NUS RMI Conference on Quantitative Economics and Finance: In Honour of Professor Thomas J. Sargent

Thursday, 14 August 2025

12.00 pm to 5.30 pm

Seminar Room Level 1, 21 Heng Mui Keng Terrace,
I^3 Building,
National University of Singapore, 119613

Program Agenda:

Time	Speaker	Title
12:00 ~ 13:00	Registration & Lunch	
13:00 ~ 14:00	Prof. Neng WANG (CKGSB and Visiting Professor of RMI)	Optimal Contracting, Savings, and Risk Management for a Financially Constrained Firm
14:10 ~ 14:55	Prof. Karsten MULLER (NUS)	The Costs of Financial Crises in the United States
14:55 ~ 15:40	Prof Yifan FENG (NUS)	Credit Rating Design Under Adverse Selection
15:40 ~ 16:00	Tea break	
16:00 ~ 16:45	Prof. Kohei TAKEDA (NUS)	The Economic Dynamics of City Structure: Evidence from Hiroshima's Recovery
16:45 ~ 17:30	Jingyi LIANG (NUS)	Monetary Policy, Term Structure, and the Asymmetric Excess-Sensitivity Puzzle

Program Details:

Title:	Optimal Contracting, Savings, and Risk Management for a Financially Constrained Firm
Speaker:	**Prof. Neng WANG**
Abstract:	We develop a dynamic optimal contracting framework that jointly determines managerial compensation, corporate savings, and risk management in a financially constrained firm. The manager is incentivized through performance-based pay, while the firm, facing costly external equity, optimally manages savings and compensation liabilities by balancing incentive alignment with risk mitigation. The model reveals that optimal pay-for-performance sensitivity is endogenous to the firm's balance sheet strength—capturing both cash holdings and promised compensation obligations. Two shadow prices—the marginal value of corporate savings and the marginal cost of managerial compensation—jointly characterize the firm's state-contingent pay and financing policies.

Title:	The Costs of Financial Crises in the United States
Speaker:	**Asst Prof. Karsten MUELLER**
Abstract:	Using a newly-constructed panel dataset of U.S. states from 1863 to 2022 that combines bank balance sheets, real economic activity, and a systematic survey of all major chronologies of U.S. financial crises, we document the following facts: (i) financial crises are followed by a 6% decline in state-level output, (ii) output losses vary substantially across states, (iii) the severity of output losses is predictable with local contractions in deposits or wholesale liabilities, and with the incidence of bank failures, (iv) a composite measure of local financial distress, combining narrative evidence with statistical indicators, predicts state-level output losses of 3%, and (v) the share of states experiencing local financial distress predicts national output beyond a binary crisis indicator. These findings suggest that studies of systemic crises may underestimate the frequency and costs of financial distress.

Title:	Credit Rating Design Under Adverse Selection
Speaker:	**Asst Prof. Yifan FENG**
Abstract:	We study a strategic credit rating model where investors rely on credit rating agencies (CRAs) to assess firms' default probabilities. Firms seeking funding can solicit ratings by paying the CRA, who then optimizes a profit-maximizing rating policy based on firms' quality and solicitation decisions. We find that the CRA's optimal policy induces an equilibrium where high-quality firms are more likely to solicit ratings and receive higher ratings compared to low-quality ones. Although solicited ratings are observed to be higher than unsolicited ones, this discrepancy diminishes when accounting for firms' intrinsic qualities. Our model suggests that the reported discrepancy between unsolicited and solicited ratings can be explained by the CRA's strategic incentives and adverse selection on the demand side of the credit rating market.

Title:	The Economic Dynamics of City Structure: Evidence from Hiroshima's Recovery
Speaker:	**Asst Prof. Kohei TAKEDA**
Abstract:	We provide new theory and evidence on the resilience of the internal city structure after a large shock by analyzing the atomic bombing of Hiroshima. Exploiting newly digitized data, we document that the city structure recovered within five years after the bombing. Our new dynamic intra-city quantitative model incorporates commuting, forward-looking location choices, durable floor space, migration frictions, agglomeration forces, and heterogeneous location fundamentals. Strong agglomeration forces in our estimated model explain Hiroshima's recovery, and we find an alternative equilibrium without the city center recovery. These results highlight the role of agglomeration forces, multiple equilibria, and expectations in urban dynamics.

Title:	Monetary Policy, Term Structure, and the Asymmetric Excess-Sensitivity Puzzle
Speaker:	**Mr. Jingyi LIANG**
Abstract:	Excess sensitivity---the significant effects of monetary policy on long-term interest rates---is a well-known puzzle. This paper documents excess sensitivity as being more pronounced in response to monetary policy easing than monetary tightening---the asymmetric excess-sensitivity puzzle. By contrast, no comparable asymmetry is observed around the release dates of other macroeconomic data. A micro-founded model that rationalizes the findings is proposed. Policy actions signal the economy's unobserved state because of the central bank's private information. Knightian uncertainty about the precision of the policy signal and ambiguity-averse preferences give rise to the ambiguous signaling channel of monetary policy. The model predicts that monetary easing has stronger and excessive effects on long-term interest rates than does monetary tightening. We provide evidence that supports the proposed mechanism.