

# ZHOUXIANG SHEN

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## EDUCATION

Ph.D., Economics, Boston University, Boston MA, May 2021 (expected)

M.A., International Economics, Graduate Institute of International and Development Study,  
Geneva, Switzerland, 2016

B.A., Economics, Shanghai Jiaotong University, Shanghai, China, 2014

## FIELDS OF INTEREST

Macroeconomics, Finance

## PUBLICATIONS

“Monetary Policy and Rational Asset Bubbles: Comments,” (with Jianjun Miao and Pengfei Wang) *American Economic Review*, (2019) 109(5): 1969-1990.

“Student Solution Manual to Accompany Economic Dynamics in Discrete Time,” (with Yue Jiang, Jianjun Miao, Dongling Su, Zhiteng Zeng, and Fan Zhuo) MIT Press, March 2020.

## WORKING PAPERS

“Production of Private Safe Assets and Macroprudential Policy,” (Job Market Paper)  
September 2020.

“Leverage of Financial Intermediaries in the Crisis,” November 2019.

## WORK IN PROGRESS

“Bubbles and Interbank Borrowing” (joint with Dongling Su)

## FELLOWSHIPS AND AWARDS

Teaching Fellowship, Boston University, 2017-2020

Summer Research Grant, Boston University, 2017

Dean’s Fellowship, Boston University, 2017

Tuition Scholarship, The Graduate Institute of Geneva, 2015, 2016

Outstanding Graduates, Shanghai Jiaotong University, 2014

## TEACHING EXPERIENCE

Teaching Assistant, Department of Economics, Boston University

EC707 Advanced Statistics for Economists, Fall 2017-2020

EC544 Introduction to Economic Dynamics, Spring 2019

EC502 Macroeconomic Theory, Spring 2018

**PERSONAL INFORMATION**

Languages: Fluent in English, Native in Chinese, Elementary in French  
Computer Skills: Matlab, Stata, C++, Python, R  
Citizenship/Visa Status: Chinese/F1

**REFERENCES****Professor Jianjun Miao**

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## **Production of Private Safe Assets and Macroprudential Policy (Job Market Paper)**

I study the macroprudential policy tradeoff between the benefit and the risk associated with the production of private safe assets when the economy has a shortage of safe assets. The bank issues private safe assets against risky projects whose return is subject to aggregate risk. The private safe assets are demanded by both the household for their liquidity service and the entrepreneurs as a store of value to insure against idiosyncratic investment shocks. A shortage of safe assets lowers the interest rate, hinders the function of private safe assets as a store of value, and leads to a reduction in the entrepreneurs' wealth and output. In response to the shortage of safe assets, the bank expands its balance sheet to produce more private safe assets but exposes itself to more aggregate risk. A negative aggregate shock deteriorates the bank's balance sheet, reduces the production of private safe assets, and leads to a reduction in the output. Macroprudential policies can adjust the production of private safe assets with a tradeoff: encouraging the production of private safe assets alleviates the shortage of safe assets, at the cost of more risk exposure of the bank.

## **Monetary Policy and Rational Asset Bubbles: Comments**

(with Jianjun Miao and Pengfei Wang)

We revisit Gali's (2014) analysis by extending his model to incorporate persistent bubble shocks. We find that, under adaptive learning, a stable bubbly steady state and the associated sunspot solutions under optimal monetary policy are not E-stable. When deriving the unique forward-looking minimum stable variable (MSV) solution around an unstable bubbly steady state, we obtain results that are consistent with the conventional views: leaning-against-the-wind policy reduces bubble volatility and is optimal. Such a steady state and the associated MSV solution are E-stable.

## **Leverage of Financial Intermediaries in the Crisis**

I find shadow banks deleveraged while commercial banks increased their leverage during the 2007- 2008 financial crisis. This contrasting leverage pattern can be explained by the different funding sources of shadow banks and commercial banks. Banks who rely more on short-term funding tend to deleverage more during the crisis. I then build a model to incorporate both shadow banks and commercial banks. The leverage of shadow banks is determined by a Value-at-risk rule while the leverage of commercial banks is determined by the agency friction between bankers and depositors. The model can explain leverage dynamics and the flight-to-quality phenomenon observed in data.