My Selected Published Book and Book Chapters

1. "Complementaries, Competition, and Cooperation in Sino-American Relations", in *__Fulbright Essay Series__*, ed. Glenn Shive, Beijing: Peking University Press, forthcoming

Abstract

The vital and complicated Sino-US relationship, underlined by its special economic bond, is characteristic of complementaries, competition, and cooperation. Despite the substantial differences and inevitable competition between the two big powers, the high economic interdependency, and resulting common interests, entail their joint endeavor for huge cooperative potential, so that a positive Sino-U.S. relation can be construed "too big to fail" in the world. The key for a successful Sino-U.S. relation is for both countries to not only compete, but also ensure to minimize any adverse consequences that could jeopardize the win-win prospect, that will showcase a positive bilateral relationship between two big but substantially different world powers.

2. "Equilibrium Credit Rationing and Monetary Nonneutrality in a Small Open Economy," Chapter 46, *__Encyclopedia of Finance__*, Springer, 705-714. (2006)

Abstract

This paper modifies the well-known Mundell-Fleming model by adding equilibrium credit rationing as well as imperfect asset substitutability between bonds and loans. When the representative bank's backward-bending loan supply curve peaks at its profit-maximizing loan rate, credit rationing can be an equilibrium phenomenon, which makes credit-dependent capital investment solely dependent upon the availability of customer-market credit. With the rationing, an expansion in money and credit shifts the IS curve as well as the LM curve even in a small open economy under a regime of fixed exchange rates, and the magnitude of offset coefficient between domestic and foreign asset components of high powered money is less than one. In contrast, if there is no credit rationing, imperfect asset substitutability between bonds and loans *per se* cannot generate the real effect of money in the same model.

JEL classification: E51 F41
Key words: credit rationing, monetary policy, capital flow, Mundell-Fleming model, monetary neutrality, open market operation, IS-LM curves, offset coefficient, monetary base, small open economy

3. “Policy Cooperation between Wage and Exchange Rates in Singapore,” Chapter 47, *Encyclopedia of Finance*, Springer, 715-723. (2006)

Abstract

Singapore’s unique experience in macroeconomic management involves the government’s engagement in a tripartite collective bargaining and its influence on the macroeconomic policy game in wages and exchange rates in response to inflation and output volatility. The period from the mid-1980s to mid-1990s features the policy game with a Nash equilibrium in the level of wages and exchange rates and a non-Nash equilibrium in wage growth and exchange rate appreciations. Based on the empirical evidence in the period, the models used in this study suggests that wage and exchange-rate police are a pair of complements both at their levels (Nash equilibrium) and at their percentage changes (NonNash equilibrium).

JEL classification codes: E61, F41, E51
Key words: wages, effective exchange rates, collective bargaining, Nash equilibrium, National Wages Council, Monetary Authority of Singapore, unit labor cost, macroeconomic stabilization, inflation, unemployment

4. “On the Intertemporal Sustainability of Fiscal Debt in China,” *The Chinese Economy after WTO Accession*, Chapter 7, Aldershot and Burlington: Ashegate Publishing, 111-124. (2006)

Abstract

This paper employs two approaches to analyze the long-run dynamics of China's fiscal debt from 1979 to 2001, and both conclude with the positive assessment of its fiscal sustainability. The first method is to examine the time path of the debt-GDP ratio that is determined by the government's intertemporal budget constraint. The high GDP growth rate relative to the interest rate in China indicates that China’s fiscal debt is sustainable in spite of its growing budget deficits and deflation in recent years. The second approach concerns China’s present value budget constraint and the associated cointegration properties of total government expenditures and tax revenues. It is found that government expenditures (inclusive of interest) and tax revenue in China are cointegrated and the cointegration vector found is significantly close to the theoretical value for fiscal sustainability.

5. "Training Costs and Efficiency Wages" in *Wages and Wages Policies: Tripartism in Singapore*, ed. by Lim Chong Yah and Rosalind Chew, Singapore and New Jersey: World Scientific, 342-354. (1999)

Abstract

When a firm employs both entrant and insider workers and some insiders tend to quit after acquiring training, the quitting risk transmits training expenditure into a sort of implicit "user cost" of human capital and inserts a hedge between the actual wage and the Solow efficiency wage. The hedge exhibits an asymmetric wage-effort relationship: entrants are "underpaid" whereas insiders are "overpaid". This study implies that, in order to improve the labour market efficiency, a more flexible wage system in Singapore would be desirable by limiting the seniority-based wage element and extending the productivity-based wage elements.

6. *An Analysis of Credit and Equilibrium Credit Rationing*, New York and London: Garland Publishing. [Listed in "Annotated Listing of New Books," *Journal of Economic Literature*, 32(4), p. 1966] (1994)

"Considers the form equilibrium credit rationing assumes; its importance in determining the behavior of interest rates; and its role in transmitting monetary shocks to the real sector. Distinguishes two forms of rationing by the financial intermediary: rationing by the number of loans made and rationing by the loan size. Develops a partial equilibrium model of the credit market in which the incentives to ration arise because of ex post information asymmetry and explores the sensitivity of the interest rate invariance proposition to the form that rationing takes. Examines whether there are conditions under which the intermediary will choose to ration loans by size rather than by number. Addresses the integration of credit rationing into a macroeconomic model, developing a simple general equilibrium optimizing model in which credit, money, and the incentives to ration coexist but which omits the usual Keynesian sources of monetary nonneutrality." *Journal of Economic Literature*, 32(4), (December, 1994), p. 1966

7. "Determinants of the Singapore Stock Exchange: A VAR Analysis," in *East Asian Economic Issues*, Vol. IV, ed. by Jon D. Kendall and Park Donghyun, Singapore and New Jersey: World Scientific, 107-123. (joint with K. L. Yong, 1998)

Abstract

This study attempts to analyze the determinants of Singapore stock exchange for both the 1997-98 financial crisis period and the pre-crisis period. Although foreign exchange markets fail to predict the Straits Times Industrial Index (STII) in the pre-crisis period, M1 has both instantaneous and up-to-four month lagged positive impact on the STII whereas the government finance status impacts on the STII with only a two-month lag. In the crisis model, however, foreign exchange rates, interest rates, and international stock exchanges explain the fluctuations in the STII; they impact on the STII with larger magnitude and longer duration. The impulse response of the STII to the short-term interest rate undergoes a sign reversal and exhibits a positive relationship in the crisis period.

8. "Exchange Rate and Public Debt Policies in a Small Open Economy," in *East Asian Economic Issues*, Vol. IV, ed. by Jon D. Kendall and Park Donghyun, Singapore and New Jersey: World Scientific, 124-138. (joint with K. S. Wei, 1998)

Abstract

This paper examines the basic patterns of coordination between the exchange rate and public debt policies in Singapore in a vector error correction (VEC) model. The cointegration relationship suggests that, as inflation builds up through either higher import prices or rising unit labour costs, the monetary-fiscal authority tends to concede an appreciation of Singapore currency vis-à-vis US dollar and a continuous increase in public debt. By impulse response analysis, although any inflationary impulse tends to keep accumulating public debt over time, an increase in unit labour costs leads to a reversal of the exchange rate policy responses from appreciation to depreciation, thus reflecting the arising concern of competitiveness as inflation impulse abates.

9. "Evolution of Contemporary Macroeconomics and Equilibrium Credit Rationing," in *Evolution and Influences of Modern Economics*, (in Chinese) ed. Daiguang Hu. Beijing: Peking University Press, 308-326. (1998)

10. “A Model of the Commercial Loan Market in Singapore,” in *East Asian Economic Issues*, Vol. III, ed. by Donghyun Park and Randoph Tan, Singapore and New Jersey: World Scientific, 194-209. (joint with G. K. Hui, 1997)

Abstract

We set ourselves the task of deriving both the demand and supply functions for the Commercial Loan market. The model is estimated under both equilibrium and disequilibrium conditions. The former model is estimated using 2 stage least squares method, and maximum-likelihood estimation is used for the latter. The results from the disequilibrium model will help us to separate the loan market into credit slack or credit rationing regime for the period from 1985-1995. This finding will help in the analysis of the effect of bank credit on real output in a small open economy like Singapore.

11. “Wages and Output across Occupational Groups in Singapore,” in *East Asian Economic Issues*, Vol. III, ed. by Donghyun Park and Randoph Tan, Singapore and New Jersey: World Scientific, 67-77. (joint with L. G. Lan, 1997)

Abstract

This paper studies panel-data on the wage-output relationship across occupational groups in Singapore. We find that, unlike other groups, managers’ (the group mainly representing entrepreneurial human capital) wages are negatively related to the output level, which indirectly suggests that manager’s effective labour supply is backward-bending. In addition, the wages of managers increase with those of professionals and are significantly unit-elastic. We also further test an optimality condition in a theoretical growth model, concluding that, for all sectors considered, the productivity of entrepreneurial human capital uniformly grows faster than the counterpart of professional human capital.

12. “A Quasi-Sterilization Model for Singapore,” in *Regional Issues in Economics*, 2, ed. by Chew Soon Beng and Jon Kendall, Nanyang Business School, Nanyang Technological University, 1996, 357-367. (joint with Q. W. Yeow, 1996)

Abstract

This paper examines a quasi-sterilization model of the Singaporean economy. It has been noted that the MAS has maintained a low and stable growth rate of the monetary base while targeting the exchange rate within a certain range. We argue that the scheme of the Central Provident Fund (CPF) has helped in sterilizing the effect of the flow of foreign exchange in the absence of a well-developed open market. Using the OLS approach and cointegration methods, we model the implicit CPF-sterilization mechanism and estimate the offset coefficient that characterizes the opposite effects of foreign assets and domestic credit on the monetary base. The regression results show a comparable value of the offset coefficient and support the quasi-sterilization hypothesis.