

Lawrence Chengzhi Zhao

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EDUCATION

Rice University Ph.D. in Finance	Houston, Texas 2017–Present
Baylor University M.S. in Economics	Waco, Texas 2015–2017
Baylor University B.B.A. in Finance and Mathematics	Waco, Texas 2012–2015

RESEARCH INTERESTS

Empirical Corporate Finance, Household Finance, Competition, Financial Intermediation

WORKING PAPERS

The Real Effects of Antitrust Enforcement on Corporate Decisions: Evidence from the Courts, *Job Market Paper*

Abstract: I investigate the real effects of antitrust policies on corporate acquisitions, investment, and innovation. I use plausibly exogenous variations in judges' propensity to dismiss antitrust cases as an instrument for endogenous exposure to antitrust enforcement. The evidence indicates that antitrust enforcement imposes behavioral constraints on firms. Specifically, defendant firms that go through antitrust litigation experience a significant decrease in future acquisitions, especially among serial acquirers. The adverse effect is economically large but transitory, disappearing after two years. Defendant firms substitute acquisitions with internal investment, resulting in no change in patent outputs. My findings highlight the importance of vigorous and continuous antitrust enforcement.

Out of Sight, Out of Mind: Search Frictions and Financial Adviser Misconduct

Abstract: The misconduct records of financial advisers are public information, yet advisers that persistently engage in misconduct survive in the market. Past literature attributes this phenomenon to market segmentation caused by search frictions associated with client sophistication. I investigate this hypothesis by examining FINRA's unprecedented advertising campaign promoting BrokerCheck. Exposed advisers sustain a 9% abnormal decrease in assets under management. Advisers that primarily serve less sophisticated clients experience more severe adverse effects. Clients switch to advisers with clean records. Advisers increasingly discipline employees who engage in misconduct. My findings highlight the importance of resolving search frictions in fighting financial adviser misconduct.

WORK IN PROGRESS

Throwing Banks out with the Bathwater: Fraud Litigation and FHA Mortgage Lending, with Erik Mayer and Billy Xu

Abstract: We study the impact of recent increases in mortgage lenders' litigation risk on borrowers. In the last decade, the U.S. Department of Justice brought suits against many of the largest lenders in the FHA mortgage market, alleging fraud under the False Claims Act. These suits led to over \$5.3 Billion in settlements and caused targeted banks and their peers to precipitously exit the FHA market. A combination of difference-in-differences and triple differences tests exploiting geographic variations in exposure to exiting banks show a 19% reduction in aggregate FHA lending in heavily affected areas. Smaller non-bank lenders with higher historical misconduct rates partially filled the void in the FHA market, highlighting the potential unintended consequences of aggressive consumer financial protection litigation.

Underwriter Competition and Rent Extraction, with Gustavo Grullon

PRESENTATIONS

2022: Rice University

2021: Financial Management Association

2020: Rice University, Rice University Ph.D. Seminar Series

TEACHING

Teaching Assistant

Financial Management (UG)	2021, 2022
Mergers and Acquisitions (MBA)	2019, 2021, 2022
Applied Finance (MBA)	2019
Core Finance (MBA)	2019
Corporate Investment Policy (MBA)	2019
Applied Risk Management (MBA)	2018
Managerial Economics (MBA)	2017

AWARDS AND HONORS

Jesse H. Jones Graduate School of Business Ph.D. Fellowship	2017–Present
HSB Graduate Fellowship	2015–2017
Provosts Gold Scholarship	2012–2015

SKILLS

Programming: Stata, Python, Matlab, Bloomberg, L^AT_EX

Languages: English, Chinese

REFERENCES

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