

## Michael Ewens

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### **Graduate Studies: University of California San Diego**

Ph.D. 2010 (Expected)

Thesis Title: Essays on Venture Capital Returns, Firms and Networks

Expected Completion Date: May 2010

### **Undergraduate Studies**

B.A. Economics and Mathematics *Magna Cum Laude*

Washington University in St. Louis, 2004

### **Thesis Committee and References**

Jun Lui (Chair)	David Miller	Allan Timmermann
Rady School of Management	UCSD	Rady School of Management
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### **Desired Teaching and Research**

Primary Fields: Applied finance, Applied econometrics

Secondary Fields: Industrial organization, Labor economics

### **Teaching Experience**

Instructor at UCSD, Global Leadership Institute  
Executive Workshop on Risk Management 2008

Teaching assistant for the following courses (all UCSD):

Financial Risk Management (MBA), Spring 2008  
New Venture Finance (MBA), Winter 2008, Winter 2007, Winter 2006  
Business Forecasting (MBA), Fall 2007  
Introduction to Econometrics, Fall 2007  
Corporate Finance, Winter 2006, Spring 2006

## Relevant Positions Held

### Research Assistant

Gordon Hanson

IRPS, University of California, San Diego

Summer 2007, Summer 2008

Wrote automated data collection programs to gather information on global movie releases and golf statistics. Data analysis and regression in Stata.

### Quantitative Analyst

Correlation Ventures

San Diego, CA

2006–present

Constructed financial models for investment fund, created database for future modeling and managed data using SQL, Stata and Matlab.

## Honors and Awards

Spring 2009: Best Presentation, “Failing to Scale: Venture Capital Spinoffs” All-Grad Research Symposium

2009 - 2010: Humane Studies Fellowship

2006: Outstanding Teaching Assistant Award, University of California, San Diego

## Working Papers

### “A New Model of Venture Capital Risk and Return” (October 2009)

I formulate a model and estimator of venture capital (VC) returns motivated by the entrepreneurial firm life-cycle and the extreme return outcomes of typical venture capital investments. The model incorporates tail events and the estimator corrects for sample selection bias and endogenous investment holding periods. I find that a three-state mixture model is a better characterization of returns than the standard single-state model. Mixture states mimic typical VC outcomes: “winners,” “break-even” and “failures.” Imposing normality on venture capital investment returns ignores downside risk and kurtosis. In contrast to earlier studies, the mixture model reveals a leptokurtic, negatively-skewed returns distribution. Two new implications follow from the results. First, volatility as an estimate of risk underestimates the frequency and magnitude of large, negative VC returns. Investors in venture capital may need to incorporate additional moments or semi-volatility in their allocation decisions. Second, a microcap index benchmark previously shown to mimic the means and CAPM alphas of VC returns lacks the downside risk or fat tails of the VC mixture distribution. Thus, VC investments offer some risk and return features unavailable in publicly traded equities.

### “Spinoffs in the Venture Capital Industry”

This paper documents the circumstances and consequences of new firm formation through venture capital (VC) spinoffs. Analysis of a rich database of person-level employment histories confirms several spinoff formation theories and reveals features unique to human-capital intensive industries. I find that high-type firms spinoff more firms and exhibit a drop in performance post-spinoff. Spinoff founders are relatively more networked than their former co-workers at parent firms. These spinoffs differ from de novo entrants in the size of their initial capital stock and access to more popular financing events. In contrast to theoretical predictions, VC spinoffs and de novo entrants do not differ in investment performance. The results suggest that intangible assets such as social network status distinguish spinoff and de novo firm size and survival.

### “Statistical Discrimination in the U.S. Apartment Rental Market: A Large Sample Field Study” (with Bryan Tomlin and Choon Wang)

We test for statistical discrimination in the apartment rental market using an email-based correspondence study. Emails containing randomly assigned white or black sounding names are sent to over 14,000 vacancy listings posted on Craigslist.org across 35 U.S. cities. By manipulating the

level of positive or negative information included in inquiry emails sent to these postings we are able to evaluate the effect of information on racial discrimination. We apply the model of statistical discrimination proposed by Aigner and Cain (1977) to our experimental methodology to form several testable hypotheses. This model is robust in predicting many, but not all, of our results. We find evidence of preferential treatment of whites in terms of the likelihood of receiving a response in a baseline treatment where no additional information is provided. The racial gap in differential treatment is unchanged when positive information is added, though the gap diminishes in the presence of negative information for males.

### **Works in Progress**

#### **“Encouraging Cooperation through Network Punishment: The Case of VC Follow-on Investments”**

Venture capital syndicates rely on a set of both formal and informal agreements for effective capital allocation and monitoring decisions. One important informal rule determines whether syndicate members should continue to invest in subsequent financing rounds. I study if and how venture capitalists punish deviations from this rule. Preliminary results suggest that investors who fail to follow past investments exhibit below-average growth in deals post-deviation. I hypothesize that punishment through restricted deal flow is used by both syndicate members and their network connections. Discovery of such relationships would show how information about deviations spreads through social networks in order to enforce informal rules.

### **Conferences**

NBER Entrepreneurship Research Boot Camp (July 2008)