

# SEUNGHYUP LEE

Harvard University

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## Graduate Studies

Harvard University, 2012 to present  
Ph.D. Candidate in Business Economics  
Thesis Title: "Essays in Financial Economics and Corporate Innovation"  
Expected Completion Date: May 2018

## References

Professor John Campbell  
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Harvard Business School  
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## Undergraduate Studies

Bachelor of Arts, Mathematics, Princeton University, with High Honors, 2009  
Senior Thesis: "Optimal Dynamic Portfolio Choice in the Market with Arbitrage Opportunities"  
Faculty Advisors: Professors Christopher Sims, Hyun Song Shin, Alexander d'Aspremont  
Completion of Preliminary Course in Medicine, Seoul National University, 2005

## Teaching and Research Fields

Primary Field: Corporate Finance, Pricing Theory  
Secondary Field: Contract Theory, Macroeconomics

## Teaching Experiences

The Economics of Discontinuous Change (Undergraduate) for Professor Richard Freeman, Spring 2017  
Time Series (Ph.D. course) for Professor James Stock, Fall 2015  
Capital Market (Undergraduate) for Professor John Campbell, Fall 2014  
Capital Market (Undergraduate) for Professor John Campbell, Fall 2013

## Other Academic Experiences

Organizer of Harvard University Finance Lunch Seminar, 2014–2016  
Research Assistant for Professors John Campbell and Luis Viceira, 2013  
Research Assistant for Professors Bo Becker and Luis Viceira, 2012

### Honors, Scholarships, and Fellowships

Dissertation Completion Fellowship, Harvard University  
Doctoral Fellowship, Harvard Business School  
American Financial Association Travel Grant  
Samsung Scholarship  
Kwanjeong Scholarship  
Research Promotion Grant, Korea Science and Engineering Foundation  
Gold Medal, International Mathematical Olympiad

### Other Experiences

United States Forces Korea, Interpreter for Garrison Commander (mandatory military service)  
National Assembly of Korea, Policy Advisor  
Korean Mathematical Society Mathematical Olympiad Summer Program, Lecturer

### Working Papers

“Employment Protection, Financial Uncertainty, and Corporate Investment in Innovation” (Job Market Paper)

Abstract: This paper provides evidence of operating leverage channel through which employment protection changes corporate investment in innovation. Using the adoption of wrongful-discharge protections by the state courts across the U.S. states as an exogenous variation in downside labor adjustment cost, we show that corporate operating leverage, defined as sensitivity of operating profit to sales, increases after the adoption. Furthermore, we document that the court decision reduces R&D investment among the firms who are more subject to frictions in the financial market, and that R&D investment procyclicality becomes stronger. In contrast, the impact of the adoption on capital investment is insignificant regardless of the level of financial constraints. To establish a causal relationship between operating leverage and investment decisions, we construct an industry layoff elasticity measure as a proxy for the exposure to the shock, and compare the investment responses of the firms with different levels of exposure. Firms that are highly R&D intensive also actively change their capital structure by hoarding more liquidity and issuing more equities. A simple firm investment model with costly external finance and R&D liquidity constraint can generate predictions that are consistent with our empirical findings.

“Innovation Intensity and Asset Prices”

Abstract: In this paper, I explore the implications for asset prices of shocks that raise the intensity of innovation and generate new consumption products. In my model, the economy is driven by both economy-wide common productivity shock and stochastic arrival rate of innovation, and households value the diversity of products in the spirit of Romer (1990). Because households can enjoy more utility in the future from the variety of products by delaying their consumption when innovation intensity is high, more innovation is associated with higher marginal value of consumption. Therefore, firms who benefit from the higher innovation intensity, the growth firms, command low risk premia. Based on this observation, I propose an asset pricing model that can potentially explain the market and cross-sectional distribution of risk premia and is relatively free from the parametric assumptions. This model is consistent with the findings that value premium is mostly an intra-industry phenomenon, given that innovation intensity changes mostly at an industry level.

“Market News Decomposition and Cross-Sectional Variations in Stock Returns”

Abstract: One shortcoming of the conventional VAR estimation to decompose the stock returns into cash-flow news and discount rate news is that researchers can overestimate the variation of future dividend news as a source of the excess return volatility when their VAR specification understates the predictability of excess return. Instead of relying on return expectations to generate cash-flow news, I exploit the cross-sectional variations in the sensitivity of past individual stock returns to the market news to estimate market discount-rate and cash-flow news from the contemporaneous individual stock returns. I find that the contribution of cash-flow news to market excess return volatility is much smaller than previously estimated using the VAR models, while discount-rate news plays a similar role. By directly capturing the market responses to the news, my approach provides another tool to quantify the impact of monetary policy changes.