneland (1998), may have bad impacts on their economic development.

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Session 5A Industrial Organization III

Author: Yue Qiao (Shandong University)

Title: Optimal Two-part Tari Licensing Contract in Cournot Competition under Asymmetric Information

This paper considered a model of patent licensing with a feature of asymmetric information. We got an optimal two-part tariff licensing contract under Cournot competition when the patentee is also one of producers in the market and extended the model to three firms. The result aims to guide the patentee maximize its profits and therefore promote innovation among firms.

Author: Chenhang Zeng (Shandong University)

Title: A Note on Endogenous Heterogeneity in a Duopoly

This note extends the simultaneous-move endogenous technology choice model of Mills and Smith (1996) in two directions. First, expanding consideration to when the technology set is sufficiently convex, we find that the likelihood for asymmetric equilibrium in technology choice does not expand under simultaneous moves. Second, introducing sequential moves in the technology choice stage, we find that (i) if the technology set is insufficiently convex then the same amount of asymmetry is obtained as under simultaneous moves, (ii) if the technology set is sufficiently convex then sequential moves lead to more asymmetric technology choices, and (iii) the first mover always chooses a more efficient technology in any asymmetric equilibrium.

Author: Hongkun Ma (Shandong University)

Title: Analysis of Endogenous Cross-Holding in Oligopoly

Although various aspects of cross-holding have been scrutinized by researchers, the dimension of the way of cross-holding has been largely neglected thus far. This paper studies -holding structure in an industry with one acquiring firm and a certain number of potential acquired firms. We show that cross-holding arises in equilibrium if and only if there are some relatively large potential acquired firms. Furthermore, we demonstrate that the acquiring firm should rank potential acquired firms in order of descending sizes and successively purchases the maximum amount of stock from each acquired firm until its budget is reached or no more potential acquired firms in the industry.

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Session 5B Labour and Education

Author: Tong Wang (Shandong University)
Title: Expectation Effects of Regime Shifts on Labor Market Dynamics

This paper analyzes how potential regime shifts in the economy have contributed to the severe downturn and stagnant recovery in the labor market. An economic agent with rational expectations should use all information available to form expectations and therefore the possibility of future regime shifts should be incorporated into his information set. In this paper, despite the current regimes in the economy, agents consider how the regimes will unfold in the future and form their expectations based on the probability of regime shifts. I consider possible regime shifts of
autocorrelation structure of the shock process. The anticipation of reg
and feeds back to labor market dynamics.

Author: Jianning Kong (Shandong University)
Title: Improved Two-Sample Comparisons for Bounded Data

The goal of this paper is to establish new testing procedures for comparing two independent and bounded samples. The paper begins with a brief literature review of the best traditional tests available. These tests are then applied to two canonical examples of bounded data in public good games, revealing the problems of these traditional methods. Next, a new test for equal distributions is constructed using the sample moments, since the moments determine a bounded distribution up to uniqueness. When the underlying distributions of the two samples are beta, testing for equal first and second moments becomes equivalent to testing for equal distributions. This paper shows that the bootstrapped one-sample Kolmogorov-Smirnov test can be used for testing the null that the sample is drawn from the beta distribution. Next, a new central tendency test is developed using skewness. These newly-developed methods are found to perform well in the finite sample through Monte Carlo simulation and through application to the canonical examples.

Author: Dongpeng Liu (Nanjing University)
Title: On the Rising Educational Requirement for Job Application and Skill Mismatch in China

This paper extends the search and matching model to explain the following well observed recent changes in China s labor market outcomes. First, some firms require their job applicants to have higher educational achievements even though the job duties essentially remain the same. Second, current college graduates suffer more from unemployment compared to their predecessors. Third, more college graduates search for low-skill jobs, which indicates overeducation at the college level. Forth, current college graduates

earn lower wages. The author attributes these changes to the decrease of the expected productivity of college graduates, which in turn is triggered by the significant increase in the supply of higher education.

Session 5C Income Equality

Author: Guoqiang Li (University of Macau)

Title: An Empirical Approach to Rising Inequality and High Saving in China

This paper examines potential factors contributing to the originally high and recently rising rate of aggregate saving in China. We find strong evidence that the high and rising level of income inequality in China is a significant mover of its savings glut. Behavioral inertia, life expectancy, aggregate income, and industrial structure are also found to be responsible for high saving which, however, is somewhat alleviated by rising old dependency under population ageing. The policy implication of our findings is that a corrective redistribution of income in favor of the working class is urgently needed for China to boost depressed

Session 5D Trade and FDI II

Author: Hongyong Zhang (Research Institute of Economy, Trade and Industry)

Title: Export and Markups: Evidence from China

The models of international trade with heterogeneous firms have predictions on the relationship between firm's export status and markups, but few empirical studies investigate this relationship. In this paper, following De Loecker and Warzynski (2012), we recover firm-level markups from Chinese production data. We examine the percentage difference in markups between exporters and non-exporters by ownership. We provide new evidence that markups differ significantly between domestic and foreign exporters in China. Foreign firms charge higher markups than domestic firms and that markups increase upon export entry. We explain our findings from the viewpoint of product quality and export prices.

Author: Wen Yue (Shanghai Jiao Tong University)

Title: The Effect of Trade Liberalization on Firm's Markups: Evidence from China

This paper examines how firms' markups respond to trade liberalization. Much empirical literature has studied the effects of trade liberalization on firms' markups. For example, Levinsohn (1993), Harrison (1994), Krishna and Mitra (1998), and Konings et al.(2005) all report reduced markups when firms are exposed to intensified competition. But these studies usually use import penetration as a proxy for trade liberalization, or they do not distinguish between output tariffs and input tariffs. Using Indias trade liberalization episode, De Loecker et al (2012) find that price declines are small relative to the declines in marginal costs, which fall predominantly because of the input tariff liberalization, the reason is that firms offset their reductions in marginal costs by raising markups. In this paper we use China's accession to WTO to examine how firms respond to trade liberalization through adjusting markups. We first calculated firms' markups by using a new approach developed by De Loecker and Warzynski (2012),this method introduces the notion of a control function to control for unobserved productivity in the estimation of the output elasticity of a variable input, which, combining with standard first-order conditions on cost minimization, generate estimators of firm-level markups without imposing assumptions on the demand and market structure faced by firms. To measure trade liberalization, we construct firm-level output tariffs and input tariffs using highly disaggregated Chinese transaction-level trade data and firm-level production data from 2000 to 2006,and then we examine how trade liberalization affects firms' markups. The results show that lower output tariffs can decrease markup through inducing tougher import competition, input tariffs liberalization can also decrease markup by inducing more firms entering. Our paper makes two contributions. First, it enriches the understanding of the impact of trade liberalization of China on firms market power, and how producers and consumers benefit from trade liberalization. A large number of studies have focused on the impact of trade liberalization on productivity. To our knowledge, this is the first attempt to study the impact of trade

liberalization of China on firms markups. Second, by constructing firm-level output tariffs and input tariffs, the paper thoroughly explores the impact of output tariffs and input tariffs decline on firms markups. By doing so, this paper fills in the gap that most existing research ignores the effect of input tariffs decline on firms markups.

Author: Heiwai Tang (Johns Hopkins University)
Title: Trade Induced Quality Upgrading: The Impact of Competition from China at Home and Abroad

This paper studies how firms in developed countries react to large import competition from low-income countries, by upgrading their products produced and exported. We use detailed transaction-level data (domestic and foreign intermediate inputs, as well as output and export varieties) of textile producers in Portugal for our analysis. To identify import and export competition shocks, we use the expiration of Multi-fiber Agreement (MFA) quotas on Chinese textile exports in 2005. Despite the sharp increase in the Chinese textile exports to Portugal and its foreign markets after the MFA liberalization, Portuguese textile exports, in absolute terms and as a share in total exports did not drop. We find that for the textile producers that are affected by the export shocks, the average unit values of both intermediate inputs and products increased after 2005, relative to the unaffected producers. Within a firm-product, prices of output, exported products, and imported but not domestic intermediate inputs increased. Collectively, our results show that in response to competition from China, Portuguese firms upgrade product quality by insourcing more input production, purchasing more expensive inputs from domestic and foreign suppliers, expanding product varieties but decreasing export varieties. Quality upgrading and specialization in core products was mostly observed for the upper-middle range of the firm-size distribution, consistent with Bustos (2011) and our model.

Session 6A R&D and Financial Markets

Author: Jun Wu (Shanghai Jiao Tong University)
Title: Finance Development and Innovation: The Role of Political Institution

This paper examines the effects of financial development and political institutions on innovation based on a dataset covering 67 countries over 1970-2010. We find that financial development only promotes

market and an improvement of intellectual property rights (IPR) protection are channels through which democratization of political institutions induces the innovation enhancing effect of financial development. The positive complementary effect between democratic political institutions and stock market development on innovation increases with country income, and stock market development is more effective in promoting

high-quality innovation when political institutions become more democratic. Further, tightening the constraint on power of leaders and opening up the executive recruitment process are more effective than promoting political competition to foster innovation. Our findings are robust to the use of alternative measures of democracy, innovation and financial development.

Author: Hua Shang (Southwestern University of Finance and Economics)
Title: Credit Market Development and Firm Innovation: from the Perspective of Financial Resource Allocation

From the perspective of financial resource allocation, this paper analyzes the effect of credit market development on firm innovation in China. Using a large data set of Chinese firms in 31 provinces, we find

abilities. Our further analysis shows that firms which operate more efficiently tend to be affected more by credit market development than others.

Previous researches all concentrated on how the ratio of bank credit on GDP affects firm innovation or economic growth. To the best of our knowledge, there is no research investigating the effect of credit market development on firm innovation, from the perspective of financial allocation. We intend to fill up this gap. For the credit market development in China, financial resource allocation is as important as the increasing the total number of credit.

Unlike the previous researches which use the country level credit market development, we also contribute to the literature by using provincial-level credit market development. We analyze how the

vative abilities.

Author: Hua Yin (Southwestern University of Finance and Economics)
Title: The Impacts of the China Growth Enterprise Market on the Main Board

In this paper we evaluate the impacts of the introduction of the China Growth Enterprise Market Board (GEM) on the Main Board using a counterfactual analysis. We exploit the dependence of stock indices among different economic entities and construct the counterfactuals using stock indices of other countries and regions. From November 2009 to April 2010, we find that the introduction of GEM has reduced the index return of CSI 300 index by 0.24%, trading volume by 7.46% and volatility by 1.66%, respectively. In the end, we discuss the relationships between index return, trading volume and volatility.

Session 6B Chinese Economy II

Author: Jaimie W. Lien (Tsinghua University)
Title:

Fukuyama, 1995; Knack and Keefer, 1997; Zak and Knack, 2001), as well as an indicator of the current

attitudes. We report on differences in three trust indicators a
representative survey of undergraduate students (CCSS) conducted in 2011. We find there are significant related
with average per capita income by province. Financial or property trust is notably concentrated along -most provinces, and is positively correlated with provincial income and income inequality. Willingness to inter
and is negatively correlated with provincial income and income inequality. The results point to the importance of regional conditions in developing the trust attitudes of young people.

Author: Danli Wang (The Chinese University of Hong Kong)
Title: Owner-cultivator legacies and Contemporary Economic Development in China

In this article, we examine differences in the percentage of owner-cultivators in the rice-growing southern region and the wheat-growing northern region of China as a means to estimate the effect of private property protection on economic performance. Differences in the percentage of owner-cultivators are found to have generated significant variations in the protection of private property. During the agrarian era in China, the majority of wheat-growing owner-cultivators in the north possessed little bargaining power with the local government over protection of properties. This contrasted to the majority of big landlords of the southern region, who did possess the leverage to do so. By using the percentage of owner-cultivators as an instrument for current private property protection, we are able to demonstrate the significant effect of private property protection on income per capita, further indicating the role of the physical environment in determining private property protection.

Author: Yongzheng Liu (Renmin University of China)
Title: Fiscal Decentralization, Equalization, and Intra-Provincial Inequality in China

Using a nationwide county-level panel dataset for the years 1995-2009, this paper conducts the first analysis in the literature to examine the impacts of fiscal decentralization and fiscal equalization, both measured at the sub-provincial level, on intra-provincial inequality in China. While fiscal decentralization

offers significant advantages regarding public expenditure efficiency, a potentially large disadvantage is that it may lead to increased regional inequality. In this paper, in line with our theoretical predictions, we find that while fiscal decentralization at the sub-provincial level in China leads to larger intra-provincial inequality, fiscal equalization efforts performed by provincial governments tend to mitigate the detrimental effect of fiscal decentralization on intra-provincial inequality. Our results also indicate that the quantitative effects of fiscal decentralization on regional inequality tend to be larger when they are measured from the expenditure side, which is consistent with the fact that expenditure decentralization is a much more meaningful measure of decentralization in China. Overall, in this paper we provide evidence on the potential inequality costs of using fiscal decentralization as a development strategy. At the same time, we emphasize the importance of implementing a fiscal equalization program to ensure the overall success of decentralization policy.

Session 6C Macroeconomics

Author: Mingming Jiang (Shandong University)

Title: Monetary Shocks, Asset Pricing, and Asymmetric Effects: with an Application to the Chinese Stock Market

Using a simple theoretical framework, this paper provides the micro-foundation of applying VAR models to explore the impacts of monetary shocks on stock market fluctuations. We analytically show that liquidity and their corresponding risk aversion, which is then channeled to the investment

monetary shocks have inter-temporal effects on stock pricing. Therefore, volatility of monetary shocks and stock prices should be treated as a unified vector system which is auto-correlated.

Based on the theoretical framework, this paper further studies the effects of different forms of monetary shocks on the Chinese stock market over the period 2005 to 2012 with a MSVAR-EGARCH model. Our empirical evidence shows that monetary shocks in China have significantly asymmetric effects on the stock market over different market cycles. The non-linear model suggests that changes in monetary policy increase stock market volatility, even though these monetary policies are often aimed at stabilizing macro-economic activities.

Author: Daoju Peng (The Chinese University of Hong Kong)

Title: SOE and Chinese Real Business Cycle

Chinese real business cycle (henceforth, RBC) exhibited its unique pattern, which is characterized by moderate consumption volatility, substantially low investment volatility, and acyclical trade balance. These features are in contrast with business cycles in other emerging markets and cannot be explained well by

existing emerging market RBC theories. Motivated by the facts that China undertook dramatic and persistent reform on State-owned Enterprise (SOE) in the past thirty years, we construct a full-.edged general equilibrium model with SOE sector and show that the model does a fairly good job to account for the above features. The two dominant driving forces are the shock to the share of downstream SOE in manufacturing sector and the shock to upstream SOE.s monopolistic position. These two shocks together can explain 85 percent of output volatility, 79 percent of consumption volatility, 72 percent investment volatility, and 57 percent of the volatility of trade balance-to-output ratio. Relatively speaking, standard shocks such as permanent productivity shock, credit shocks, country risk premium shocks, and preference shocks are less important in explaining Chinese economic fluctuations. Our results show that Chinese real business cycle may be affected substantially by domestic policies on resource reallocation through endogenous TFP fluctuations.

Author: Tao Peng (Southwestern University of Finance and Economics)
Title: Macroeconomic Volatility and Prudential Macroeconomic Policies in China: Evidence from an Estimated DSGE Model

We use a new Keynesian DSGE model that features an endogenous leverage ratio to demonstrate that the Central Bank of China can contain the volatility of the economy by employing a countercyclical credit policy. The effectiveness of the countercyclical credit policy is positively related to the size of the credit market. We also attempt to identify the possible origins of business cycles in China. We find that technology shocks are the main drivers of output fluctuations over both the short-run and the long-run.

Author: Na Zuo (University of Kentucky)
Title: Crowding-out Effect or Institutions? Resource Curse Revisit with Investigation of Chinese Provinces

The phenomenon of low economic growth in resource-rich regions is recognized as

Chinese province level. Of two widely offered explanations for the resource curse, our analysis supports the crowding-out effect in China rather than the institution explanation. Education and R&D are the two main crowded-out factors.

Session 6D Poverty

Author: Haftom Bayray Kahsay (Lingnan University)

Title: Risk, Poverty and the Impacts of Weather Index Insurance: Evidence from Rural Households in Northern Ethiopia

In many developing countries, rural farmers are highly vulnerable to weather shocks which create uncertainties on their consumption, income and wealth. In response to an exposure to weather risk, farmers adopt vigilant farming behavior. Because of poor credit and insurance markets, they adopt costly risk management and coping strategies to smooth their livelihoods. This study assesses welfare and ex-post effects from the introduction of weather index insurance. The study attempts to address the following key impact questions: Does weather index insurance enhance welfare? Does it provide sufficient protection to increase the coping ability (resilience) of farmers against weather shocks? Does weather index insurance induce farmers to take greater risk and allow them to be engaged in higher productive farming activities? We also investigate how it affects different segments of the society (extremely poor, poor and relatively rich segments). The study will apply field-quasi-experimental approaches and use rural household panel data collected from Northern Ethiopia.

Author: Shaoping Li (University of Chinese Academy of Sciences)

Title: Parental Migration and Left-Behind Children's Educational Aspirations in Rural China

In China the migration of people from rural to urban areas has increased dramatically over the past three decades. From 1983 to 2013, the number of rural-to-urban migrant labors in China grew more than 80 folds, from 2 million to 166 million. Those children who remain in rural areas while their parents migrate to the cities for work are called *left-behind* children. The number of left-behind children has been increasing at a high rate. In 2013 an estimated 61 million left-behind children approximately 38% of all rural children and 22% of all children in China were living in rural areas when their parents were living and working in the urban areas.

Many observers of China agree that migration has important implications not only to poverty alleviation, but also to the growth of the entire economy. However, migration is not costless. In recent years there has been an emerging concern about the effect of parental migration on the development of left-behind children. Researchers have been exploring answers to questions about the effect of parental migration on left-child development outcomes, mainly academic performance, enrollment and health, and the results are inconclusive. Despite the lessons that can be learned from these studies, cautions have to be taken when interpreting these results. In many cases, the endogenous nature of the migration decision was not considered so that the results might be biased.

International literature has identified educational aspiration as an important predictor of educational attainment, and it has important implications for reducing the intergenerational continuity of poverty status. Despite the importance of this issue, to our knowledge, there have been almost no studies that empirically examine the effect of parental migration on the educational aspiration of left-behind children in the context of China.

The overall goal of this paper is to examine the effect of parental migration on the educational aspiration of their left-behind children. To achieve that goal, we take the following steps. We first describe the educational aspirations of left-behind children in rural China. We do so by drawing on the data we recently collected using a survey of more than 6,000 students at 36 public rural junior high schools in 5 poor

migration on left- ations. We seek to overcome the endogenous nature of the migration decision by two strategies. One is to instrument parental migration status with whether there is any kid under 6 years in family. The other is to apply the propensity score matching (PSM) method. Third,

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Abstracts from Keynote Speech

Professor Kamal Saggi (Vanderbilt University)

Compulsory Licensing and Patent Protection: A North-South Perspective

In a stylized model involving two agents .a developing country (called South) and a foreign patent-holder .we analyze how the incidence and social value of compulsory licensing (CL) depends upon the South s patent protection policy. We show that if the South is free to deny patent protection, not only does CL fail to arise in equilibrium, the option to use it makes both parties worse off. Furthermore, being able to use CL reduces the South s incentive for patent protection. However, if the South is obligated to offer patent protection (say due to its membership in an international organization such as the WTO), CL occurs in equilibrium and can even make both parties better off. CL is more likely to occur if price is negotiated between the two parties compared to when it is set unilaterally by the patent-holder. If the South can impose a price control, the patent-holder is willing to sell at a lower price if its patent is protected relative to when it is not. Thus, the ability to dictate price makes patent protection more attractive to the South while the option to use CL has the opposite effect.

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Abstracts from Keynote Speech

Professor Ian Crawford (Oxford University)

Home AEqualis: A Structural, Cross-Society Analysis of Three Bargaining Games

Data from three bargaining games played in 15 remote societies are presented. The societies range from US college students to Amazonian, Arctic, and African hunter-gatherers. Behaviour within the games varies markedly across societies. The paper investigates the question of whether maximising behaviour with other-regarding preferences can explain this behavioural diversity. The parameters for the preferred model are identified and their global heterogeneity is described. The paper considers whether preference heterogeneity across these communities is primarily associated with variation in individuals' characteristics or variations in societies.

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Appendix 1 – Hotel

Hotel Information

Guests from outside Jinan could choose to check in at the University Hotel or NSHT Hotel.

University Hotel	
Jinan NSHT Hotel	

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Appendix 2– Transportation

How to Get to the Hotel From the Airport

Take a Taxi: Jinan International Airport is about 35 kilometers away from University Hotel and NSHT Hotel. Take a taxi outside of the arriving hall directly to the hotel. It take about 40 minutes without traffic jams. It costs less than 130RMB and no tips are expected.

Shuttle bus: Shuttle bus service is also available at the airport and there is a route that goes to downtown area ( ). Ticket counter is on the north side of Exit 3 and 4 on the arriving hall. It costs 20 RMB and departs from Exit 3 and 4 after each landing. It will take a little longer than taxi. When you get off the shuttle, you are advised to take a taxi to the hotel. It will take 20 minutes without traffic jams and cost less than 20 RMB.

How to Get to the Hotel From the Train Station

Take a Taxi: There are three railway stations in the city, Jinan Railway Station, Jinan West Railway Station and East Railway Station. Most of the high-speed train will arrive at Jinan West Railway Station or Jinan Railway Station. You are strongly recommended to take a taxi outside of Train Station Exit directly to the hotel. It will take 40-50 minutes from Jinan West Station and 20-30 minutes from Jinan Station to the hotel without traffic jams.

Note: The taxi driver may not be able to speak English and please show him the card below after you getting in the car.

山东大学中心校区（Shandong University）
济南市山大南路 27 号

学人大厦(Shandong University Hotel)
济南市山大南路 27 号山东大学校内

济南倪氏海泰大酒店(NSHT Hotel)
济南市二环东路 3690 号

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Appendix 3 – Shuttle Bus Information

For scholars staying at Jinan NSHT Hotel: The hotel is a little bit far from the conference hall, so we will arrange the shuttle bus to take you to the conference hall in the morning and take you back after dinner during the conference days. If you want to do some walk, please tell us in advance, so you will plan 20 minutes at least for exercises following the route.

SCHEDULE

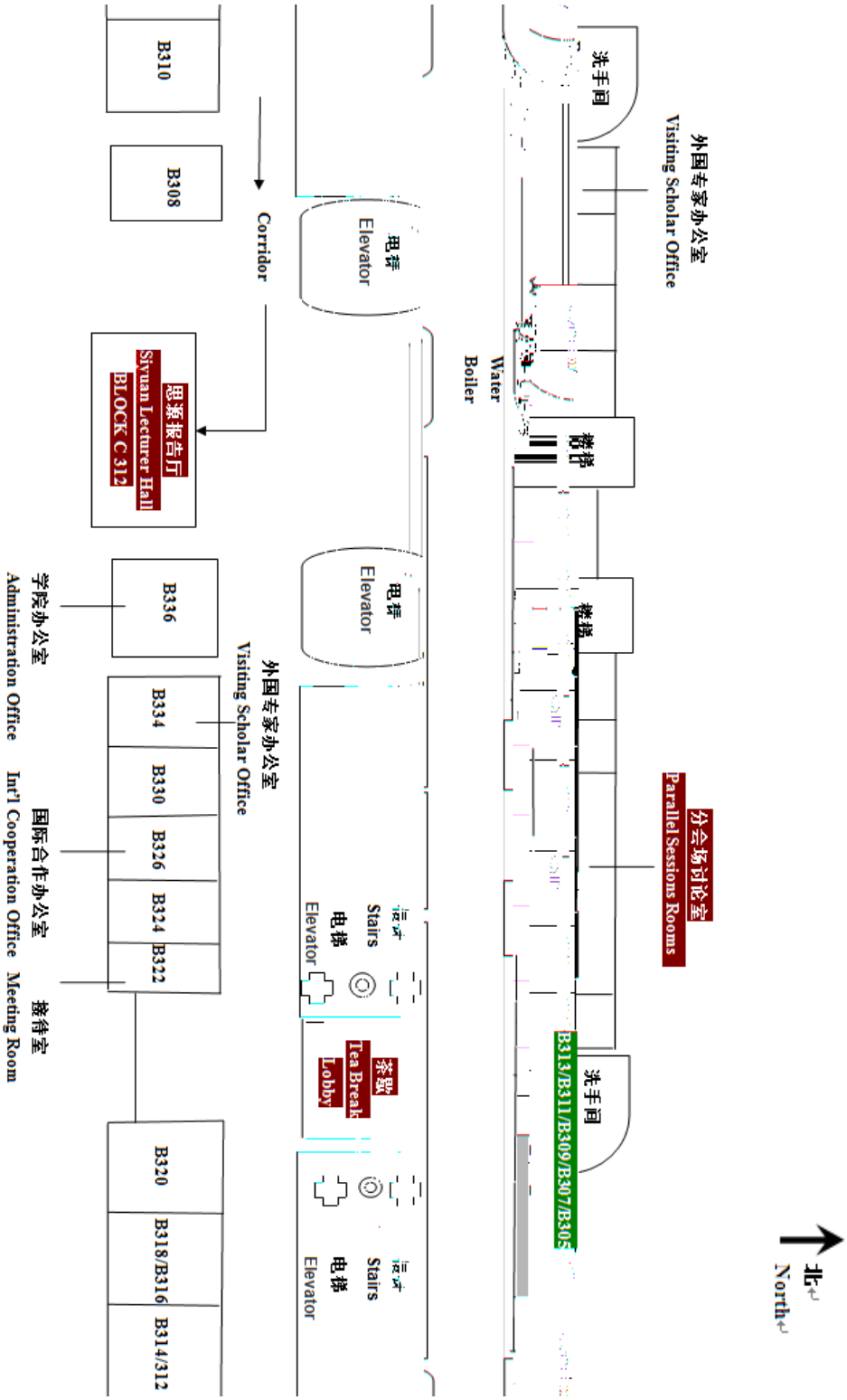
13 December, 2014
8:00 AM Departure: Main Entrance of Jinan NSHT Hotel
Arrival: East Gate of Block C, Zhixin Complex, Shandong University
19:30 PM Departure: Main Entrance of University Hotel
Arrival: Jinan NSHT Hotel

14 December, 2014
8:20 AM Departure: Main Entrance of NSHT Hotel
Arrival: Block B, Zhixin Complex, Shandong University
19:30 PM Departure: Main Entrance of University Hotel
Arrival: Jinan NSHT Hotel

15 December, 2014
6:55 AM Departure: Main Entrance of NSHT Hotel
7:10 AM Departure: Main Entrance of University Hotel
(For participants of Confucius Hometown Tour Only)

ROUTE: WALK FROM NSHT HOTEL TO SDU CAMPUS

Appendix 5 –Map of F/3, BLOCK B, Zhixin Complex



Appendix 6 – Additional Reading

A BRIEF INTRODUCTION TO JINAN

Jinan is the capital city of Shandong Province-a coastal economics power of eastern China, as well as a provincial center for politics, economy, culture, technology, education, tourism and finance. Jinan is located in the north-western part of Shandong Province, about 400 kilometers south of the capital city of Beijing, with the Mount Tai to the south and the Yellow River to the north. The city covers an area of 8,227 square kilometers with a population of about 6.95 million.

Jinan is often referred to as the City of Springs for its well-known 72 artesian springs inside urban area. Spring water streams flow without stop and benefit people from generation to generation, giving the city a special character of elegance. Great poets have created their masterpieces of appreciation for Jinan. The beauty in their descriptions of Jinan has the tenderness of south China and the grace of the north. As a middle-sized city, Jinan is simply circled by inner and outer ring roads, and the outer ring road is also called second ring (erhuan). The sub-provincial city of Jinan has direct jurisdiction over 6 districts, 1 county-level city, and 3 counties.

Jinan is endowed with abundant tourist resources, owing to her geographical feature and cultural deposit, which is a mixture of hills, springs, lakes, and temples. Daming Lake, where all springs flow together; Qianfo Hill, scared to Buddhists; Lingyan Temple, one of the most 4 famous temples in China; Four Gates Pagoda, the earliest unlined stone tower in China; the Wall of the Qi Dynasty, even older than the Great Wall; the relics of Longhsan culture, one of the three ancient cultures in China, and so on, are all characteristic of the great natural beauty and enduring civilization in the vicinity of Jinan, which therefore attracts a great number of tourists home and abroad every year.

Most shopping malls in Jinan are in the downtown area centered around Quancheng Square and Quancheng Road, such as the Guihe Shopping Center, the Silver Plaza, the Wanda department store, the Parc 66, and the Shimao International Plaza. Besides, if you like, you will also have the opportunity to go to Furong Street to sample the local snacks and a variety of delicious Lu Cuisine in the restaurants nearby.

For more information about Jinan, please visit the web sites: http://www.jinan.gov.cn/

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BANKs and ATMs

There are various options for getting access to cash in Jinan:

1. Bring travelers checks. They are safer to carry than cash.
2. Use an ATM card, but be cautious about withdrawal and currency exchange fees.
3. Open an account with a Chinese bank and arrange for a transfer of funds from your country to China (or deposit a money order or check).

CURRENCY EXCHANGE

In the university: Turn right at the southwest gate of the campus and walk about 50 meters, you will see the Bank of China, ICBC and China Construction Bank, which offers currency exchange service. check(s).

ELECTRICITY

The electricity in mainland China is 220V at 50HZ, so for many appliances and electronic devices you will need a voltage converter to ensure safe operation (available in other countries and in China). Many devices, including laptop computers, include AC/DC adapters that are made for a voltage range of 110V 220V, and can be used with the current in China. Please double-check your adapters to confirm. It is also recommended that you purchase a power strip with a circuit breaker in China so that you are protected in the event of a voltage surge. China uses the A, I, and G types of plugs/sockets. You may need an adapter to convert your country s style of plug in order to plug in your devices. Adapters are available in other countries and in China.

WEATHER

Jinan has a humid temperate monsoon climate with four distinct seasons. Now it is winter and it is very cold with temperature between -2-5 ℃/29-41 ℉. You are encouraged to take the down jacket with you.

GENERAL HEALTH GUIDELINES

Whenever you go to any foreign country you are exposed to germs to which your body has not yet built up a resistance. Because of this, you may be more susceptible to illness than the local people.

The most common health problems are digestive and upper respiratory systems. Please pay special attention to this if you have allergies or asthma, and bring your medication if necessary.

It is also important to keep these things in mind:

- You should never drink water directly from the tap. Tap water must be boiled before it is consumed. Never assume that all ice comes from boiled water.
- When eating on the street or in restaurants, pay special attention to cleanliness of eating utensils and food.

HOSPITALS

- University Hospital

  No.91 Shanda Beilu (opposite of north gate of Shandong University)

  Tel: 86-531-88364682 (inside campus: 64682)

- Central Hospital of Jinan (take Bus N0.1)

  No. 105, Jiefang Road

  Tel: 86-531-85695114 86-531-86942457

- Jinan International Medical Care Centre

  1st floor of Surgery Building of Jinan Central Hospital (take Bus N0.1)

  Tel: 86-15318816712 86-531-85695469/85695120

- Qilu Hospital

  No. 107, Wenhua Xilu (take bus No. 75, 18,K55)

  Tel: 86-531-82169114

- Qianfoshan Hospital

  No. 66, Jing Shi Road (take bus No. K68, 64)

  Tel: 86-531-82968900

IMPORTANT CONTACT INFORMATION & EMERGENCY SERVICE

110 for Local Police
114 for Telephone Operator
119 for Fire Department
120 for Medical Emergencies
122 for Traffic Emergencies

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Pacific Economic Review

Aims and Scope: The *Pacific Economic Review* (PER) publishes high-quality articles in all areas of economics, both theoretical and empirical research, and welcomes in particular analyses of economic issues in the Asia-Pacific area. The journal, inaugurated in 1994 and publishing five times a year since 2007, is of interest to academics, policy-makers and corporate economists. The *Pacific Economic Review* is the official publication of the Hong Kong Economic Association and has a strong editorial team and international board of editors. The October issue, edited and published with sponsorship from National Taiwan University, welcomes empirical, theoretical and policy-oriented contributions from all fields of economics, with a special focus on applied econometrics. The December issue, edited by the Ce Advanced Policy Studies at the Institute of Economic Research at Kyoto University, welcomes a of economics with a special focus on economic issues and policies relating to the Asia-Pacific All issues of the PER maintain the same high standards of quality. The *Pacific Economic Rev* double-blind refereed journal.

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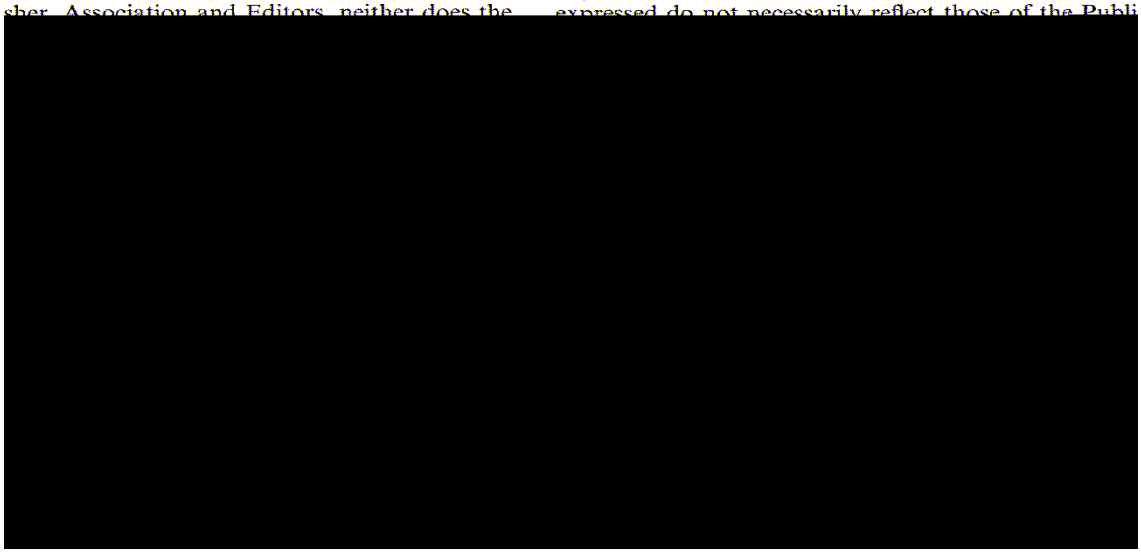

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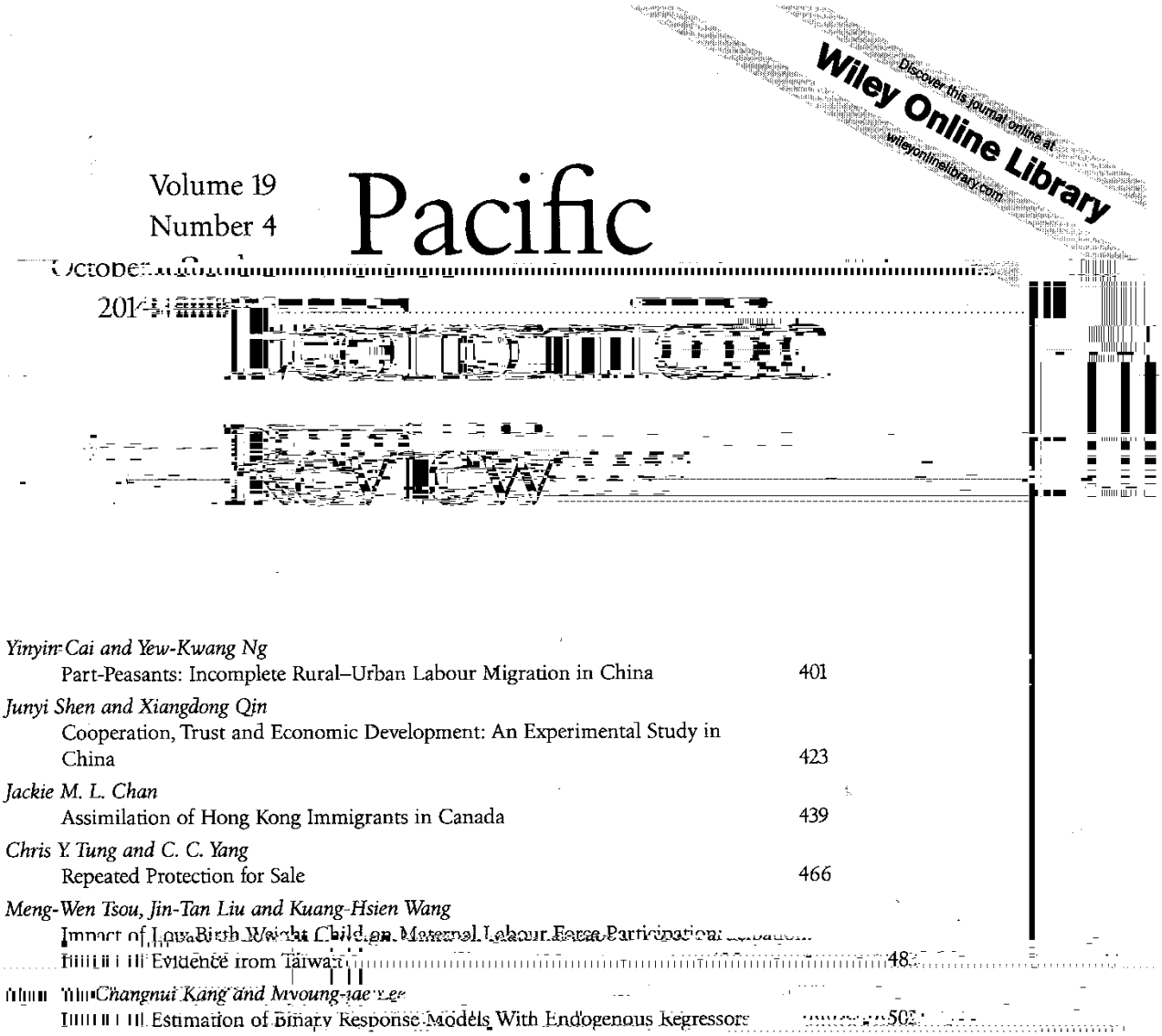

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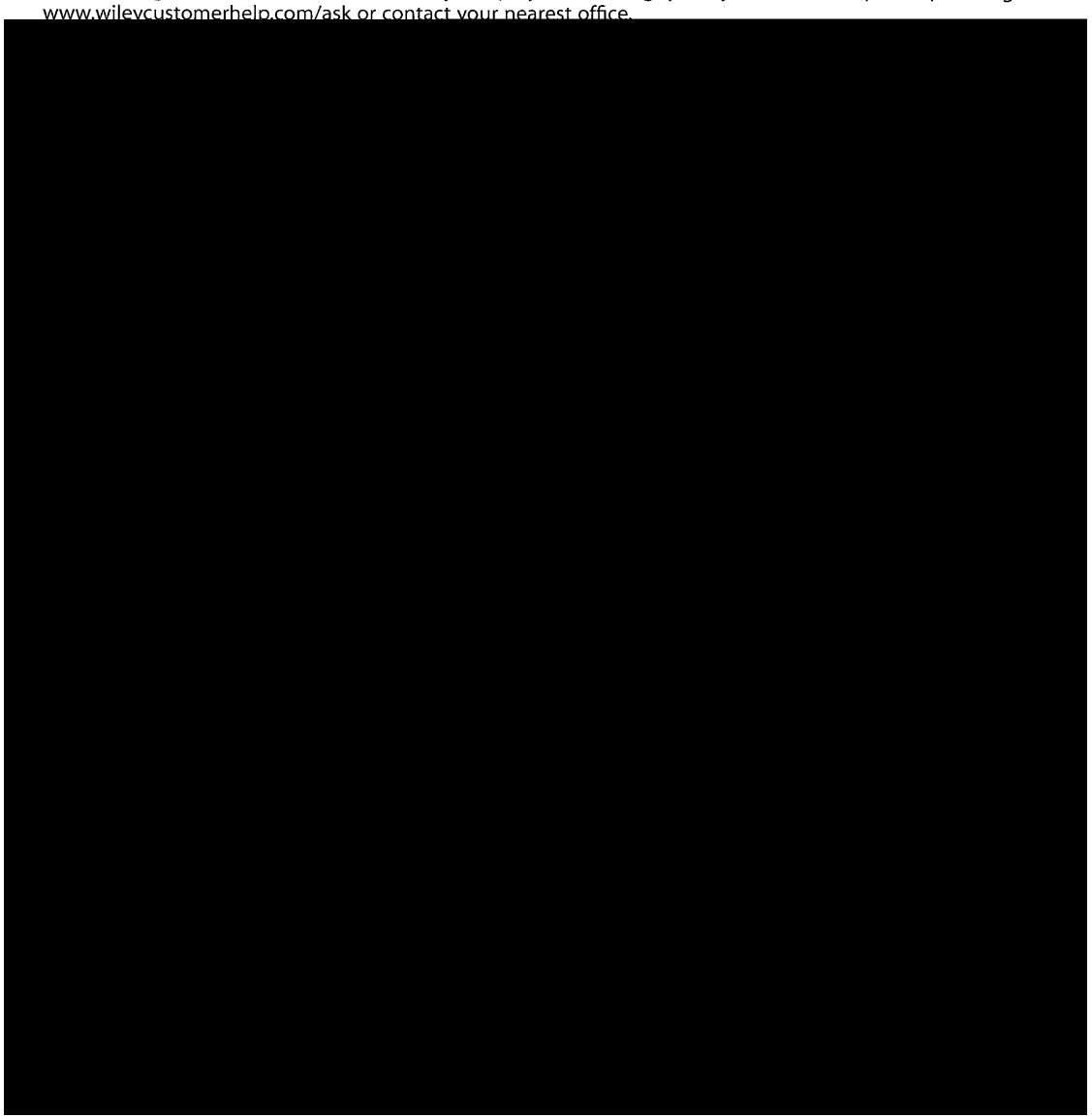
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