

Xinyu (Cyndi) Hou

CONTACT INFORMATION

Cambridge Judge Business School
University of Cambridge
11/12 Trumpington Street
Cambridge CB2 1AG
UK

Voice: +44 7355815386
E-mail: x.hou@jbs.cam.ac.uk
Website: <https://xinyuhou94.github.io/>

EXPERIENCE

Cambridge Judge Business School 2022-2024
post-doctoral research associate at the Cambridge Endowment for Research in Finance (CERF) and Cambridge Centre for Finance (CCFin)
affiliated with the Finance subject group at CJBS and Trinity College Cambridge

EDUCATION

Washington University in St. Louis, St. Louis, MO, USA
Ph.D., Economics 2016-2022
Dissertation: “Law and Decisions in Corporations”
Dissertation Committee: Philip H. Dybvig (Primary Supervisor), Gaetano Antinolfi, Scott A. Baker, Nicolae Garleanu, Brett Green, John Nachbar

Wuhan University, Wuhan, China
B.A. in Economics and B.S. in Mathematics, 2012-2016

RESEARCH INTERESTS

Primary: Law and Economics, Corporate Finance
Secondary: Banking, Economic Theory

RESEARCH PROJECTS

(JMP) Limited Liability: Playing It Safe or Going Big?

ABSTRACT: Does limited liability on damages improve social efficiency? I show that optimal liability rules trades off tort damages against benefits to outside stakeholders. Full liability promotes care but raises marginal costs, inducing less-than-efficient scale. Limited liability enhances scale but reduces care, proving more efficient than full liability when outside stakeholder value is high. As market competition grows, liability’s impact on scale diminishes, and internalizing more damages would increase efficiency. We conclude that limited liability is not one-size-fits-all; tailored policies like requiring insurance for contractors and nuclear decommissioning trusts (NDTs) can help adjust for cross-firm differences.

(Under review) Gambling for Redemption or Ripoff, and the Impact of Superpriority *(joint with Philip H. Dybvig)*

ABSTRACT: Asset substitution is gambling by firms switching to less efficient and more volatile projects. Gambling using derivatives is a sharper instrument, allowing owners to gamble just to what is needed, with negligible efficiency loss. In our results, “gambling for redemption” operates at small scale and is socially beneficial, while “gambling for ripoff” operates at large scale and is socially inefficient but benefits firm owners at the expense of bondholders. Gambling at scale is available in countries with weak legal systems, and in the U.S. for Qualified Financial Contracts (QFCs) granted exemption to bankruptcy provisions by superpriority laws. Availability of gambling at scale reduces firm value due to difficulty borrowing given potential gambling for ripoff.

Direct Transfer and Guanxi in Resolving Contract Failure

ABSTRACT: Guanxi (relationship-building in China) has a mixed reputation. It can be used to implement corruption, e.g. to get a job for an underqualified relative, but it can also be used to facilitate beneficial trade. In this paper I compare guanxi to direct transfers. Both facilitate transactions, good and bad. The results show that if most projects are bad, it could be good to ban both guanxi and transfers. Otherwise, guanxi alone can be more helpful in facilitating beneficial transaction than a direct transfer alone, but having both channels can be even better for useful self-selection and therefore blocking transfers can be bad. Specifically, blocking transfer causes a decreased reliance on guanxi if the official's motive is aligned with the rest of the world, but it causes an increased reliance on guanxi if the official's motive is not so aligned.

(Work in progress) How Deep is Your Pocket?

ABSTRACT: We analyze the impact of investors' financial depth, referred to as "deep pockets," on decision-making in investments with significant downside. In a non-cooperative equilibrium, a free-rider problem can appear. A deep-pocket investor who do not want to "hold the bag" would avoid firms with substantial liabilities, leading to investments at lower scales and liability uncovered. Conversely, in a cooperative equilibrium, deep-pocket investors form partnerships or limited partnerships, allowing for the shared distribution of liability and risk. This leads to more efficient operational scale and aligns investors' interests by ensuring no single party is left "holding the bag." The partnership structure also further aligns the interests of the investors by providing protection since it must be dissolved and reformed if a partner exits.

CONFERENCES

2023

European Finance Association (EFA) 50th Annual Meeting Amsterdam;
Financial Management Association (FMA) Annual Meeting Chicago;
Best paper award: 12⁹ Portuguese Financial Network Conference (PFN);
World Finance Conference (WFC) Norway;
18th Annual International Symposium on Economic Theory, Policy and Applications (ATINER) Athens, Greece
CERF Cavalcade, Cambridge
CERFAS Cavalcade, Cambridge

2022

CERF Monday lunch, Cambridge

2021

11th Annual Conference of the Summer Institute of Finance (SIF), Shanghai Advanced Institute of Finance (SAIF), Shanghai Jiao Tong University, Shanghai, China;
Olin Business School Finance Brown Bag Seminar, Washington University in St. Louis, St. Louis, MO, USA;
Summer Program of Institute of Financial Studies (IFS) of Southwestern University of Finance and Economics, Chengdu, China

2019

Summer Program of Institute of Financial Studies (IFS) of Southwestern University of Finance and Economics, Chengdu, China

SERVICES

Conference committee: Cambridge Corporate Finance Theory Symposium 2023
Executive Committee: CERFAS (CERF Alumni Society)
Help organize: Cambridge Corporate Finance Theory Symposium 2022,
CERF Monday lunches/seminars,
Cambridge - Nova Workshop 2022
Reviewer: Research in Economics

TEACHING
EXPERIENCE

Workshop (case study)
Principles of Finance, *MFin, Cambridge*

Michaelmas term 2022-2023

Instructor

Money and Banking, *Undergraduate, WashU*

Summer 2018

Teaching Assistant

- Advanced Continuous-time Finance, *PhD, WashU* Spring 2022
- Mathematical Finance, *MSF, WashU* Spring 2020, Spring 2022
- Stochastic Foundations, *MSF, WashU* Fall 2020
- Political Economy, *Undergraduate, WashU* Spring 2020
- Applied Econometrics, *Undergraduate, WashU* Fall 2018, Fall 2019
- Money and Banking, *Undergraduate, WashU* Fall 2017, Spring 2019
- Innovation & Intellectual Property, *Undergraduate, WashU* Spring 2018

Teaching Assistant (Undergraduate)

- Topology, *Undergraduate* Spring 2016
- Advanced Macroeconomics, *Undergraduate* Spring 2016
- Chaotic Dynamic System, *Undergraduate* Fall 2015

TEACHING
INTERESTS

Undergraduate and graduate levels

- Principles of Finance
- Corporate Finance Theory
- Stochastic Foundations
- Mathematical Finance
- Introductory/Intermediate/Advanced Microeconomics
- Money and Banking
- Game Theory

COMPUTER
SKILLS

MATLAB, R, STATA

PERSONAL

Citizenship: China
Gender: Female
Languages: Mandarin (native), English (fluent)

REFERENCES

Philip H. Dybvig
Olin Business School
Washington University in St. Louis
St. Louis, MO 63130
E-mail: dybvig@wustl.edu

John Nachbar
Department of Economics
Washington University in St. Louis
St. Louis, MO 63130
E-mail: nachbar@wustl.edu

Gaetano Antinolfi
Department of Economics
Washington University in St. Louis
St. Louis, MO 63130
E-mail: gaetano@wustl.edu

Valerio Dotti
Department of Economics
Ca' Foscari University of Venice
Fondamenta San Giobbe 30121 Venezia,
Italy
E-mail: valerio.dotti@unive.it