

Cheng Chen

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Graduate Studies

Princeton University, 2009 to 2014
Ph.D. Candidate in Economics
Thesis Title: "Essays on Firm Organization and International Trade"
Completion Date: Sep. 2014
M.A. Economics, Princeton University, 2011

M.A. Economics, Hitotsubashi University, 2008
Advisers: Prof. Taiji Furusawa, Prof. Hideshi Itoh, and Prof. Jota Ishikawa

References

Professor Gene M. Grossman (main advisor)	Professor Esteban A. Rossi-Hansberg
Department of Economics	Department of Economics
Princeton University	Princeton University
(609) 258-4823, grossman@princeton.edu	(609) 258-4024, erossi@princeton.edu
Professor Stephen J. Redding	
Department of Economics	
Princeton University	
(609) 258-4016, reddings@princeton.edu	

Undergraduate Studies

B.A., Japanese Language
Nanjing University, 2005

Teaching and Research Fields

Primary Fields	International Economics, Organizational Economics
Secondary Fields	Industrial Organization, Macroeconomics

Research Interests:

Firm Organization and Management; Multinational Firms and Foreign Direct Investment; Uncertainty.

Research Experience:

Sep. 2008 – Aug. 2009	Research Assistant for Professor Taiji Furusawa
June 2010 – Aug. 2010	Research Assistant for Professor Esteban Rossi-Hansberg
Jan. 2012 – May 2012	Research Assistant for Professor Amit Khandelwal
March 2012 – May 2012	Research Assistant for Professor Dan Lu
Jan. 2012 – Aug. 2012	Research Assistant for Professor Stephen Redding

Teaching Experience

Spring 2015	Intermediate Macroeconomics (ECON2102E,F/2220E,F), HKU Economics of Organization and Strategy (ECON6006), HKU
Fall 2011, 2012	Econ 302, Graduate Math Camp, Princeton University
Fall 2011, 2012, 2013	Econ S500, Graduate Math Camp, Princeton University
Spring 2008	Undergraduate International Economics, Hitotsubashi University

Professional Activities

Referee for *Quarterly Journal of Economics*, *International Economic Review*, *Journal of International Economics* (X2), *Journal of the European Economic Association*, *Review of International Economics* (X2), *Japanese Economic Review*(X2), *World Economy*, *Economics Bulletin*, *North American Journal of Economics and Finance*

Honors, Scholarships, and Fellowships

2014	Seed Funding and Matching Fund for Basic Research (The University of Hong Kong)
2014	Travel Grant for Conference Presentation (The University of Hong Kong)
2013	Best Paper Award at the Penn State Job Market Preparation Conference (Penn State University)
2012	Travel grant for Graduate Students (Princeton University)
2011 – 2013	Princeton University IES Summer Fellowship
2009 – 2014	Princeton University Fellowship
2009	Best Paper Award: the 8 th . Annual GEP Postgraduate Conference (University of Nottingham, GEP)
2008 – 2009	Japanese Government Fellowship
2007 – 2008	JASSO Honors Scholarship, Japan
2001 – 2004	Renmin Scholarship (Nanjing University)

Conference Presentations

2015/8	Econometric Society World Congress (Montreal, Canada)
2015/6	SED Annual Meeting (Warsaw, Poland)

2015/6	Theoretical Research in Development Economics Conference (Brussels, Belgium)
2015/4	Midwest Economic Theory Group Meeting (Ohio State University)
2014/12	Econometric Society European Winter Meeting (CEMFI, Spain)
2014/12	Hong Kong Economic Association Biennial Meeting (Jinan, China)
2014/10	Workshop on International Trade and FDI (Beijing, China)
2014/10	Midwest International Economics Group Conference (University of Kansas)
2014/8	41st Annual Conference of the European Association for Research in Industrial Economics (Bocconi University)
2014/6	Barcelona GSE Summer Forum (Firms in the Global Economy) (UPF and Barcelona GSE)
2014/5	Midwest International Economics Group Conference (IUPUI)
2014/5	World Management Survey ten year conference (Harvard Business School)
2013/12	Hitotsubashi Conference on International Trade and FDI (Hitotsubashi University)
2013/3	The Job Market Preparation Conference (Penn State University)
2012/7	The Asia Pacific Trade Seminars (Singapore Management University)
2012/5	Midwest International Economics Group Conference (Indiana University)
2009/3	GEP Postgraduate Conference (University of Nottingham)
2008/10	Midwest International Economics Group Conference (Ohio State University)
2008/08	International Conference on Economic Integration, Trade and Spatial Structure (Nagoya University)
2007/12	Hitotsubashi COE/RES Conference on International Trade and FDI (Hitotsubashi University)

Seminar Presentations

2015: Chinese University of Hong Kong, University of Nottingham, Oxford University, CEP at LSE, University of South Carolina (scheduled)

2014: Boston University, the University of Hong Kong, Chinese University of Hong Kong, Singapore Management University, Hitotsubashi University, NUS, George Washington University (Trade Study Group in D.C. Area), HKUST

2013: Princeton University (Trade and Macro Student Lunch Workshops)

2012: Hitotsubashi University (Trade Seminar), Princeton University (Trade and Macro Student Lunch Workshops)

2011: Princeton University (Trade Student Lunch Workshop)
2009: Hitotsubashi University (CTWE)
2008: Hitotsubashi University (CTWE), University of Virginia (Brown Bag)
2007: Yokohama National University (Modern Economics Seminar)

Publications

“Information, Incentives and Multinational Firms” *Journal of International Economics*, vol. 85: 147-158, 2011.

Abstract: I present a model that explains a multinational firm's choice of organizational form. If a firm in the developed country outsources the production of its intermediate goods to a supplier in the developing country, it faces an adverse selection problem. If it chooses to produce the intermediate goods in its own subsidiary in the developing country, it faces an inefficient monitoring problem. My analysis of this tradeoff provides a new explanation for the observation that FDI is concentrated in capital intensive industries and yields two empirical hypotheses: more firms should adopt outsourcing instead of FDI after trade liberalization; the share of intra-firm trade in total trade should be increasing in the degree of productivity dispersion across intermediate goods suppliers in the developing country.

Working Papers

“Management Quality, Firm Organization and International Trade”

(Best Paper Award at the Penn State Job Market Preparation Conference)

Abstract: The quality of management technology that is used to monitor and incentivize workers varies substantially across countries. To understand aggregate implications of an economy-wide improvement in this type of management technology, I develop a two-sector model in which firms facing heterogeneous demand set up management hierarchies to manage the production processes in a monopolistically competitive sector. Entrepreneurs decide the number of hierarchical layers, the effort level of each worker, and the span of control of supervisors within the firm. The key impact of an economy-wide improvement in the management technology is to generate a selection effect. That is, the common improvement in the management technology across all firms benefits big firms and hurt small firms. As a result, the smallest firms are forced to leave the market; the biggest firms thrive; firms with middle size receive shrinking profit and sales. I then use the theory to explain three empirical findings established in the literature. First, the size distribution of firms in rich countries first-order stochastically dominates the firm size distribution in poor countries. Second, the weighted average of firm productivity is higher in countries with better management technology. Finally, firms have the smaller span of control in economies with ineffective management technology. In an extended two-country model incorporating international trade, I show that firms facing increasing import competition flatten their hierarchies and use more incentive-based pay. Furthermore, I find that countries with superior management technology experience larger welfare gains from opening up to trade and have larger trade shares.

“Trade Liberalization and Within-Firm Productivity Gains”

Abstract: 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 seem to 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, managers of small surviving firms are incentivized to exert more effort in order to induce their investors 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 testable 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 subject to the agency problem after trade liberalization. Furthermore, this prediction does not hold for big non-exporters. In addition, the comparison also shows that the relationship between the firm's initial log productivity and its log productivity change is more negative for non-exporters that are subject to the agency problem than for non-exporters that are not subject to such a problem after trade liberalization. In the end, I present evidence supporting all above predictions using Colombia plant-level data in 1980's.

"Bank Deregulation and Political Contribution" with Liang Dai

Abstract: The last thirty years of the 20th century have witnessed branching deregulation of the U.S. banking industry in most states. One striking feature is that branching deregulation usually happened in those states in recessions. We present a model featuring the tradeoff between social welfare and political contribution faced by the government to justify this finding. When a state is in recession, the banking sector's profit, a part of which is extracted by the government through contribution, shrinks more than the decrease of non-financial firms' profit. As a result, the government gains less from entry restriction of the banking industry and accordingly has a greater incentive to deregulate it to achieve a higher social welfare. Although we do not have data on state-level contribution from the banking industry, all the indirect tests support the basic premise and the main result of the paper.

Research Papers in Progress

"The Cost of Delay, Hierarchical Designs, and Intra-Firm Wage Inequality" with Wing Suen (Draft available upon request)

"Uncertainty, Exports and FDI: Short-run and Long-run effect of Sino-Japan Island Dispute in 2012" with Tatsuro Senga, Chang Sun and Hongyong Zhang

"Outward FDI and Domestic Resource Misallocation" with Miaojie Yu and Wei Qian

"Import Competition, Management Quality and Firm Decentralization" with Ryan Monarch

Language Skills:

Chinese (native), English (fluent), Japanese (fluent)

Programming Skills:

Stata, Matlab, Latex

Date of Birth:

June/13/1983

Personal:

Married with one daughter