

# Mengxue Wang

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## Education

Ph.D. Economics, Columbia University, 2020 (expected).

B.S. Mathematics and Economics, *First Class Honor*, Hong Kong University of Science and Technology, 2014.

## Fields of Specialization

Macroeconomics, International Finance

## Job Market Paper

*“Foreign Exchange Reserves and FDI.”*

*Abstract:* Why do emerging market economies hold high levels of foreign exchange reserves? What is the optimal level of reserves, and do economies accumulate reserves over this optimal level? I argue that foreign exchange reserves help emerging markets attract foreign direct investment inflow. This incentive should be taken into account when analyzing central banks’ reserve accumulation. I study the interaction between foreign exchange reserves and foreign direct investment to explain the level of reserves through a small open economy model. The model features domestic social planners and foreign investors. The optimal level of reserve-over-GDP ratio generated by the model is close to the level of East-Asian economies. Additionally, the model generates positive co-movement between technology growth and current account. This suggests high technology growth corresponds to net capital outflow, speaking to the ‘allocation puzzle’ in cross-economy comparisons. The model also generates positive co-movement between foreign exchange reserves and foreign debt, speaking to the puzzle of why countries borrow and save simultaneously. Finally, compared with a fixed reserve regime, optimal reserve policy features instantaneous or lagged buildups of reserves upon different kinds of technology shocks. Both responses prolong the shocks’ positive impacts on output and consumption, delaying them from going back to the steady state.

## Work in Progress

*“Do FDI firms create more jobs than domestic firms for each dollar of asset?”* (with Sakai Ando)

This paper studies whether FDI firms hire more employees than domestic firms for each dollar of asset. Based on the firm-level data from Orbis, we show that, in most economies, domestic firms hire more employees per asset than FDI firms. The analysis of the industry composition suggests that domestic firms create more jobs per asset when a larger share of domestic firms are in construction, wholesale trade, and service industries. The analysis of switchers shows that domestic firms create fewer jobs per asset after switching the ownership to become FDI firms. These suggest the policy space for job creation is bigger for FDI firms.(with Sakai Ando)

*“Liability Dollarization and Contractionary Devaluation: A model based evaluation”*

*Abstract:* This paper explores how devaluation of domestic currency imposes a contractionary effect on small

open economies who have a significant amount of debt denominated in foreign currencies. Economists and policy-makers express concern about the "Original Sin" situation in which most of the countries in the world cannot use their domestic currencies to borrow abroad. However, previous literature on currency denomination and exchange rate policy predicted limited or no contractionary effect of devaluation. In this paper, I present a new model to capture this contractionary devaluation effect with non-financial firms having foreign currency denominated liability and domestic currency denominated asset. When firms borrow from abroad and keep part of the asset in domestic cash or cash equivalents, the devaluation effects are exacerbated. The model can be used to discuss the performance of the economy in interest under exchange rate shocks and interest rate shocks. Future directions for empirically assessing the model and current literature are suggested. This assessment will thus provide policy guidance for economies with different level of debt, especially foreign currency denominated debt.

*"Monetary policy in emerging markets: Can liability dollarization explain contractionary devaluations? : Comment"*

Cook (2004) presents a model with the financial accelerator mechanism to discuss the devaluation effect on small open economies with foreign currency denominated external debt. The main conclusion in the paper is that upon an increase in the world interest rate, the monetary policy with an exchange rate peg is better for the economy than flexible exchange rate with inflation targeting, when comparing the magnitude of the decrease in output and investment after the shock. I find that the ranking of the two policies are reversed once certain parameter values are changed. I also perform welfare analysis and base on which discuss the ranking of different monetary policies, providing a method of quantifying the loss of monetary policies under shocks.

## Research and Work Experience

1. Research Assistant for Prof. Martin Uribe and Prof. Stephanie Schmitt-Grohé  
Columbia University, Sep 2018 – Jun 2019, Jun 2015 – Aug 2015
2. Summer Research Intern – Fund Internship Program  
International Monetary Fund, Statistics Department, Balance of Payment Division, Jun 2019 – Aug 2019
3. Ph.D Summer Intern  
Barings, Emerging Markets Debt, Jun 2017 – Aug 2017

## Honors & Awards

Faculty Fellowship, Columbia University, 2014 – 2019  
 Summer Fellowship, Columbia University, 2015 – 2019  
 8th Epsilon Fund Award–Honors in Mathematics, Hong Kong University of Science and Technology, 2013  
 Dean's List–Honors in Academic Achievement, Hong Kong University of Science and Technology, 2010 – 2014

## Teaching

Globalization and its Risks (TA for Professor Graciela Chichilnisky), Spring 2018  
 Advanced Macroeconomics (TA for Professor Andres Drenik ), Fall 2017, Fall 2016  
 Introduction to Econometrics (TA for Professor Simon Lee), Spring 2017  
 International Macroeconomics (TA for Professor Stephanie Schmitt-Grohé), Spring 2016  
 Intermediate Macroeconomics (TA for Professor Danilo Gaiotti), Fall 2015

## Personal

*Programming Languages:* C++, Java, R, Matlab, Stata

*Language:* Mandarin(Native), English (Fluent)

## References

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