

Hong Lee

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EDUCATION

- **Kelley School of Business, Indiana University** Bloomington, IN
Ph.D. in Business Economics and Public Policy; Minor in Statistics May 2025 (Expected)
· Thesis: "The Tail Wagging the Dog: How Buybacks in Secondary Market Drive Sales in Primary Market Forward" (Advisor: Jeffrey Prince)
- **Sungkyunkwan University** Seoul, South Korea
M.A. in Economics February 2019
· Thesis: "The Incumbents' Quality Response to Entry by Low-Cost Carriers; Evidence from Airline Industry" (Advisor: Minsoo Park)
- **Sungkyunkwan University** Seoul, South Korea
B.A. with Highest Honors in Global Economics August 2016

RESEARCH INTERESTS

Industrial Organization, Applied Microeconomics, Antitrust Economics, Economics of Digitization

JOB MARKET PAPER

- **"The Tail Wagging the Dog: How Buybacks in Secondary Market Drive Sales in Primary Market Forward"**
Abstract: This paper examines how primary market firms engage as buyers in the secondary market to promote their sales performance in the primary market. Secondary markets can substitute primary market sales but also increase the willingness to pay for new products through resales. I explore the conditions under which firms may reduce or exacerbate the frictions in the secondary market based on the relative strength of these countervailing forces. I find that when new goods are highly valued over used ones (high depreciation), so that the primary and secondary markets are sufficiently separated, firms benefit from reduced frictions to enhance the resale value of used products. When used goods retain high value (low depreciation), the higher value of used goods is already reflected in the initial prices for new goods, so firms have an incentive to increase frictions to suppress cannibalization. I further find that this indirect demand effect induced via lessened frictions allows firms to appropriate 5.94% higher initial prices (\$3,703) on their new products. I empirically confirm these hypotheses by exploiting an exogenous policy change in the South Korean automobile industry.

WORKING PAPERS

- **"Competitive Effects of Joint Ventures in the U.S. International Airline Market" (2024)**
(with Jaehak Lee, Jeffrey Prince, and Daniel Simon)
- **"From Cold-Start to Warm Reception: Knowledge Contribution as a Signaling Mechanism" (2024)**
(with Minsoo Park)
- **"Persistence of Online Preferences Over Time and Across Formats" (2024)**
(with Shane Greenstein and Jeffrey Prince)

WORK IN-PROGRESS

- **"Post-Cartel Tacit Collusion and Collusive Price Hysteresis: Evidence from Public Procurement in South Korea" (2024)**
(with Jungmin Kim)
- **"Comparative Advantage Signaling in Professional Market" (2024)**
(with Rick Harbaugh and Minsoo Park)

PUBLICATIONS

“Estimating the Economic Value of the Online Marketplace for Legal Services,” (with Minsoo Park and Jungmin Kim), *KDI Journal of Economic Policy*, Vol. 45(3), pp. 49-73, 2023.

TEACHING

Independent lecturer :

Business, Government, and Society (59 students, 6.21/7.00)	Summer 2023
Business, Government, and Society (51 students, 6.50/7.00)	Summer 2022
Business, Government, and Society (48 students, 6.46/7.00)	Summer 2021

Teaching assistant :

Econometrics (Prof. Minsoo Park)	Spring 2018, Fall 2017
Microeconomics Theory (Prof. Chamna Yoon)	Spring 2017
Introduction to Microeconomics (Prof. Heejoon Kang)	Fall 2016

CONFERENCE & SEMINAR PRESENTATIONS

23rd International Industrial Organization Conference (Philadelphia, 2025, scheduled), ASSA Annual Meeting (San Francisco, 2025, scheduled), 94th SEA (Washington DC, 2024, scheduled), European Association for Research in Industrial Economics* (Amsterdam, 2024), IU Kelley (Bloomington, 2024), 93rd SEA (New Orleans, 2023), Korean Allied Economic Association (Seoul, 2019).

(*: presented by coauthors; †: discussant)

HONORS & AWARDS

Kelley School of Business Research Data Funding, <i>Indiana University Bloomington</i>	2024
Doctoral Office Travel Grant, <i>Indiana University Bloomington</i>	2023
CIBER Research Grant, <i>Indiana University Bloomington</i>	2022
School of International Services (SIS) Fellowship, <i>Indiana University Bloomington</i>	2022
Dean’s Fellowship, <i>Indiana University Bloomington</i>	2019 - 2020
Doctoral Fellowship, <i>Indiana University Bloomington</i>	2019 - 2024
Simsan Scholarship, <i>Sungkyunkwan University</i> , Seoul, Korea	2017 - 2018
Class Aid Scholarship, <i>Sungkyunkwan University</i> , Seoul, Korea	2016 - 2017
Graduate School Fellowship, <i>Sungkyunkwan University</i> , Seoul, Korea	2016 - 2018
Best Undergraduate Paper Award, <i>Market Economic Research Institute (MERI)</i> , Seoul, Korea	2014
Samsung Electronics Co. (SEC) Full Scholarship, <i>Samsung Foundation</i>	2010 - 2016

PERSONAL

Software & Programming: Python, Stata, Matlab, R, L^AT_EX

Languages: Korean (native), English (fluent)

Citizenship: South Korea

REFERENCES

Jeffrey T. Prince (chair)

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ABSTRACTS

The Value of Group Purchasing: Evidence from the U.S. Hospital Industry

(with Haizhen Lin)

► Group purchasing organizations, or GPOs, are pervasive in many settings, but the actual value of GPOs remains a constant topic of debate. We offer one of the first studies examining the effect of GPOs on supply expenses in the U.S. hospital setting. We find that a one-standard-deviation increase in GPO scale (GPO market share weighted by member hospitals' bed capacity) decreases an average hospital's supply expenses by 2.7%, translating into an annual savings of more than half a million dollars. An event study analysis helps to foster a causal interpretation of our main findings. We find no evidence that GPOs reduce supply expenses at the cost of the quality of patient care or by means of changing the patient composition. Instead, we find some of the cost savings are passed to consumers in terms of lowered hospital prices, although only in highly competitive hospital markets. Our results contribute directly to the ongoing debates over the value of GPOs and more broadly to the literature on countervailing buyer power and intermediaries.

How Does Group Purchasing Boost Firm Performance? Evidence from U.S. Health Care

(with Haizhen Lin and Vivek Astvansh)

► A firm often joins a group purchasing organization (GPO), hoping to benefit from the GPO's economies of scale. While the practitioner's evidence on this hope is mixed, academic attention is severely limited. We address this inattention in the empirical context of U.S. health care. We find that, on average, an increase of 1 standard deviation in the scale of a hospital's GPO boosts the hospital's number of patient admissions by 5% in the following year. We next test two mechanisms: (1) cost efficiency and (2) patient satisfaction. A parallel mediation model supports both mechanisms, with cost efficiency and patient satisfaction explaining 30% and 10% of the total effect, respectively. We also document that relative to their large counterparts, small hospitals benefit more from the GPO scale. Interestingly, for small (large) hospitals, cost efficiency (patient satisfaction) is the predominant mechanism.

Not In My Backyard: Strategic Deterrence and Firm Positioning Amid Entry Dynamics

(with Joanna Li and Eric Zhao)

► In this paper, we explore how incumbent firms preemptively react to entry threats, and how their actions impact the strategic positioning of potential entrants. By merging insights from strategic positioning and strategic entry deterrence literature, we predict that incumbents will take preemptive actions to deter entry when entry threats are higher and that this deterrence will vary depending on the potential entrants' legitimacy in the local market. We also expect new entrants to pursue a distinctive position if they persist in entering despite deterrence by incumbents. To test our predictions, we analyzed data from over 45,000 bank branches across 189 Chinese cities from 2006 to 2014 and leveraged quasi-experimental variation in entry threats from branching deregulation in the Chinese retail banking industry. The results provide strong support for our hypotheses.

How External Finance Affects Technology Adoption: Evidence from Hospital Municipal Bonds

► Prior studies have documented significant dispersion in productivity and quality in the healthcare sector. However, little is known about if and how external finance shapes this dispersion through technology adoption and diffusion. This paper answers this question using data on municipal bonds issued by U.S. hospitals merged with hospital-level adoption of surgical robots and Medicare claims data on prostate cancer surgeries. In 2007, several big bond insurers stopped insuring new municipal bonds because of unexpected and huge losses in residential mortgage-backed securities (RMBS). I predict that the treated hospitals that have ex-ante relationships with the crashed insurers, as opposed to other hospitals that use unaffected insurers, find it harder to issue bonds or have to borrow at higher costs. Consequently, I predict that they adopt robots more slowly and less frequently, leading to smaller market shares and lower productivity.

The Competitive Effects of Failed Bank Resolution

► During and following the 2007-09 financial crisis, the FDIC maintained financial stability and public confidence by auctioning the failed banks to healthier institutes. This paper examines the "side effects" of failed bank resolution on local banking competition, which is often neglected by financial regulators. I find that the local market concentration increased, especially in overlapping markets, which was mainly driven by branch closures after the failed bank was acquired. I also find that, in non-overlapping markets, the entry of a large acquirer can alleviate the anti-competitive effects in a way of booming aggregate outputs and improving service quality. Evidence shows that this is not only a result of the "replacement effect" in which the poor failing institute is replaced by the healthy acquirer but also a result of the "stimulus effect" in which surviving incumbents strive to attract the switching consumers.