

# Cyndi (Xinyu) Hou

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## CONTACT INFORMATION

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## 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, Economic Theory  
*Secondary*: Banking

## RESEARCH PROJECTS

### **JMP: Limited Liability and Investment**

**ABSTRACT:** Does limited liability on damages improve efficiency? This paper provides a theoretical model considering firm’s preference for care and scale when the outside stakeholders (consumers, employees, suppliers, communities, governments, etc.) obtain benefits from the firm. The results show that the optimal liability rule trades off damages to the tort claimants against benefits to the outside stakeholders. Full liability provides efficient care but scale is too small because it internalizes all the damages but not all the benefits. Limited liability has less than efficient care but larger scale than full liability and tends to be more efficient if outside stakeholders have a larger potential value. If this potential value falls (for example, with more competition), the equilibrium with full liability converges to the first best, whereas with limited liability the equilibrium deviates from the first best, encouraging low care level and large scale. Therefore, limited liability is not a one-size-fits-all policy to achieve the optimum for different firms. This opens up possibilities of other rules to adjust for cross-firm differences.

### **Gambling for Redemption and 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.

### Working in progress: How Deep is Your Pocket?

In numerous corporate tort litigations, particularly when multiple defendants are implicated, a plaintiff may target a defendant known for their “deep pockets.” This choice is influenced not solely by the defendant's actual responsibility or culpability but also by their significant financial capacity to handle hefty judgments or settlements. This raises an intriguing question: How does the financial depth of these “deep pockets” influence an investor's decision to invest in high-risk ventures?

#### CONFERENCES

2023

European Finance Association (EFA) 50th Annual Meeting Amsterdam;  
Financial Management Association (FMA) Annual Meeting Chicago;  
Best paper award: 12<sup>o</sup> 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  
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  
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Department of Economics  
Ca' Foscari University of Venice  
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