# JUNGHO LEE

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**Reference**
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March 21, 2013

To whom it may concern:

Please find enclosed files: my CV and research statement. I look forward to hearing from you soon. Thank you for your time and consideration.

Sincerely yours,

Jungho Lee

encl: Curriculum Vitae
Research Statement

Washington University in St. Louis
Barton Hamilton
*Robert Brookings Smith Distinguished Professor of Entrepreneurship*

March 31, 2013

Letter of Recommendation for **Jungho Lee**

It is a pleasure to recommend Jungho Lee for the NBER Entrepreneurship Boot Camp. I am Jungho's thesis advisor and have been interacting with him regularly for the last 2 years on his research. Jungho has also worked as one of my research assistants over the last year on an empirical project (with Carl Sanders) examining the relationship between small firm employment and subsequent entrepreneurial success using data from the National Longitudinal Survey of Youth. Jungho did a fantastic job developing the estimating data set, and is working on the estimation of the dynamic structural model of the choice of employment in a small firm vs. large firm vs. self-employment. This is a quite complex econometric model and Jungho is learning a great deal about how to bring cutting edge econometric models to the study of entrepreneurship. The Boot Camp will provide needed institutional context for Jungho's research, as well as expose him to a wider variety of entrepreneurial scholars and ideas that will be fruitful for his dissertation research.

Jungho's dissertation focuses on the formation of new ventures with multiple founders, which I will term partnerships. An individual faces 3 choices in his model: (1) work as a paid employee; (2) start a business as a solo owner; (3) start a business with a partner. He considers 2 potential reasons as to why an individual wishing to start a business may choose to do so with a partnership. First, if individuals are liquidity constrained (as in the well-known work by Evans and Jovanovic (1989)), they may choose a partnership as a means to raise additional capital since they are unable to borrow enough. Second, there may be complementarities in production, so that the output of the two partners in one business is greater than the sum of their individual outputs. The tradeoff is that the partners may free ride on each other's efforts, which will reduce output, all else equal.

Jungho has developed a theoretical model of partnership formation that incorporates the features above, will estimate the structural parameters (including the liquidity constraint and complementarity) using data from various waves of the Survey of Income and Program Participation (SIPP) that he has collected. The reduced-form regressions he has estimated using the SIPP data already show some interesting patterns. The well-known work by Hurst and Lusardi shows that entry into entrepreneurship is increasing in individual wealth. Jungho also finds a positive relationship between the wealth of individuals in period t and entry into self-employment as a solo business owner in period t+1. However, he finds no significant relationship between period t wealth and the decision to start a partnership in period t+1, suggesting that partners may not be liquidity constrained. He also finds evidence from the Kauffman Firm Survey that conditional on initial capital, partnerships are less likely to survive than solo-owned businesses, indicating that free riding may dominate potential complementarities in partnerships. These initial findings suggest that his structural work should be quite informative about the questions he is answering in his thesis.

Jungho has an exciting research agenda and will substantially benefit from exposure to leading scholars in the Boot Camp, as well as fellow PhD students working in the area. His research has the potential to be highly impactful, and I very strongly recommend Jungho for the Boot Camp. Please do not hesitate to e-mail me at hamiltonb@wustl.edu or call me at (314) 935-8057 if you have any further questions.

Sincerely,



Barton Hamilton
Robert Brookings Smith Distinguished Professor of Entrepreneurship

Olin Business School, Washington University in St. Louis, Campus Box 1133, One Brookings Drive, St. Louis, Missouri 63130-4899; (314) 935-8057; *Fax*: (314) 935-6359; HamiltonB@wustl.edu

# JUNGHO LEE

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## PERSONAL INFORMATION

Gender: Male
Citizenship: Republic of Korea
US Visa Status: F-1

## EDUCATION

Ph.D. in Economics, Washington University in St. Louis *2009 - present*
M.A. in Economics, Seoul National University *2009*
B.A. in Economics, Kyung Hee University *2007*

## FIELDS OF INTEREST

Entrepreneurship, Labor Economics

## RESEARCH

### Working Paper

· *"Business Partnership and Limited Commitment"* (with Kyoung Jin Choi)

### In Progress

· *"Why is a Business Partnership Formed?"*
· *"Estimating the Small Firm Effect"* (with Barton H. Hamilton and Carl Sanders)

## TEACHING EXPERIENCE

| | |
|---|---|
| **Fall, 2010** | *Introduction to Microeconomics*, Washington University in St. Louis, TA for Prof. Sudeshna Bandyopadhyay |
| **Spring, 2011** | *Introduction to Macroeconomics*, Washington University in St. Louis, TA for Prof. Sudeshna Bandyopadhyay |
| **Fall, 2011 & 2012** | *Labor and the Economy*, Washington University in St. Louis, TA for Prof. Sudeshna Bandyopadhyay |
| **Spring, 2012** | *Intermediate Microeconomic Theory*, Washington University in St. Louis, TA for Prof. David Levine |
| **Spring, 2013** | *Understanding the Financial Crisis*, Washington University in St. Louis, TA for Prof. Silvio Contessi |

## SKILL

Computer: Fortran, Matlab, Stata
Language: Korean (native), English (fluent)

## OTHER EXPERIENCE

Republic of Korea Air Force, mandatory military service *2002 - 2004*

## PH.D. COURSES IN ECONOMICS (WASHINGTON UNIVERSITY IN ST. LOUIS)

| | |
|---|---|
| **Fall, 2009** | *Macroeconomics 1* |
| | *Microeconomics 1* |
| | *Quantitative Methods in Economics 1* |
| | *Quantitative Methods in Economics 2* |
| **Spring, 2010** | *Macroeconomics 2* |
| | *Microeconomics 2* |
| | *Applied Econometrics* |
| **Fall, 2010** | *Economic Growth* |
| | *Topics in Monetary Economics and Macroeconomics* |
| **Spring, 2011** | *Financial Markets and the Macroeconomy* |
| | *Quantitative Macroeconomics Theory* |
| **Fall, 2011** | *Advanced Quantitative Methods in Economics* |
| **Spring, 2012** | *Structural Microeconometrics* |
| | *Seminar in Macro and Monetary Economics* |
| **Fall, 2012** | *Topics in Labor Economics 1* |
| | *Empirical Methods in Business* |

## REFERENCE

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Last Updated: March 2013

# Research Statement

**Jungho Lee** **March 2013**

The partnership is one of commonly chosen business types when people start a business. About 20% of new business owners formed a partnership according to Survey of Income and Program Participation (SIPP). It is different from the sole proprietorship in that it comprises of multiple owners. The relationship between owners may be involved with such problems as moral hazard and limited commitment. My current research focuses on how such a difference affects the formation of a partnership and the resource allocation within the partnership firm.

In one of my works titled "*Why is a Business Partnership Formed?*", I am trying to understand the reason behind a business partnership formation. I particularly focus on two scenarios: it is formed because (1) it generates a greater surplus, or (2) it relaxes a financial constraint. Using SIPP, I first show a descriptive evidence that may support both explanations. Then I further investigate the data by modeling the choice of potential business owners which incorporates both scenarios. I am in progress to estimate the model.

In the second project titled "*Business Partnership and Limited Commitment*", I and my coauthor are asking the question: under what conditions is the first best allocation within a partnership firm sustainable with limited commitment constraint? To this end, we extend Kocherlakota (1996) into an entrepreneurial setting by allowing entrepreneurs capital accumulation with a production technology same as in Evans and Jovanovic (1989). We find that as entrepreneurs value future consumption more and as the income fluctuation is higher, the partnership is more likely to be sustainable. We show that the effect of technology on the sustainability condition is ambiguous in that it is critically depending on the value of other parameters. We also show that for some parameter values allowing agents capital accumulation helps to support the optimal allocation. This is the opposite result to the literature studying the limited commitment between borrowers and entrepreneurs. We are trying to use our theory to understand the implication of "non-compete clause".

In the future, I would like to answer such questions as "which types of individual experience would help to become a successful business owner?", and "why do most of small firms stay small?, is it because they are constrained or because they choose to remain as small?" I believe that attending the boot camp not only helps me to sharpen the above questions but also broadens my perspective on the study of entrepreneurship in general. Through the boot camp, I am hoping to learn other important topics in the field and to relate it to my current thought so that I can form a more broad research agenda. It would be also exciting to interact with leading scholars in the field and other students who share a common interest.