



Departament d'Economia i Història  
Econòmica

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Barcelona, November 13th 2007

### **Letter of Reference for Liguó Lin**

I understand that Liguó Lin is applying for a position in your department.

Since January 2004 I have been teaching at IDEA (International Doctorate in Economic Analysis) at the Universitat Autònoma de Barcelona (UAB), where I am now a permanent faculty member. I met Liguó two years ago, first discussing several issues related to his thesis project. Since then I have had many opportunities to interact with Liguó and I believe I know him well enough to assess the quality of his current work and his future prospects.

Liguó is a serious, enthusiastic, intellectually independent and hard-working economist. In particular, Liguó shows a wide range of technical abilities and interests. In his current work you will find applications of contract theory and bargaining theory to the analysis and design of regulatory regimes, applied econometric analysis or economic growth analysis. This wide range of scope and interests is not usual at all. That, together with the fact that he has a special interest in applications to the Chinese economy, constitutes in my view a very valuable strength of Liguó's candidacy.

The first paper in Liguó's dissertation, his job market paper, is "Enforcement of pollution taxation regulations: evidence from China". In this paper Liguó investigates how plants' self-reported pollution levels react to inspections. His empirical analysis, based on a very unique data set, shows inspections increase plants' self-reported pollution. This result is in sharp contrast with existing empirical analysis for the US or Canada, or from previous empirical analysis in China. Then Liguó proposes a principal-agent model to analyze the optimal response of firms under the specific environmental regulation existing in China (based mostly on pollution taxation rather than pollution standards). The model predicts a response to increasing inspections consistent with the empirical evidence, i.e. self-reported pollution should increase with increasing inspections. An important implication of the model is that in response to increasing inspections actual pollution might be going up as well. Therefore, the model implies that increasing inspections might be increasing pollution rather than reducing it, and this feature is due to the specific features of Chinese environmental regulation.

In addition, Liguó is currently working in two other very interesting topics. The first one is "How do local conditions matter in enforcement of pollution regulations?: evidence from China". In this research project Liguó performs an econometric analysis of how local conditions (citizens' education, the amount of their environmental complaints, specific area they live in, and so on) shape the inspection efforts of the environmental regulatory agency. The second of his current research projects, entitled "Explicit willingness to pay for global

warming'', is a dynamic macroeconomic model of the world economy where emissions have both an effect on production and a negative effect directly on welfare. This model will eventually constitute a very nice tool to quantify the impact of alternative policy responses to global warming.

In addition, Ligo has also shown to be highly qualified as a teacher. It is common for graduate students at UAB to get involved as teaching assistants in undergraduate courses. Ligo is very dedicated and enthusiastic about it, and it is easy to interact with him. His communication skills in English (and a bit in Spanish) are advanced enough so that it is easy to communicate with him. That, together with his personality, makes me think that he would have no problem at all interacting with colleagues.

To summarize, I believe Ligo is a very strong candidate, perhaps not for the Top 20 in the world, but certainly for any other institution interested in hiring a researcher in environmental economics. He has shown to be a very dedicated scholar, working in very important applied research projects in China. In his research he has shown skills in a wide range of topics: applied econometrics, contract theory, growth theory; and a good sense of how to use these tools in the analysis of existing policies in actual economies. Finally, Ligo is a respectful, honest and very social person, with proficient communication skills in Chinese and English, and some reasonable notions of Spanish.

Please, do not hesitate to contact me if you need further details.

Sincerely,

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