

FACULTY

American Accounting Association Names Ball Outstanding Educator



Dan Dry

The American Accounting Association (AAA) named **Ray Ball** one of two outstanding accounting educators in January. The annual award recognizes professors who contribute to accounting education with innovative research and excellence in teaching.

Ball, Sidney Davidson Professor of Accounting, is the fourth Chicago GSB professor to receive the award, along with **Sidney Davidson** in 1976, **Nicholas Dopuch** in 1981, and **Katherine Schipper, Ph.D. '77**, in 1999.

The AAA called Ball “a pioneer in accounting research,” highlighting his involvement in numerous academic journals, including the *Journal of Accounting Research* and the *Journal of Accounting and Economics*. Ball is coauthor of “An Empirical Evaluation of Accounting Income Numbers,” the first paper to receive the AAA Seminal Contributions to Accounting Literature Award and, according to the AAA, arguably the most cited paper in accounting.

Ball was set to receive the award during the AAA annual meeting in August. The honor comes with a \$5,000 award; another \$5,000 will be donated to the AAA for a use specified by Ball.—I.K.B.

ON THE WEB To read a paper by Ball, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

FACULTY

GSB Earns Third Samuelson Award



Dan Dry

Associate professor of economics **Brigitte C. Madrian** received the 2002 Paul A. Samuelson Award for Outstanding Scholarly Writing on Lifelong Financial Security in December, marking the third time in three years the award has gone to a GSB faculty member. Associate professor of finance **Nicholas Barberis** won in 2000, and **John H. Cochrane**, Theodore O. Yntema Professor of Finance, received the honor in 2001.

The TIAA-CREF Institute grants the Samuelson Award, named in honor of Nobel laureate Paul A. Samuelson, A.B. '35, LL.D. '61, in recognition of an outstanding research publication that has practical implications for individuals and financial planners.

Madrian and coauthor Dennis F. Shea won for “The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior,” which was originally published in the November 2001 *Quarterly Journal of Economics*.

In the article, they examine the behavior of employees in retirement savings programs. Their research shows that when employees are automatically enrolled in 401(k) plans, many simply accept the “default” saving and portfolio options established by the plan administrators rather than making another—and perhaps better—choice.

Madrian will receive \$7,500 for the award.—I.K.B.



Rafael Viñoly Architects/Think

FACILITIES

Viñoly among WTC Finalists

Architect Rafael Viñoly, who designed the new GSB campus now under construction in Hyde Park, was one of two finalists in the design competition for the World Trade Center site in New York City. Viñoly, Shigeru Ban, Frederic Schwartz, and Ken Smith teamed up to form Think, whose plan called for two open latticework towers containing cultural facilities (left).

The winning designer is Studio Daniel Libeskind.—I.K.B.

STUDENTS

Students Take Two First-Place Awards

The Chicago approach to entrepreneurship won first-place awards for two GSB students in the Kauffman/Angell Center for Entrepreneurship national case writing competition at Wake Forest University in February.

Geoff Bonn, A.B. '95, M.B.A. '03, presented a traditional case titled “HealthSpeed, LLC,” while **Chris Miller, '03**, won in the social category with a two-part case called “The New Prospect Foundation” and “Winning Workplaces.” Cases focused on issues that arose during their internships the previous summer. Bonn focused on developing a pricing strategy for an existing customer of HealthSpeed whose business was bought by a large corporation—an opportunity to pitch the product again and get more business, coupled with the risk of losing the firm’s biggest client. Miller focused on the start-up of a new not-for-profit organization, specifically, prioritizing which products and services to provide and evaluating leadership issues.

Students presented original case studies as well as teaching notes for them. Faculty advisor **Ellen Rudnick, '73**, clinical professor of entrepreneurship, said their “extraordinary effort contributed to the field of entrepreneurship education.” At least two faculty judges at the competition plan to use Bonn’s and Miller’s cases in their own classrooms, she said. The cases also will be sent to more than 140 schools that are part of the Kauffman Center for Entrepreneurial Leadership network.—P.B.

FACULTY

Rajan Wins Fischer Black Prize, Takes on Economist Role for International Monetary Fund



Dan Dry

Raghuram Rajan, Joseph L. Gidwitz Professor of Finance, was appointed economic counselor and director of the research department for the International Monetary Fund (IMF) beginning this fall.

IMF managing director Horst Köhler said he chose Rajan to develop the IMF’s research program based on his proven record of intellectual leadership, extensive experience in financial sector issues, and exceptional rise in the economics profession. He succeeds Kenneth Rogoff, professor of economics at Harvard.

Earlier this year, Rajan was awarded the American Finance Association’s inaugural Fischer Black Prize. The prize committee unanimously chose Rajan, citing among other work his doctoral thesis, in which he identified and explained the downside of bank-based financial systems well before these issues emerged in systems such as Japan’s. The American Finance Association established the award to recognize a body of original research relevant to finance practice produced by a person under 40. The Fischer Black Prize, which is similar to the Fields Medal in mathematics and the John Bates Clark Medal in economics, will be awarded every other year.

Rajan’s research has included work on corporate finance, the theory of organizations, and financial intermediation and regulation. With **Douglas Diamond**, Merton H. Miller Distinguished Service Professor of Finance, he developed theoretical frameworks to examine such issues as the role banks play in providing liquidity, why this function leaves banks so susceptible to systemic crises, and why changes in monetary policy have such a significant effect on bank lending. With **Luigi Zingales**, Robert C. McCormack Professor of Entrepreneurship and Finance, Rajan has explored and empirically assessed why a good financial system is important for a country’s economic growth.—P.B.



For more on Rajan’s research, see gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html; to learn about his recent book, see page 10.

EVENTS

Taking Advantage of Diverse Opportunities



Kevin Weinstein
Karen Gibbs, '78, DuSable Conference keynote speaker

Tough economic times can still provide plenty of opportunities, according to **Karen Gibbs, '78**. “We’re all in a very challenging and scary financial environment,” she said at the 18th annual DuSable Business Conference in April. “I don’t think there’s a better time to be black, or a minority, or a female, because so many opportunities have opened up.”

Gibbs, who co-anchors *Wall Street Week with Fortune*, was one of two keynote speakers at the Saturday event. Keith Clinkscales, chairman and CEO at Vanguard Media and founder of VIBE, also addressed the audience. “Major brand wars—Nike versus Reebok, Coke versus Pepsi, McDonald’s versus Burger King—will be won and lost in the urban marketplace,” he said. “Markets are moving in our direction. The mainstream is bigger and browner.”

Hosted by the African American M.B.A. Association (AAMBAA), the conference drew about 150 alumni and friends to Gleacher Center for Saturday’s panel discussions. At a Friday evening cocktail reception at the DuSable Museum, located near the Hyde Park campus, two awards were presented. The Distinguished AAMBAA Alumnus Award went to **Barbara Bowles, '71**, chairman and CEO of the Kenwood Group, Chicago-based investment advisors. A new honor, the Rising Star Award, was given to **James R. Jenkins II, '93**, president of Young Touchstone, a manufacturer of heat exchange products.—P.B.

FACULTY

Alfred P. Sloan Award Goes to Bertrand

Associate professor of economics **Marianne Bertrand** was among eight young scholars awarded a research fellowship for economics from the Alfred P. Sloan Foundation this spring, which provides flexible funds to outstanding researchers early in their academic careers. Fellows receive \$40,000 over two years and can use the money in any way that furthers their research.

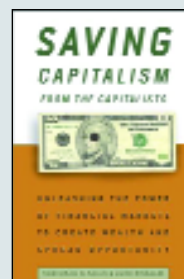
Candidates are nominated by senior scholars familiar with the researcher’s

work. Judges considered some of Bertrand’s recent research, including “Are Emily and Brendan More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” coauthored with Sendhil Mullainathan, which drew widespread media attention early this year and is described in “Why Jamal Can’t Get a Job” on page 16.—P.B.

ON THE WEB For more on her research, see gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

READINGS

Research Published



Raghuram G. Rajan and Luigi Zingales
Saving Capitalism from the Capitalists, Crown Business, 2003

Economists may take it for granted that the free mar-

ket system is efficient and bound to prevail, but **Raghuram Rajan** and **Luigi Zingales** contend that free financial markets are politically fragile and must be fought for. In *Saving Capitalism from the Capitalists*, the authors argue that vibrant financial markets challenge corporate sluggishness and increase personal freedom and economic development for more people. They also contend that open borders keep political and economic elites in check, particularly during economic downturns when established leaders restrict competition and access to capital.

In *Saving Capitalism*, the authors blend economic and political analysis with policy recommendations to offer a new way of understanding the wealth-generating capabilities of capitalism and explain why financial markets are critical for spreading that wealth.

Rajan is Joseph L. Gidwitz Professor of Finance and Zingales is Robert C. McCormack Professor of Entrepreneurship and Finance.—P.B.

ON THE WEB To read more about Rajan, see page 9; to learn more about Rajan and Zingales’s research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.



What Have You Done Lately?
Chicago GSB Wants to Know.

Tell fellow alumni about changes in your career, your family, and your life—publish your news in the Class Notes section of *Chicago GSB* magazine.

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6030 South Ellis Avenue, Room 236
Chicago, Illinois 60637
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The University of Chicago Graduate School of Business

Managers Willing to Cook the Books



Design Photography

Research on fraud by associate professor of accounting **Merle Erickson** was featured in the February 18 *Wall Street Journal*.

Erickson examined a sample of 27 companies that since 1996 had both re-stated their earnings and been accused by the SEC of accounting fraud. "Although it is difficult to generalize the results from this sample of firms, our analysis indicates that some managers are willing to expend substantial amounts of firm resources to inflate accounting earnings," his study concluded.

When Investor Ignorance Is Bliss

It's not particularly important for investors to know exactly how much money they have lost recently, according to **Richard Thaler**, Robert P. Gwinn Professor of Behavioral Science and Economics. Thaler, who was quoted in the January 17 *Wall Street Journal*, said investors should focus on long-term goals, like whether they are investing the right amounts in stocks, bonds, and cash to live comfortably when they retire.

The Game of the Name



Dan Dry

Professor of marketing **Sanjay Dhar** was quoted in a *Chicago Tribune* story about how a company's name can help or hurt brand-building efforts. "The name is part of your marketing mix,"

Dhar said. "It's part of the image of the product that signifies an entity for the consumer." Companies that rely on the Yellow Pages and other listings to get noticed should consider choosing a name that starts with a letter near the beginning of the alphabet, he said in the January 20 article.

Value Outgrows Growth

Research by **Eugene Fama** on the performance of value stocks versus growth stocks was featured in the February 2 *New York Times*. Fama, Robert R. McCormick Distinguished Service Professor of Finance, found that value stocks have beaten growth stocks by 3.7 percent a year between 1927 and 2002. Still, investors generally prefer growth stocks, the article reported.

Markets and the Vacuum of Leadership

"We need to be more discriminating in some of our CEO choices. Markets don't like vacuums of leadership," said **Edward A. Snyder**, dean and George Pratt Shultz Professor of Economics, in a January 5 *Chicago Tribune* story. He also said the vacuum has been building for years and is indirectly linked to the 1980s, when executives became disconnected with mainstream America by laying off workers even when their companies posted record profits.

Black-Sounding Name Hurts Job Prospects

Research on discrimination in the labor market by associate professor of economics **Marianne Bertrand** garnered numerous media mentions over the winter, including the front page of the January 15 *Wall Street Journal*. "MIT

and University of Chicago professors answered want ads with 5,000 equal resumés and found those with white-sounding names got 50 percent more responses than those sounding black," the paper reported. Her research also was featured on the *CBS Evening News* with **Dan Rather** and CNN, which called Bertrand's findings "startling." To read more about the study, see "Why Jamal Can't Get a Job," page 16.

SEC Head Faces Challenges



Dan Dry

The *Chicago Tribune* quoted **Roman Weil**, V. Duane Rath Professor of Accounting, in a story about the challenges facing William

Donaldson, the new head of the Securities and Exchange Commission. Although he doesn't have predecessor Harvey Pitt's "command of details of the SEC's work," he will be an "affable" chairman, Weil said in the February 19 article. "We don't need new initiatives now," he said. "Just the implementation of Sarbanes-Oxley is a huge job."

Bank of Japan Must End Deflation

Professor of economics **Anil Kashyap** was quoted in a February 25 *Wall Street Journal* article on the appointment of Toshihiko Fukui as the head of the Bank of Japan. "This will go down as yet another squandered opportunity," Kashyap said. Many see the appointment of Fukui, a career central banker, as a vote for the status quo and a missed occasion to shake Japan's economy out of its 12-year slumber, the article said.

Who's News

In a *Bloomberg News* story on the issues facing the governor of the Bank of Japan, Kashyap said it was important that the current financial policies come to an end. The Bank of Japan should do “whatever is necessary” to end deflation, he said in the January 28 story. To read about Kashyap’s research on the Japanese financial crisis, see “Reversing Japan’s Downward Spiral,” page 22.

Containment Would Have Cost More than War

Research on the economics of war with Iraq by professors **Kevin Murphy, Steven Davis, and Robert Topel** was cited in the April 3 *Wall Street Journal*. The professors found that the cost of war is significantly less than the cost of containment would have been. “When the expected value of containment is discounted to the present, the cost estimate comes to \$380 billion. And don’t forget more for homeland security, bringing the total cost to \$630 billion. Simply put, containment costs a lot more than war—even if one doubles Mr. Bush’s estimate to \$120 billion,” the *Journal* reported. Murphy is George J. Stigler Professor of Economics, Davis is William H. Abbott Professor of International Business and Economics, and Topel is Isidore Brown and Gladys J. Brown Professor in Urban and Labor Economics.—I.K.B.

In Clips, *Chicago GSB* highlights faculty appearances in the media.

Hixson Elected Director of Sequenom
Harry Hixson, '78, was elected a director of Sequenom, a genetics company, according to the February 12 *Biotech Week*. Hixson is CEO of Elitra Pharmaceuticals, a privately held biopharmaceutical firm. Previously he was president and chief operating officer of Amgen.

Singleton Succeeds with Discount Method

The investment strategy of **Harold Singleton, '89**, was featured in the February issue of *Black Enterprise*. Singleton’s method of buying stocks that are selling at a discount resulted in a positive return of 3.5 percent during 2002, while the Dow fell 12.5 percent. He is senior vice president at Metropolitan West Capital Management in Newport Beach, California.

Griffith to Lead Zipcar

Scott Griffith, '90, was named CEO of Zipcar, according to the February 14 *Business Wire*. Zipcar is a car time-sharing company with 180 cars and 5,500 active members in Boston, New York, and Washington, D.C. Griffith’s responsibilities include raising capital to finance growth into new locations as well as expanding Zipcar’s partnerships with universities, municipalities, and large institutions.

Mangum, Thompson Managing Top Funds

Two of *Money* magazine’s “10 best mutual funds of 2003” are managed by GSB alumni. **Charles Mangum, '90**,

runs Fidelity Dividend Growth and **John C. Thompson, '99**, co-manages Thompson Plumb Growth. Both are large-cap blend funds. Thompson also was featured on the cover of the November 18 *Barron’s Mutual Funds*.

Li Featured in Chinese Media



James Z. Li, '99, has been featured in several publications for his work with mergers and acquisitions in China. An August 29, 2002, article in *China Youth Daily* included him as a “consulting artist,” and a November 22 story presented his perspectives on “vulture” investment in China’s distressed asset class. *Shanghai Financial News*, the official publication of China’s Central Bank, published an article by Li on China’s domestic and cross-border M&A market. Li is managing partner at E. J. McKay, a China strategy and M&A advisory firm founded by Chicago GSB alumni.—I.K.B.

Who’s News features alumni whose achievements have appeared in the media. Submit media mentions for future publication to Editor, *Chicago GSB*, 6030 South Ellis Avenue, Room 236, Chicago, Illinois 60637; fax 773.702.2973.

NEWS

Chicago Conversations

“There are now democracy and a middle class in Mexico because of NAFTA. It’s essential for American foreign policy to export democracy as well as capitalism.”

Rahm Emanuel

Congressman, speaking at the Management Conference in Chicago last spring. Emanuel was part of a panel entitled “American Primacy and World Order: Implications for Global Business.”

“Our country’s only hope in a globalized world is not to arbitrage labor, because we’ll lose that game every time. It’s to innovate. It’s to be bright. It’s to take risks. One of the things we’ve got to worry about right now is whether this country is becoming risk averse.”



Jack Welch
Former CEO of General Electric, appearing on MSNBC’s *Hardball*, which was broadcast from the University of Chicago

Law School last winter.

“North Korea won’t give up their nuclear weapons program unless someone can guarantee their political and economic survival.”

Kyu-ho Choo

South Korean consul general, speaking to students in the Chicago Asia Pacific Group and the Entertainment and Media Group at Ida Noyes Hall last spring.

“This [dividend tax legislation] is about long-term growth, and about getting the system right to allow the economy to grow in the long term. It’s not about short-term fixes. Short-term stimulus is totally ineffective in bumping the economy along.”

Greg Jenner

Deputy assistant secretary for tax policy at the Department of the Treasury, speaking at the “2003 Federal Tax Legislation Preview” sponsored by Piper Rudnick in downtown Chicago in January.

“This isn’t different than any other business, except that your heart’s on the line. With most businesses, if you fail, nobody cares. But with us, you hear about it the next day.”



Rick Steiner, '70

Tony Award-winning theatrical producer, at the Distinguished Speaker Series at the Hyde Park campus in May.

“You need to concentrate first on clients, then on employees and colleagues, and finally on the boss. Many believe that if you please the boss, the rest will fall into place, but the truth is that bosses care mostly about how their subordinates coordinate their teams and manage their divisions.”



Dan Dry

Wolfgang Mayrhuber
CEO of Lufthansa German Airlines, speaking to International Executive M.B.A. students and the media in February

at the GSB’s Barcelona campus. Mayrhuber was named CEO of Lufthansa Group in June.

“United has problems that go quite beyond the salaries they are paying their workers. The reality is that United Airlines is running out of cash. And if it runs out of cash because of the way the financing is structured, it’s like an airplane running out of fuel. It’s really bad. Burn rate is everything. What I mean is that if you burn through cash, sooner or later you’re going to run out of time.”



Dan Dry

Douglas Baird

Harry A. Bigelow Distinguished Service Professor of Law at the University of Chicago Law School, speaking at the forum

“Prospects for United Airlines” at Gleacher Center in February.

Chicago Conversations highlights prominent speakers at Chicago GSB.

Conversations in Depth Exploring the Limits of Globalization

Only days before the United States launched a massive invasion of Iraq that ushered in a new era of uncertainty in international relations, a University of Chicago Nobel laureate and two other distinguished scholars agreed that Americans benefit from globalization, even if it makes them apprehensive.

Nobel laureate **Gary S. Becker**, University Professor in the Departments of Economics and of Sociology, characterized globalization as a positive force that has improved the welfare of citizens of the world's poorer nations. "No nations that have tried to bypass the world market have succeeded in making significant progress in the well-being of the typical person," he told an audience of more than 400 people at Gleacher Center in March. "Going it alone hasn't worked."

Among the nations Becker considered "successes" of globalization were Japan, Taiwan, Hong Kong, and Chile. China and India, whose residents comprise one-third of the world's population, have also made great strides, Becker noted.

Terrorism is the single biggest challenge to globalization, according to Robert Wright, scholar and noted author of *Nonzero: The Logic of Human Destiny* and *The Moral Animal: Evolutionary Psychology and Everyday Life*. Terrorists will use the "infrastructure of globalization" to organize and recruit, he predicted, and will benefit further from the spread of broadband technology. But globalization also is essential to prevent and fight terrorism, Wright pointed out.

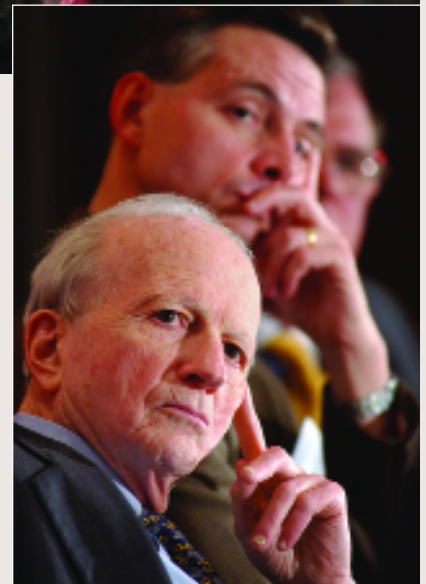


Dan Dry

Global Reach: Professor **Gary Becker** (above, left, and foreground, at right) called globalization a positive force, an idea echoed by Robert Wright (center, at right) and Marshall Bouton (in background, at right) at a panel moderated by dean **Edward A. Snyder** (above, at right).

"To the extent that nations are economically interdependent, that is conducive to an ethos of tolerance." Many of the September 11 hijackers came from countries that are not highly involved in the global economy, he noted.

Americans recognize the merits of globalization, but many worry it will cost jobs at home, said Marshall M. Bouton, president of the Chicago Council on Foreign Relations. Citing the survey *Worldviews 2002*, he said Americans think "globalization is 'mostly good'—for everyone but them." Most believe it benefits developing countries, improves democracy and human rights abroad, and even boosts the U.S. economy. But 51 percent also think it has a negative effect on the job security of American



workers, Bouton said, and only 43 percent think globalization helps create jobs in the United States. Europeans have similar or more positive attitudes toward globalization than Americans do, he added.

Dean **Edward A. Snyder** moderated the panel.—ML

ON THE WEB

To view video of this and other events online, visit

gsb.uchicago.edu/media/heardatgsb.htm.