

# DONGWEI XU

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## EDUCATION

Ph.D., Economics, Boston University, Boston MA, May 2021 (expected)  
Dissertation Title: *Essays on Macroeconomics and Asset Pricing*  
Main advisor: Marianne Baxter

M.S., Finance, Washington University in St. Louis, St. Louis, MO, 2013

B.A., Economics, Peking University, Beijing, China, 2012

B.S., Mathematics, Beijing Jiaotong University, Beijing, China, 2012

## FIELDS OF INTEREST

Macroeconomics, Asset Pricing, International Economics

## WORKING PAPERS

“Labor Adjustment Cost: Implications from Asset Prices,” October 2020, Job Market paper.  
“Labor Commitment,” March 2018.

## WORK IN PROGRESS

“Reasonable Risk Aversion” (joint with Marianne Baxter)  
“The Hours Premium in U.S. Asset-Pricing”  
“Firm-Level Political Risk in China”

## TEACHING EXPERIENCE

Instructor, Introductory Macroeconomic Analysis, Department of Economics, Boston University, Summer 2018, Summer 2019  
Teaching Assistant, Empirical Economics, Department of Economics, Boston University, Fall 2016, Spring 2017, Fall 2017, Spring 2018, Spring 2020  
Teaching Assistant, Introductory Macroeconomic Analysis, Department of Economics, Boston University, Spring 2019

## WORK EXPERIENCE

Research Assistant for Marianne Baxter, Boston University, Summer 2018, Fall 2018, Summer 2019, Fall 2019, Summer 2020, Fall 2020  
Research Assistant for George-Levi Gayle, Washington University in St. Louis, Fall 2014, Spring 2015

Financial Analyst, Arch Grants, St. Louis, MO, 2014

Risk Management Consultant, Wells Fargo Advisors, St. Louis, MO, 2013

**FELLOWSHIPS AND AWARDS**

Dean's Fellowship, Boston University, 2015-2020

Outstanding Undergraduate Student Award, Beijing Jiaotong University, 2012

Outstanding Student Leadership Award, Beijing Jiaotong University, 2012

**LANGUAGES**

Chinese (native), English (fluent)

**COMPUTER SKILLS**

MATLAB, Python, STATA, LaTeX

**CITIZENSHIP/VISA STATUS**

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**REFERENCES**

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## **Labor Adjustment Cost: Implications from Asset Prices (Job Market Paper)**

This paper explores the relation between a firm's labor input and its equity return, and studies its implications on macroeconomics and asset pricing. At the firm-level, a 1 percent increase in hours is associated with a 0.6 percent decrease in future equity return. A production-based asset pricing model rationalizes this empirical fact with labor adjustment cost on hours and adjustment cost shock that lowers adjustment cost. A positive adjustment cost shock encourages adjustment in the economy and hence redistributes consumption to investment. Firms adjusting hours more and taking advantage of lower adjustment cost are able to pay out more when marginal utility is high. Therefore, these firms are less risky and earn lower equilibrium return. Estimation of the model matches firm-level moments, pooled distributions, and equity return predictability of hours and employment growth. Adjustment cost shock recovered from the model captures a countercyclical component in business cycle fluctuation, and affects firm-level real quantities favorably and asset prices negatively.

## **Labor Commitment**

This paper proposes a novel economic mechanism that matches the procyclical labor hours and countercyclical risk premium. Central to the mechanism is labor commitment, a measure of representative agent's growing, income-generating stock of labor. When utility is nonseparable between consumption and labor, the intertemporal marginal rate of substitution (IMRS) in equilibrium increases when the labor-consumption ratio growth increases. I find empirical evidence supportive of predictions from IMRS and obtain reasonable equilibrium coefficients in structural estimation using U.S. postwar aggregate data. I examine implications from the economic mechanism in asset pricing tests. First, the equilibrium stochastic discount factor implied unconditional linear factor model performs about as good as Fama-French three-factor model in explaining cross-sectional portfolios. Second, the labor-consumption ratio growth as the conditional variable improves various unconditional models more than cay and durable consumption growth.