

**SHAI BERNSTEIN**

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**Education**

Harvard University, 2007 to present  
Thesis Title: “Essays in Financial Economics”  
Expected Completion Date: May 2012

**References**

Professor Jeremy Stein  
Dept. of Economics, Harvard University  
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Professor Andrei Shleifer  
Dept. of Economics, Harvard University  
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Professor Josh Lerner  
Harvard Business School  
617-495-3817, [jlerner@hbs.edu](mailto:jlerner@hbs.edu)

Professor Fritz Foley  
Harvard Business School  
617-495-6375, [ffoley@hbs.edu](mailto:ffoley@hbs.edu)

MA, Financial Economics, Hebrew University of Jerusalem, *Summa cum Laude*, 2007  
BA, Mathematics and Economics, Ben Gurion University, *Summa cum Laude*, 2005

**Teaching and Research Fields**

Primary field: Corporate Finance  
Secondary fields: Entrepreneurial Finance and Contract Theory

**Teaching Experience**

Teaching Fellow, Harvard University:

Fall 2009, 2010 Contract Theory (Graduate), for Professor Philippe Aghion  
Spring 2009 Contracts and Organizations (Undergraduate), for Professor Oliver Hart

Teaching Fellow, Hebrew University:

Fall 2006 Asset Pricing (Graduate), for Professor Shlomo Yitzhaki  
Spring 2006, 2007 Dynamic Models and Optimization (Graduate), for Dr. Jonathan Stup  
Fall 2005 Advanced Algebra and Calculus (Graduate), for Dr. Jonathan Stup

Teaching Fellow, Ben-Gurion University:

2005 Calculus for Economists (Undergraduate), for Professor Leonid Berezansky  
2004, 2005 Statistics for Economists (Undergraduate), for Mr. Liad Grinfeld

## **Honors, Scholarships, and Fellowships**

2011	Best paper award, Collier Institute, London Business School ("Does Going Public Affect Innovation?")
2010	Ewing Marion Kauffman Dissertation Fellowship
2008	Participant, NBER Entrepreneurship Research Boot Camp
2007 - Present	Doctoral Fellowship, Harvard Business School
2005 – 2006	Luxemburg Scholarship, Hebrew University of Jerusalem
2006	Rector's Prize, Hebrew University of Jerusalem
2005 – 2006	Rector's Fellowship, Hebrew University of Jerusalem
2006	Dean's list, School of Business Administration, Hebrew University of Jerusalem

## **Research Papers**

"Does Going Public Affect Innovation?" (Job Market Paper)

*Abstract:* This paper investigates the effects of going public on innovation. Using a novel data set consisting of innovative firms that filed for an initial public offering (IPO), I compare the long-run innovation of firms that completed their filing and went public with that of firms that withdrew their filing and remained private. I use NASDAQ fluctuations during the book-building period as a source of exogenous variation that affects IPO completion but is unlikely to affect long-run innovation. Using this instrumental variables approach, I find that going public affects firms' strategies in pursuing innovation. The quality of internal innovation declines by 50 percent relative to firms that remained private, measured by standard patent-based metrics. The decline in innovation is driven by both an exodus of skilled inventors and a decline in productivity among remaining inventors. However, access to public equity markets allows firms to partially offset the decline in internally generated innovation by attracting new human capital and purchasing externally generated innovations through mergers and acquisitions. Managerial incentives seem to play an important role in explaining the results.

"The Investment Strategies of Sovereign Wealth Funds" (with Josh Lerner and Antoinette Schoar), October 2011, *submitted*.

*Abstract:* Sovereign wealth funds have complex objective functions and governance structures where return maximization and strategic political considerations may conflict. SWFs with greater involvement of political leaders in fund management are more likely to support domestic firms and invest in segments and markets with higher P/E levels, especially in their domestic investments. But these investments see a subsequent reversal in P/E levels suggesting that the funds engage in poor market timing. The opposite patterns hold for funds that rely on external managers. Funds that have stated domestic development goals are more likely to invest at home, especially if politicians are involved.

“Private Equity and Industry Performance” (with Josh Lerner, Morten Sorensen and Per Stromberg), October 2011, *submitted*.

*Abstract:* The growth of the private equity industry has spurred concerns about its impact on the economy. This analysis looks across nations and industries to assess the impact of private equity on industry performance. We find that industries where private equity funds invest grow more quickly in terms of total production and employment, and appear less exposed to aggregate shocks. Robustness tests suggest that these results are not driven by reverse causality, nor are they driven solely by common law nations such as the United Kingdom or the United States.

### **Published Papers**

Bernstein, Shai, and Eyal Winter, 2011, “Contracting with Heterogeneous Externalities”, forthcoming *American Economic Journal: Microeconomics*

*Abstract:* We model situations in which a principal offers a set of contracts to a group of agents to participate in a project (such as a social event or a commercial activity). Agents’ benefits from participation depend on the identity of other participating agents. We assume multilateral externalities and characterize the optimal contracting scheme. We show that the optimal contracts’ payoff relies on a ranking of the agents, which can be described as arising from a tournament among the agents (similar to ones carried out by sports associations). Rather than simply ranking agents according to a measure of popularity, the optimal contracting scheme makes use of a more refined two-way comparison between the agents. Using the structure of the optimal contracts we derive results on the principal’s revenue extraction and the role of the level of externalities’ asymmetry.

### **Work in Progress**

“What do Firms do with Cash Windfalls? Evidence from Unexpectedly Successful IPOs” (with Rick Townsend)