Jianbo Luo

Curriculum Vitae

Contact

62 Garland Dr, Amherst, NY 14226
Mobile: (716) 868-5796 Email: jianbolu@buffalo.edu

Education

Ph.D., Economics, GPA 3.71, University at Buffalo, The State University of New York, 2017 (expected)
Committee Members: Dr. Neel Rao (Advisor), Dr. Alex Anas, Dr. Peter Morgan
M.A., Economics, University at Buffalo, The State University of New York, 2013
MBA, Nanjing University, *Excellent Graduate Student*, 2011
B.S., Mechanical Engineering and Automation, Tsinghua University, 2004

Field of Interest

Labor Economics, Behavioral Economics, Public Economics, Applied Microeconomics

Revise/Resubmit Papers

TCR = SSCI (Journal Citation Reports 2014) total cites ranking in the relevant category.

Unemployment and Unhappiness: The Role of Pecuniary Factors (Rejected with invitation to resubmit as new manuscript, *Journal of Happiness Studies*, TCR=14/95 in Interdisciplinary Social Science; TCR=42/129 in Multidisciplinary Psychology)

Working Papers

A Pecuniary Explanation for the Heterogeneous Effects of Unemployment on Happiness (Job Market Paper. Under review, *Journal of Behavioral and Experimental Economics*, until 2014 titled *Journal of Socio-Economics,* TCR=114/333 in Economics)
Intertemporal and Reference-dependence? The Wage Elasticity of New York City Taxi Drivers

Work in Progress

The Fixed Cost of Living and Its Applications.
Why Is There No Happiness Adaptation to Unemployment?
Is Work a Burden? It Depends!
The Wage Income Growth of EITC Recipients.
Is Wage Income Elasticity a Sufficient Statistic? Evidence from EITC Recipients.
The Role of In-work Benefit in Optimal Income Taxation.

Teaching Experience (University at Buffalo)

Primary Instructor

Fall 2015	Money and Banking
Spring 2015	Econometrics I
Fall 2014	Microeconomic Theory

Teaching Assistant

2011-2014 Intro to Micro, Intro to Macro, Macroeconomic Theory, Microeconomic Theory, International Finance, Financial Economics II, Development Economics, Urban Economics, Economics Public Sector, Econ Fluctuation & Forecast

Scholarships

2015 Conference trip funding

2011-2014 TA Assistantship

Working Experience

2007-2011 Ford Motor Research & Engineering (Nanjing) Co., Ltd

2004-2007 Beijing Hyundai Motor Company

2002-2004 Excellence Network

Reference

The reference letters are provided by

1. My advisor, Dr. Neel Rao, 716-645-8674, neelrao@buffalo.edu
2. My committee member, Dr. Alex Anas, 716-645-8663, alexanas@buffalo.edu
3. My committee member, Dr. Peter Morgan, 716-645-8690, pbmorgan@buffalo.edu

The secretary of my department, Jacqueline Rucinski, jmrucins@buffalo.edu, 716-645-8669, will help to send the letters

Research Statement

I conduct my research in Labor/Behavioral/Public Economics, using Applied Microeconomics approach. I have two submitted papers. The first paper is "Unemployment and Unhappiness: The Role of Pecuniary Factors". The literature of subjective well-being (SWB) finds that unemployment is associated with large SWB decrease even after income is controlled for, and uses non-pecuniary factors to explain such decrease. My paper, however, suggests that the root cause is pecuniary. The detrimental effects of unemployment decrease considerably after including an additional control for pecuniary costs: subjective income evaluation. Moreover, non-pecuniary theories have less explanatory power than, but are compatible with, pecuniary factors.

My second paper, entitled "A Pecuniary Explanation for the Heterogeneous Effects of Unemployment on Happiness", further solves the puzzle of why half of those unemployed do not experience SWB loss. I demonstrate that both subjective and objective income measures mediate the negative effects of unemployment and explain its heterogeneous effects. This paper is also my job market paper and is under review in the *Journal of Behavioral and Experimental Economics* (previously *Journal of Socio-Economics*).

The papers below describe my future research. (1) In the above papers, I use the theory, the fixed cost of living, to explain the empirical findings. This theory is proposed in my paper "The Fixed Cost of Living and Its Applications". An individual's fixed cost of living is the sum of unavoidable expenses related with his or her living style, such as food, medical expenses, and, the most salient one, housing-related expenses. An individual balances consumption and leisure only after the fixed cost is satisfied. There are various utility functions associated with this theory, with the simplest one $u(c,l) = (c-F)l$, where c is consumption, l is leisure, and F is the fixed cost of living (measured by the survey question "What would you personally consider the minimum net household income you would need in your current living situation?") People choose their living styles so that normally $c > F$. However, for those unemployed, the utility decreases to $u(c,l) = -F(l+L)$, where L is previous working hours.[1] This explains why unemployment is associated with a large decrease in happiness ($-FL$), after loss due to income is controlled for ($-cl$). I also show the determinant factors of F. My future papers are correlated with this theory.

(2) Literature finds that people adapt to various life circumstances, such as marriage, divorce, disability, etc. However, there is no adaptation to unemployment and there is no promising explanation. My paper, entitled "Why Is There No Happiness Adaptation to Unemployment?", uses the above theory to explain this puzzle. I find that, although income decreases steadily, the fixed cost of living F remains large and stable after becoming unemployed.

(3) My paper "Is Work a Burden? It Depends!" deals with the puzzle of whether work is a burden. Work is regarded as a burden for a long time. Some recent studies in SWB challenge this idea because unemployment is associated with large SWB decrease, so that some scholars propose that work increases utility. I find that, as working hours increase, utility first increases and then decreases. The peak point corresponds well with the fixed cost of living F, i.e., work is not a burden ($\partial u/\partial l < 0$) if $c < F$, while it is ($\partial u/\partial l > 0$) if $c > F$.

[1] Here, for simplicity, I assume consumption reduces to 0. In the empirical part, this assumption is relaxed.

(4) Traditional theory predicts that in-work benefit will reduce labor supply. However, the empirical finding is mixed. In my theory, since the fixed cost of living F is substantial, those in-work benefit recipients, as low income earners, will not reduce their labor. In my paper "The Wage Income Growth of EITC Recipients" I empirically verify the prediction of my theory. I also provide a critical review showing why some empirical papers obtain inconsistent conclusions.

(5) Recent public economics literature regards wage income elasticity as a sufficient statistic in calculating optimal tax schedule. My theory, however, predicts that individuals will not response to tax change when $c < F$. My paper "Is Wage Income Elasticity a Sufficient Statistic? Evidence from EITC Recipients" shows that the wage elasticities are opposite in sign (positive or negative) during EITC expansion and contraction.

(6) Using the theory, in the paper "The Role of In-work Benefit in Optimal Income Taxation" I qualitatively verify that in-work benefits should be part of the optimal income taxation. I also give a critical review about why some papers instead suggest a traditional taxation: out-of-work benefit and high marginal tax rate.

In the long run, I want to apply my theory in China Economics and extend my research in Macroeconomics (by using micro-level data). For example, the savings rate of urban households in China is flat initially. Then it rises significantly from 1995 to 2005. It is argued that this puzzle could be explained by rising expenditures on housing, education, and health care. Regarding those expenditures as fixed costs of living, I think my proposed theory provides a model for this explanation. My preliminary analysis also discovers some further puzzles, fitting this theory, that the consumption in China is an inverse U-shape while labor supply is U-shape.

I may analyze the factors contributing to happiness. For example, my preliminary result demonstrates that international trade has different effects on happiness of developed and developing countries. I want to further delve into those topics.

There are 5 papers published in the top 5 journals since 1997 about the New York City taxi driver's labor hour elasticity with respect to wage. The debate concentrates on whether the elasticity is positive or negative. It is argued that a positive elasticity provides support for the neoclassical intertemporal model, while a negative one is evidence of the reference-dependent model. Researchers believe those two models are not compatible. The most recent paper uses the instrument variable (IV) approach to deal with the measurement errors in working hours and to eliminate the division bias. I find that the measurement errors have negligible effects on wage elasticity while the IV approach is inconsistent. Currently, I am working on this topic and the first version is completed. I will continue to polish this paper.

In sum, the economics literature assumes that individuals always balance consumption and leisure. My theory, on the contrary, suggests that individuals balance consumption and leisure only after their fixed costs of living are met. I find that the theory is able to solve numbers of puzzles in the literature and I will continue to do my research on those topics.

University at Buffalo
The State University of New York
DEPARTMENT OF ECONOMICS

ALEX ANAS
PROFESSOR OF ECONOMICS
716-645-8663; alexanas@buffalo.edu

October 10, 2016

Confidential letter of recommendation on behalf of Mr. Jianbo Luo

Jianbo is enrolled as a Ph.D. student in our Department. He has passed both the macro and micro preliminary examinations and is now writing his dissertation under the supervision of Dr. Neel Rao. Jianbo is a determined and serious young scholar. His primary interest is empirical research in labor and public economics.

I know Jianbo well from my courses ECO 665 (Microeconomic Theory I) and ECO 763 (Public Economics). After performing well in these courses he passed a field examination in public economics consisting of a presentation observed by three faculty members of the Department including myself.

In his research, Jianbo is primarily interested in labor market incentives and taxation programs such as the EITC (Earned Income Tax Credit). His interest centers on trying to explain that the unemployed and the employed have different preferences with respect to leisure time. A central point of contention seems to be that the employed regard leisure as a good while the unemployed regard it as a bad. Jianbo is also using a unique survey data base that includes stated preference data on happiness to estimate econometric models that combine employed and unemployed respondents. The dissertation is progressing and Jianbo already has two papers from his dissertation under review by journals.

Jianbo's primary job market interest is to obtain a teaching and/or research position in an economics department or a business school. I would recommend him strongly for such positions.

Sincerely yours,
Alex Anas

Department of Economics
University at Buffalo
The State University of New York

October 9, 2016

To Whom It May Concern:

I enthusiastically recommend Jianbo Luo for positions in academia. Jianbo is earning his doctorate in economics from the University at Buffalo, SUNY. He received his undergraduate degree in engineering from a top university in China. He is one of the best students in our doctoral program. Jianbo has successfully completed all of the required coursework and examinations. His thesis is essentially finished. He is expected to defend his dissertation by the end of the academic year.

I am serving as Jianbo's principal advisor. His dissertation comprises a number essays in applied microeconomics. More specifically, his fields are labor, public, and behavioral economics. At least two papers are complete. They have been under review for several months at refereed journals. His research demonstrates solid empirical and technical skills as well as creativity and originality. Jianbo is an independent researcher. He is able to identify and analyze interesting economic questions on his own.

The main papers from Jianbo's dissertation construct a framework to examine unemployment and unhappiness. They develop a novel utility function based on the idea of reference points from the behavioral economics literature. The key feature is a utility parameter representing the fixed cost of living. This term captures unavoidable monetary obligations. Jianbo explains how his theory resolves several paradoxes in the happiness literature.

He estimates the fixed cost. He also shows that pecuniary factors generate the decrease in happiness at unemployment. His model is consistent with the empirical finding that the marginal utility of leisure is positive for the employed but negative for the unemployed. It can also explain why some unemployed individuals do not experience a reduction in subjective wellbeing.

Other papers from Jianbo's dissertation examine the Earned Income Tax Credit (EITC) from a behavioral perspective. He proposes a utility function that can explain why the EITC increases labor supply on the intensive margin, whereas traditional models may predict the opposite. Jianbo documents several econometric problems with the existing literature. He also explains how his results relate to theories of optimal taxation.

Jianbo has an active research agenda with many works in progress. One project examines the inability of workers to adapt to unemployment. Another project investigates the labor supply behavior of taxi drivers. He is devising a method to test behavioral models of preferences against a neoclassical framework. His project seeks to answer a number of open questions regarding the income elasticity of labor supply. Still another project analyzes trends in the consumption, employment, and savings behavior of Chinese households over time.

Jianbo's talents will be useful in a variety of settings. He has an extensive teaching background that spans numerous fields of economics. Not only has Jianbo been a teaching assistant for several semesters, but he was also the primary instructor for many courses. He has taught classes in macroeconomics, microeconomics, econometrics, finance, development, and public policy. Based on my personal observation, Jianbo has excellent teaching abilities. He is organized and articulate. In addition, Jianbo has previous work experience. He was employed as an engineer at a number of major automotive companies. He was involved in research and development.

Jianbo has good interpersonal and communication skills. He is ambitious and motivated. Jianbo frequently schedules appointments with me in order to discuss research questions and professional issues. He regularly presents his research in order to solicit comments from faculty. Jianbo is well regarded by other faculty. He has a strong sense of commitment and responsibility. He is friendly and outgoing. He reacts well to feedback. I am excited about his career prospects.

Sincerely,

Neel Rao
Assistant Professor

University at Buffalo
The State University of New York

Department of Economics

October 10th, 2016.

Dear Colleague: **Re: Mr. Jianbo Luo**

Mr. Luo's dissertation is dedicated to reconciling microeconomic theory and data that measure the welfare impacts of unemployment upon individuals in different wealth and income states. He has completed two essays and is near to done on his final essay, so I anticipate that he will complete his degree during the coming summer.

Mr. Luo's core premise is easily understood. Consider two individuals or households, each with the same income flow and savings stock, but individual A has a greater flow of debt servicing that does individual B, perhaps because individual A borrowed more to buy a more expensive house than did individual B. If wage and salary flows unexpectedly cease, then for individual A the amount left from other income flows (perhaps unemployment insurance) is smaller than for individual B. Consequently, individual A's welfare loss due to unexpected unemployment is greater than is individual B's loss. Mr. Luo develops this theme far beyond this small example, but hopefully you get the idea. It is not just firms that have temporarily "fixed inputs" – so do many households.

Mr. Luo provides a neoclassical model of his idea in his paper *The Fixed Cost of Living and its Applications*. The core of his model is a utility function that incorporates a fixed cost of living that is the aggregate of "essential" expenditures, such as debt servicing, food purchases, and utility expenses. Since consumption expenditure is at most the income flow left after paying the fixed cost of living, an individual's marginal utilities of consumption and leisure depend very much upon whether the individual's discretionary income flow is above, or below, the fixed cost of living, and by how much. The formulation is considerably more flexible than the standard labor-leisure tradeoff style of model used by many labor economists and is capable of comprehensively explaining many observed behavioral regularities of individuals, including those who unexpectedly transition into or from unemployment. The fixed cost of living introduces in a natural way heterogeneity between households with similar income flows, because earlier (in time) choices made by different households cause different values for their fixed costs of living.

Mr. Luo has gathered data sufficient to test his model and to compare its performance to the "standards" that currently are the accepted alternative explanations. He reports the performance of his model, and compares its performance to competing models, in two papers, *Unemployment and Unhappiness: The Role of Pecuniary Factors* and *A Pecuniary Explanation for the Heterogeneous Effects of Unemployment on Unhappiness*. Both papers are under review. I am not an econometrician and so cannot comment usefully upon Mr. Luo's methodology. It does appear, however, that these papers demonstrate that his model provides a more comprehensive explanation of the welfare consequences of employment/unemployment transitions that do its state-of-the-art competitors.

415 Fronczak Hall, Buffalo, NY 14260-1520
Tel: (716) 645-2121 Fax: (716) 645-2127

University at Buffalo
The State University of New York

Department of Economics

Mr. Luo should be of interest to any employer, academic or private-sector, seeking an applied microeconomist and econometrician with a demonstrated ability to conceive of a valuable innovation and its applications. Mr. Luo had little assistance in constructing his model and had none in collecting data for its testing. Moreover, Mr. Luo has tenaciously expanded both his model and its applications, resulting in a program of research rather than a "one-off" idea. He is interested in theory only in so far as it is useful for explaining significant observed behavioral phenomena.

Mr. Luo is a quiet, collegial, hard-working, persistent, and pleasant person who respects his colleagues and other students, and is well-liked. His commands of both oral and written English are good. These attributes, along with his skills, ensure that he will easily become an excellent team person. He listens to others but is unafraid to agree or to disagree politely with another's argument. His responses are always reasoned, never personalized.

Sincerely,

Peter B. Morgan

Peter B. Morgan
Associate Professor of Economics

415 Fronczak Hall, Buffalo, NY 14260-1520
Tel: (716) 645-2121 Fax: (716) 645-2127