

Research Statement – Zongbo Huang

As an applied financial economist specializing in macro-finance and banking, a common trend in my research is to explore the consequences of financial and informational frictions. My work connects theory with data to quantify theoretical mechanisms and assess policy implications.

My recent Journal of Finance paper titled "*Quantifying Reduced-Form Evidence on Collateral Constraints*" leverages reduced-form evidence to quantify the aggregate effects of financing constraints. It offers an estimate more robust to model misspecifications than the existing method using sample averages.

In my sole-authored paper "*Asset-Side Bank Runs and Liquidity Rationing: A Vicious Cycle*," I identify a novel strategic complementarity that leads to bank runs without defaults, quantify the amplification effects, and conduct policy analysis. This paper is under major revision at Management Science. I have addressed all of the comments raised by the Editor and two referees and plan to resubmit it before the end of July 2023.

My research also investigates the contingencies in financial contracts. In my recent Review of Finance paper with two other junior scholars, "*The Risk of Implicit Guarantees: Evidence from Shadow Banks in China*," we collect novel data on wealth management products to empirically analyze implicit guarantees provided by banks to their off-balance-sheet products. This paper has citations by leading scholars of the Chinese financial market, including Franklin Allen, QJ Jun Qian, Zhiguo He, Hui Chen, and Viral Acharya.

Our follow-up work, "*Risk-return Tradeoff with Implicit Guarantees*," studies the risk-return tradeoff of wealth management products facing policy uncertainty shocks. We show that returns widen when policy uncertainty hikes and banks provide stronger implicit guarantees, making wealth management products safer. Based on this line of research, I was awarded the NSFC Young Scientist Fund in 2022.

Another completed joint paper on financial contract contingency, entitled "*Security-bid Auctions with Endogenous Information*," analyzes the optimal auction mechanism where the payment method may be contingent on the highest bid. We plan to submit it to Management Science soon.

My research will continue to investigate financial and informational frictions in macro-finance and banking. One future direction is establishing a theoretical foundation for bank runs without defaults. Another direction is to study similar strategic interactions in mutual funds and sovereign debt markets. I also intend to explore the impact of monetary and fiscal policy on financial markets, especially on China's financial system. By combining theory and empirical evidence, my research aims to provide insights into the regulation of financial markets.