

**Li LI (李立)**

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Nationality: China

### **Professional Appointments**

June, 2019- Assistant Professor in Economics and Finance  
Hunan University, Changsha China

### **Education**

2014-2019 Ph.D. Candidate in Economics and Finance, Bocconi University (Ranking 6 in Europe by Bloomberg, 16 Globally by QS 2019, and 27 Globally by ARWU 2019), Milan Italy

Thesis Title: Essays in Macroeconomics

Graduation Date: May 28, 2019

2008-2011 Master in Management Science, Central South University, Changsha China

2003-2007 Bachelor in Information System and Management, Central South University, Changsha China

### **Fields of Interest**

Primary Field: Macroeconomic with focus on the financial sector, monetary and fiscal policy, Chinese Economy

Current Topics: Macro Finance, Unconventional Monetary Policy, and Regional Fiscal Policy, Growth and Artificial Intelligence, Conflicts

### **Awards and Scholarships**

2018-present Bocconi Ph.D. Scholarship for Promising Job Market Candidates

2014-2018 Ph.D. Fellowship in Economics and Finance of Bocconi University

2013 Ph.D. Fellowship in Business Administration of ESSEC Business School

2008-2010 Scholarship for Outstanding Graduate Students of Central South University

## Research Papers

1. *Regional Fiscal Policy with Factor Mobility: A Tale of Two Heterogeneous Regions* (Job Market Paper)

(This paper has been divided into two papers for publication)

- *Stabilizing Regional Economies with Labor Mobility: A Tale of Two Regions*
- *The Optimal Inter-Regional Fiscal Policy*

2. *Endogenous Liquidity and Macroeconomic Implications* (Job Market Paper)

3. *Anti-Corruption and Political Sustainability in China* (submitted)

(with all the abstracts present in pages 4-5)

## Works in Progress

- Stabilizing Regional Economies with Labor Mobility: A Tale of Two Regions
- The Inter-Regional Public Finance: A Fiscal Tale of Two Regions
- A Monetary Theory of Production
- Lack of Demand or Over Supply: Using China's Supply-Side Reform as an Example
- Artificial Intelligence and Asset Pricing
- The Macroeconomy with A Military Sector
- Third-Party Intervention in Conflicts

## Publications (before PhD)

1. Behavioral Supply Chain Management Review, with Liu Yongmei, Liu Honglian, Journal of Central South University (Social Science), Vol 17 No. 1, February 2011.
2. A Study of Order Problem based on Prospect Theory (in Chinese), with Liu Yongmei, Peng Min, *Journal of System Management*, Vol. 19 No. 5, 2010.
3. A Prospect-Based Order Model under Stochastic Demand (in Chinese), with Liu Yongmei, Peng Min, Published on *The 2009 Chinese Conference of Control and Decision*.
4. The Effects of Regret Emotion and Information Feedbacks on Newsvendor Decision Bias: Theory and Experiments (in English), with Liu Yongmei, *old working paper (available based on request)*, February 2012.

## Conference, Seminars and Others

1. 2019 Asian Meeting of the Econometric Society (invited to present *Anti-Corruption and Political Sustainability in China*), June 14-16, Xiamen University, Xiamen, China
2. 2018 The 43rd Simposio de la Asociación Española de Economía-Spanish Economic Association (SAEe) (The Annual Meeting of Spanish Economic Association) (invited to present *Regional Fiscal Policy with Factor Mobility: A Tale of Two Regions*), December 13-15 2018, Madrid, Spain.
3. 2018 The 18th China Economics Annual Conference (invited to present *Endogenous Liquidity and Macroeconomic Implications*), December 7-9 2018, Guangzhou China.
4. 2018 The 18th China Economics Annual Conference (invited to present *Anti-Corruption and Political Sustainability in China*), December 7-9 2018, Guangzhou China.
5. 2018 The Summer School on Heterogeneous Agents in Macro Models, July 2-6 2018, Como Lake School of Advanced Studies, Como Italy.
6. 2008 The Third (2008) Chinese Academy of Management Annual Meeting, November 1-2, 2008, Changsha China.

## Teaching Experience

2018-2019 TA for Economics-MODULE (Macroeconomics), Bocconi University, Milan Italy

## Working Experience

2011-2013 Business and Strategy Researcher of SANY Group, Changsha China

## Language Skills

Fluent English

Native Chinese

Basic French, Italian

**Programming Skills/Preferences:** Matlab, Dynare, Python, C/C++, Stata

## References

Prof. Francesco Giavazzi

Bocconi University, Department of Economics

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Prof. Salvatore Nunnari

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Prof. Dmitriy Sergeyev

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## Research Paper Abstracts

### Paper 1 (Job Market Paper):

#### **Endogenous Liquidity and Macroeconomic Implications, Li Li (李立)**

**Abstract:** One decade after the financial crisis of 2007-2008, the cause of this crisis is still in debate. This paper studies the endogenous liquidity of assets in a closed economy and characterizes a general, non-parametric mechanism of economic fluctuations, including severe crises. I endogenize liquidity in terms of following aspects: (i) a new construction of the liquidity property of assets; (ii) liquidity-augmented asset pricing; (iii) liquidity creation and evolution in the financial market. I derive asset pricing with consideration for liquidity and show that asset prices, augmented by liquidity service, induce distorted investments in the real economy. Securities, which are widely used to facilitate transactions, induce new issuance and inevitably lower the pecuniary yields of the physical capital that backs them. The consequence is that asset prices and privately created liquidity become fragile, in the sense that small shocks can lead to large drops in asset prices and damage balance sheets of financial intermediaries. According to theory, asset prices and liquidity play a central role; this points to the importance of stabilizing asset prices, not only commodity prices. To understand macroeconomy better, I present the role of liquidity in a macroeconomic environment with nominal frictions and financial intermediaries. When facing liquidity disruptions, the government has a role as an accountable liquidity planner. I analyze the associated policies in recessions that can be conducted by fiscal and monetary authorities.

### Paper 2 (Job Market Paper):

#### **Regional Fiscal Policy with Factor Mobility: A Tale of Two Heterogeneous Regions, Li Li (李立)**

**Abstract:** What are the consequences for regional economies facing asymmetric shocks and how can the heterogeneous regional economics within a large country be synchronized? Production factors (labor and capital) are not spatially fixed within a country or an economic area. Firstly, how can factor mobility alleviate this problem? What are the tasks left for government policy? This paper studies a two-region economy and the effects of fiscal policy in a fiscal and monetary union from a positive and normative perspective. I characterize inefficiencies with price stickiness in the short term and in the long term without price frictions, both of which call for government interventions. The first inefficiency causes an asymmetric regional boom or recession because of rigid prices; the second inefficiency originates from the naturally separated non-traded sector and leads to a sub-optimal trap. Factor mobility plays a natural, but insufficient, role in risk sharing and economic synchronization. To eliminate regional difference, I designate the government spending and mobility subsidy policy at the regional level. In calibration, I perform quantitative experiments under two regimes of factor markets (autarky and mobile) in the short and medium term. In the short-term model with price frictions, the regional fiscal policy can target regional economic adversities, and in the long-term, fiscal investments to improve regional

productivity can promote regional equality and efficiency.

(This paper has been divided into two papers for publication)

**Paper 3: Anti-Corruption and Political Sustainability in China, Li Li (李立), *submitted***

**Abstract:** What is happening underneath China's anti-corruption campaigns and how does a political regime secure itself from revolution? This paper proposes a model studying the dynamic conflicts between two types of politicians, *Good* and *Bad*, in a non-elective regime facing a threat of revolution, a Chinese feature of political regimes. With corruption as the extra revenue extraction from citizens, citizens may overthrow the regime and replace all incumbent politicians (*Good* and *Bad*) through a revolution. Anti-corruption campaigns work as one way to reduce the total political extraction and secure the regime. Corrupt or *Bad* politicians would attempt to stop, from inside, the anti-corruption campaign. Another type of politician, the *Good* politician, needs to balance the inside and outside risks when deciding the intensity of the anti-corruption campaign. My results show that an anti-corruption campaign not only obtains support from the *Good* politician, but also partially from the *Bad* politician. Therefore, internal conflicts will not happen in cases with very high or low probabilities of revolution. However, circumstances in the middle range of the percentage of *Bad* politicians has a relatively higher risk of internal conflicts. Regarding one more specific characteristic of Chinese economy, a large and valuable sector of SOEs (State-Owned Enterprises) actually makes the regime weaker from inside, which is counter intuitive. I also extend my model to incorporate productivity and myopic shocks in the dynamic environment.