

RANKINGS

Chicago GSB Takes Second in *BusinessWeek* Survey



Kevin Weinstein



Dean Edward A. Snyder and students celebrated the GSB's rise in rankings this fall.

BusinessWeek's biennial ranking of full-time M.B.A. programs put Chicago GSB in the second spot this fall. Kellogg was ranked first, with Harvard, Stanford, and Wharton filling out the top five. Chicago GSB was ranked 3rd in 1998 and 10th in 2000.

The *BusinessWeek* rankings are based on reports from graduating students and recruiters. According to *BusinessWeek*, "Students' high marks helped Chicago climb. Recruiters love grads' financial and analytical skills—as well as global scope." GSB students gave faculty top honors and commended the school for responding to student concerns. Recruiters put GSB grads on every "Top 10" list for specific functional areas, ranking the school first in finance, third in global scope, fourth in technology, and ninth in both general management and marketing.



Kevin Weinstein

BusinessWeek credited dean Edward A. Snyder for his leadership. The night after the rankings were announced, Snyder told attendees at the Alumni Celebration in Chicago that he was pleased that the rankings will give GSB students and alumni a boost in a tough job market. But, he continued, "Neither you nor I will confuse the GSB's identity with a number. We're going to focus on what's made the GSB great and will continue to make it great."—M.M.B.

BusinessWeek by the Numbers

Where Chicago GSB ranked

- Overall ranking: **2**
- Faculty quality, ranked by students: **1**
- Responsiveness to students' concerns: **3**
- Most improved: **1**
- Career services, ranked by students and recruiters: **1**

Recruiters' picks for best talent by field

- Finance: **1**
- Global scope: **3**
- Technology: **4**
- General management: **9**
- Marketing: **9**

Source: *BusinessWeek*, "The Best B-Schools," October 21, 2002

STUDENTS

I.M.B.A. Revamped



In order to offer students more flexibility and to further distinguish the International M.B.A. degree from the regular

M.B.A., the faculty voted in July to modify the academic requirements for the I.M.B.A. The changes will take effect in the fall of 2003.

Under the new requirements, students interested in an I.M.B.A. will apply to the regular M.B.A. program and are eligible to receive an I.M.B.A. if they have fulfilled the new degree requirements by graduation. These include five courses in the international curriculum, a quarter studying abroad, and proficiency in a foreign language, which can be acquired by taking electives at the university. Previously, students had to take three international courses plus the Global Issues Seminar and a capstone course and could substitute a foreign internship for a quarter of studying abroad.

Other changes also increase flexibility for students. The traditional I.M.B.A. trip to London after the first summer of study will be replaced with student-organized journeys to different destinations, typically during winter or spring break. In addition, the revised program will take six quarters to complete rather than seven, and the \$11,000 I.M.B.A. program fee will be eliminated.—E.H.

READINGS

Faculty and Alumni Publish on Investing, Internet



Charles B. Carlson, '93

The Smart Investor's Survival Guide, Doubleday, 2002

The September 11 attacks, the ensuing recession, and a wave of corporate scandals have made life difficult for investors. However, **Charles B. Carlson's** most recent book offers strategies to help investors cope with—and even profit from—the market volatility that has become common over the past year.

One of Carlson's major points is that investors must match their investment style to the kinds of stocks they pick. For instance, he advises long-term investors to devote a portion of their portfolio to what he calls “easy hold” stocks, which offer consistent growth and low volatility. He also recommends diversifying portfolios across sectors, noting that not every recession affects every stock.

Reviewing the guide for the *Milwaukee Journal Sentinel*, Humberto Cruz said that Carlson “has consistently combined clear writing with solid research” and that the “book may be his best.” Carlson has written six other personal finance guides, including *Buying Stocks without a Broker* and *Eight Steps to Seven Figures*.—E.H.



Gail Honda, M.B.A. '85, Ph.D. '95 (history)

Kipp Martin, professor of operations research and computing technology

The Essential Guide to Internet Business Technology, Prentice Hall, 2002

As the Internet's role in business expanded in the 1990s, **Kipp Martin** realized all business professionals would need working knowledge of this new tool. In *The Essential Guide to Internet Business Technology*, Martin and coauthor **Gail Honda** explain the latest Internet tools and which technologies can help individuals conduct business more effectively. Using material from the course Martin developed, the authors aim to provide readers with enough Internet knowledge to make sound technology investments.

Topics covered include hardware and software; Web content development and design; Internet security; relational databases, data warehouses, and data mining; XML and related technologies; Web hosting services; and Internet business models.

Honda is president and CEO of Global Optima, a technology development company, and has taught at the University of Chicago and the University of Hawaii. Martin teaches the M.B.A. course E-Business Technology and an executive education seminar on information technology for non-IT managers.—E.H.

FACULTY

Professors Promoted, Hired for 2002–03

Over the summer, deputy dean and Walter David “Bud” Fackler Professor of Economics **John Huizinga** announced faculty changes for 2002–03. Dean **Edward A. Snyder**, formerly professor of economics, is now George Pratt Shultz Professor of Economics; **Kevin Murphy, Ph.D. '86**, formerly George Pratt Shultz Professor of Economics and Industrial Relations, is now George J. Stigler Professor of Economics. **Ray Ball**, previously Eli B. and Harriet B. Williams Professor of Accounting, was named Sidney B. Davidson Professor of Accounting.

Eight tenure-track professors were promoted to the following positions: **Marianne Bertrand**, associate professor of economics; **Luis Garicano**, associate professor of economics and strategy; **Rachel M. Hayes**, associate professor of accounting; **Thomas N. Hubbard**, associate professor of economics and strategy; **Tobias J. Moskowitz**, associate professor of finance; **Amil K. Petrin**, associate professor of economics and statistics; **Damon J. Phillips**, associate professor of organizations and strategy; and **Stijn M. J. van Osselaer**, associate professor of marketing.

The GSB now has seven new tenure-track faculty members. They are **Philip G. Berger**, professor of accounting and Neubauer Family Faculty Fellow; **Ayelet Fishbach**, assistant professor of behavioral science; **Augustin Landier**, assistant professor of finance; **Ginger L. Pennington**, assistant professor of marketing; **Suresh Ramanathan**, assistant professor of marketing; **Imran Rasul**, instructor in economics; and **Luis Rayo**, assistant professor of economics.

In addition, **Michael Gibbs** joins the GSB as clinical professor of economics, and **Evelyn Williams** has been promoted to clinical associate professor of management.—E.H.

STAFF

Sykes Named Managing Director of Chicago GSB's Barcelona Campus



Glenn Sykes

After four years as the head of M.B.A. Career Services, **Glenn Sykes** has been appointed managing director of the GSB's Barcelona campus. He replaces **José Luis Bobes, '98 (IXP-3)**, who left to pursue other interests.

“During his time at career services, Glenn has done an outstanding job of building that office, increasing student satisfaction with career services, and forging stronger relationships with corporate

partners,” said **Bill Kooser**, associate dean for part-time M.B.A. programs. “We think his leadership and relationship-building skills will be a great asset in Barcelona.”

Sykes, who earned an M.B.A. from Kellogg in 1987, previously worked in Wharton's career services office. Before joining Wharton in 1996, he was market director and vice president in Citibank's global cash management services division.

Sykes's goals for the Barcelona program include developing closer ties to the European business community; increasing the GSB's visibility in Europe; expanding the school's career management services in Europe; strengthening relationships with European alumni; and continuing to improve the operations and services of the Barcelona campus.

“I have loved working in Hyde Park with our full-time program, but I strongly feel that the value I can add to the GSB depends on having experience across the GSB's entire area of operation,” Sykes said. “I am thrilled that the dean's office has provided me with this opportunity.”

Julie Morton, previously senior associate director of career services, will assume Sykes's former position as associate dean of career services (see “Morton to Lead M.B.A. Career Services,” page 10).—E.H.

STAFF

Morton to Lead M.B.A. Career Services



Julie Morton

Julie Morton was appointed associate dean of M.B.A. Career Services in June. Morton, former senior associate director of the department, fills the position vacated by **Glenn Sykes**, now managing director of the Barcelona campus (see “Sykes Named Managing Director of

Chicago GSB’s Barcelona Campus,” page 9).

“Julie’s blend of in-depth knowledge of the GSB and experience in various settings uniquely qualifies her to lead M.B.A. Career Services,” said deputy dean **Ann L. McGill**. Morton, who holds an M.B.A. from Tuck, joined the GSB in 2000. Previously, she worked as a retained search consultant for Muller and Associates in New York City and was president and cofounder of Skyron, a start-up executive search venture.

Morton said she is focusing on three main goals: strengthening existing employer relationships while building new ones, supporting students in their job searches, and maintaining camaraderie within the department, especially in the current weak economy. “The big challenge is going to be fostering corporate relationships in the face of tough economic decisions,” she said. “Even when companies aren’t recruiting as much, we need to find ways to stay involved with them.”—E.H.

ALUMNI

Booth Elected to University Board of Trustees



David G. Booth, '71

David G. Booth, '71, was elected to the University of Chicago Board of Trustees at the board’s June meeting. Since September 2001, he has been a nontrustee member of the Investment Committee of the Board of Trustees, and he has served on the Council on the

Graduate School of Business since 1999. He is also a member of the GSB Campaign Steering Committee.

Booth is president, CEO, and co-chair of Dimensional Fund Advisors, an investment firm he started with **Rex Sinquefield, '72**, in 1981. The firm’s success, built on applying theories of efficient markets to investing, earned the pair the 1999 Distinguished Entrepreneurial Alumni Award (to read a profile of Booth and Sinquefield, go to gsbwww.uchicago.edu/news/gsbchicago and click on Fall 1999).

With this appointment, Booth joins 11 other GSB alumni on the Board of Trustees. They include **Andrew M. Alper, A.B. '80, M.B.A. '81; Jon S. Corzine, '73; Eric J. Gleacher, '67; Karen L. Katen, A.B. '70, M.B.A. '74; Dennis J. Keller, '68; Arthur L. Kelly, '64 (XP-20); Michael J. Klingensmith, A.B. '75, M.B.A. '76; Peter W. May, A.B. '64, M.B.A. '65; Joseph Neubauer, '65; Thomas J. Pritzker, M.B.A. '76, J.D. '76; and Steven G. Rothmeier, '72.**—E.H.

FACILITIES

Awards for Singapore Campus

The House of Tan Yeok Nee (left), home of Chicago GSB’s Executive M.B.A. Program Asia, has received two architecture and design honors in Singapore: the Urban Redevelopment Authority 2001 Architectural Heritage Award and the award for conservation in the sixth Singapore Institute of Architects Architectural Design Awards. The news was reported in issue 6 of *Design and Architecture (Asia)* magazine.—M.L.



Courtesy of The Straits Times

DEVELOPMENT

Alumni Effort Helps Chicago GSB Fund Reach Record Amount



Gifts to the Chicago GSB Fund not only hit a record-breaking level at the end of fiscal year 2002, they enabled Chicago GSB to record another personal best: boosting the number of donors who gave to the annual fund by nearly 400 alumni.

The total, which exceeded \$4.1 million, included a wide range of gifts from nearly 6,900 donors. “We actually bucked a trend among colleges and universities,” said **Robert Nagel, '63**, national chairman of the Chicago GSB Fund Steering Committee. “Other schools are seeing a trend of more dollars from fewer donors. The new level of participation at Chicago GSB shows we’ve developed a broader reach.”

The Chicago GSB Fund leadership gifts continued to increase as well. Membership in the Laureate Society, which requires a minimum outright, unrestricted donation of \$25,000, rose to 34 this fiscal year from 29 Laureates the previous fiscal year. But, Nagel pointed out, “In order for us to reach our stretch goal, it was important to receive each and every gift, no matter what the size.”

He attributed the success to both the diligent efforts of alumni volunteers and to dean **Edward A. Snyder**. “The letters we’ve received show people are excited about Ted’s message and support the new dean,” Nagel said. Nearly 100 alumni volunteered their time to raise money



Successful Leaders: Chicago GSB Fund Steering Committee members who led a record-breaking effort are (front row, from left) **Immanuel Thangaraj, A.B. '92, M.B.A. '93**; national chairman **Robert Nagel, '63**; **Joseph Starshak, '75**; and (back row, from left) **Gary Feracota, '95 (XP-64); Ralph Gidwitz, '74 (XP-34); Judith Griffin, '71; Robert Parsons, '67; William Faulkner, '02; and Timothy Schlindwein, '72.** Not pictured are **Amy Hamilton, '98, and Gillian Mary Rees MacLean, '01.**

for the Chicago GSB Fund over the past year, including chairman Nagel and steering committee members **William Faulkner, '02; Gary Feracota, '95 (XP-64); Ralph Gidwitz, '74 (XP-34); Judith Griffin, '71; Amy Hamilton, '98; Gillian Mary Rees MacLean, '01; Robert Parsons, '67; Timothy Schlindwein, '72; Joseph Starshak, '75; and Immanuel Thangaraj, A.B. '92, M.B.A. '93.**

Since its inception in 1958, the fund’s unrestricted contributions have given Chicago GSB the maneuverability to respond quickly to changes in the field of business education and to distinguish the GSB from its peers.

For more information on the Chicago GSB Fund, contact **Damon Cates** at damon.cates@gsb.uchicago.edu or 773.702.7548.—P.B.

FACULTY

Eisenstein Named to 2002–03 David W. Johnson Professorship



Donald Eisenstein

Donald D. Eisenstein, professor of operations management, was named to the David W. Johnson Professorship from September 1, 2002, through August 31, 2003. He succeeds professor of economics **Lars Stole**.

Colleagues and friends of **David W. Johnson**, '58, established the professorship to commemorate Johnson's retirement as chairman and CEO of Campbell Soup. This rotating chair is awarded annually to a member of the faculty, either tenured or tenure-track, who is teaching at the Singapore campus during the year of the appointment and who does not hold another named professorship.

Eisenstein has been a member of the faculty since 1992. His current research interests focus on the analysis of logistical systems including production, material handling, scheduling, routing, and distribution.—E.H.

FACULTY

Vishny Elected to American Academy of Arts and Sciences



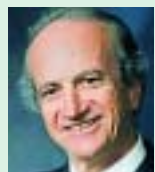
Robert Vishny

In recognition of his contributions to economics, **Robert Vishny** was elected to the American Academy of Arts and Sciences in April. Vishny, Eric J. Gleacher Distinguished Service Professor of Finance, joined 176 other newly appointed fellows in the 220-year-old society.

Vishny received his Ph.D. from MIT in 1985 and joined the GSB faculty the same year. His current research interests include the market for corporate control; corporate governance around the world; the role of government in the economy; the behavior of institutional investors; the behavior of stock prices; and the economics of corruption. His latest book is *The Grabbing Hand: Government Pathologies and Their Cures*, coauthored with Andrei Shleifer and published by Harvard University Press.—E.H.

FACULTY

Becker Joins GSB Faculty



Gary S. Becker

Nobel laureate **Gary S. Becker**, a longtime member of the University of Chicago faculty, joined the GSB faculty this fall. Becker is co-teaching an M.B.A. course on major policy issues facing business while continuing his other university responsibilities. He also will help recruit top faculty to the GSB and will represent the GSB in a variety of settings, providing alumni and friends with opportunities to hear insights that, according to dean **Edward A. Snyder**, "reflect the best of the University of Chicago."

Becker's history with the university spans more than five decades. He received an A.M. in 1953 and a Ph.D. in 1955 and served as an associate professor from 1954 until 1957, when he joined the faculty at Columbia University. In 1970 he returned to Chicago, where he now serves as University Professor of Economics and Sociology.

In 1992 Becker received the Nobel Prize for extending the domain of microeconomic analysis to a wide range of human behavior and interaction, including nonmarket behavior.

"Gary Becker exemplifies one of the characteristics of the Chicago approach—innovation in thought and practice," Snyder said. While Becker is well known for the research that earned him the Nobel, Snyder said the GSB community might not know that Becker has defined and developed the understanding of human capital. "In large part due to his research," Snyder said, "we now understand that human capital plays a more dominant role than physical and financial capital in the modern economy."

Becker has been a senior fellow of the Hoover Institution since 1990, a fellow of the American Academy of Arts and Sciences since 1972, and a fellow of the National Association of Business Economists since 1993.—M.M.B.

EXECUTIVE M.B.A. PROGRAM

Chicago Orientation Draws Students from Asia, Europe, U.S. Programs

Students came from 32 countries around the world to Chicago last summer to attend orientation for the Executive M.B.A. Program. Rather than waiting until the second year of the program to gather as one class, the 250 executives enrolled at the Chicago, Barcelona, and Singapore campuses had a chance at the start of the program to meet each other, network, and visit Chicago, many of them for the first time.

"We wanted students from the European and Asian campuses to bond immediately with the school and the people here at the Chicago campuses," said **Patricia Keegan**, director of the Executive M.B.A. Program North America. "It also gave them an opportunity to network with each other. When everyone starts at the same time, they're more open to meeting people from other campuses and making connections with each other."

During the five-day gathering, activities ranged from informal cocktail parties to lectures in microeconomics and financial accounting, coursework that continued when students returned to their home campuses. Participants in the Executive M.B.A. Program, who usually have more than 10 years of business experience, continue to work full time while pursuing their studies in the 20-month program. A mix of students from each of the three campuses is assigned to one of three groups; midway through the pro-



Networking Now: A cocktail reception in July at Gleacher Center provided a chance to network earlier than usual for new executive M.B.A. students (above, from left) **Andrew Lake**, **Alexander Lyadov**, **Rahul Raju**, and **Nam Tran** and (right) **Chris Uhas**, **Yossi Meshulam**, and **Charlie Hamlin**. The GSB brought executives from all three campuses together for their program orientation at the beginning of the first year.



gram, each group spends two weeks together—one in Barcelona and one in Singapore. The entire class of 250 executives also will reconvene in September 2003 in Chicago.

Keegan said students were enthusiastic about replacing the individual orientations with a single combined session, an idea generated by **Mark Zmijewski**, deputy dean for part-time

M.B.A. programs and Leon Carroll Marshall Professor of Accounting.

"I'd spoken with many students at the Barcelona campus over the years," he said. "It made sense to host a single orientation session for students from all three campuses the first year. It's important that students feel connected to each other from the start."—P.B.

In the June 16 *New York Times* "Money and Business" section, Morgan Stanley chairman **Philip Purcell, '67**, said he favors legislation to reform the accounting industry. Nevertheless, he worries that making corporate directors more accountable for companies' actions would discourage chief executives and other business leaders from serving on boards, according to the *Times*.



Sen. **Jon S. Corzine, '73**, (D-N.J.) joined top business leaders in praising Goldman Sachs chairman and CEO Henry Paulson's call for reform of the governance and auditing of American corporations, according to a June 16 article in the "Money and Business" section of the *New York Times*. Corzine applauded Paulson's willingness to level public criticism. "That's what corporate America ought to be doing right now," Corzine told the *Times*. "It is in businesses' self-interest to get on the stick and do what Hank did and even go a step further." Corzine served as co-CEO with Paulson until leaving the firm in 1999.

Michael J. Klingensmith, A.B. '75, M.B.A. '76, has been appointed executive vice president of Time, Inc., and president of *Time* magazine. He succeeds former *Time* president Ann Moore, who was promoted to CEO of Time, Inc. News of Klingensmith's new position appeared in the August 13 *New York Times*.



Lloyd DeGanne

Judson Green, '76, was featured in a May 2 *Chicago Sun-Times* article about Chicago-based Navigation Technologies Corporation. Green, who is CEO of the privately held digital mapmaker, said the growing popularity of vehicle navigation systems has been powering his company's growth, which has averaged 30 to 40 percent a year for the last four years. Navigation Technologies' customers include Rand McNally, Yahoo!, AAA Motor Club, UPS, and Microsoft, as well as Mercedes, Jaguar, Lincoln, and General Motors.



Matthew Gilson

The April 2002 issue of *Black Enterprise* featured **Karen Gibbs, '78**, and four other experts in its "Investment Roundtable." Gibbs, then anchor and senior business correspondent for *Your World with Neil Cavuto* on the Fox News Channel, told readers: "You have to be in it to win it. You've got to be in the market. You have to have some sort of plan and you can start with a little bit of money. You don't need an inheritance. Stay disciplined, not only in your investing but also in your contributions." (To read a profile of Gibbs from *Chicago GSB*, see [gsb www.uchicago.edu/news/gsbchicago](http://www.uchicago.edu/news/gsbchicago) and click on Winter 2002.) Gibbs is now co-host of *Wall Street Week with Fortune* on PBS.

Robert Aquilina, '80, has been named president and CEO of the Business Partnership of Somerset County, New Jersey. The news was reported in the Bergen County, New Jersey, *Record* on May 1.

Rajen K. Dalal, '83, vice president of Chiron Corp. and president of Chiron's blood testing division, has joined the board of directors of Sagres Discovery, a privately held biotechnology company. The announcement appeared in *Biotech Week* on May 1.

With 16 years' experience in the corporate world, Delaware treasurer **Jack A. Markell, '85**, is using his business know-how to make changes in state government. Markell, who worked for First Chicago, McKinsey, Nextel, and Comcast, is now spearheading a financial literacy program for children and adults and heading the state's Information Services Taskforce. In the May 21 issue of *The Bond Buyer*, Delaware budget director Peter Ross called Markell "a refreshing fountain of new ideas that help the state run more efficiently and save us money."

Bruce Herzfelder, M.B.A. '87, J.D. '87, ran for state treasurer in Massachusetts. On the June 13 *PR Newswire*, Herzfelder said that he wanted to be "an independent watchdog" and protect the state's \$30 billion pension fund from "risky proposals" such as investing the fund in housing projects and industrial construction. Herzfelder, a Republican,

Donald, Davis among *Fortune's* 50 Most Powerful Black Executives



Dan Dry
Arnold Donald, '80

In a July 22 article entitled "Unprecedented Clout," *Fortune* magazine listed **Arnold Donald, '80**, as 17th and **Erroll Davis, '67**, as 30th among the 50 most powerful African American business leaders in America. The magazine devoted several paragraphs to Donald, 47, founder and CEO of Merisant.

Starting as an industrial chemical salesman at Monsanto, Donald worked his way up to head the firm's \$4 billion agriculture business and was considered the

top contender to run the company. When Monsanto decided to sell its Equal artificial sweetener business, however, Donald obtained financial backing, bought Equal, and founded Merisant. The industry-dominating company now sells 19 artificial sweetener brands around the world.

Donald recalls that at the all-black Catholic high school he attended in New Orleans, the nuns bolstered students' ambitions three times a day over the loudspeaker: "Gentlemen, one day you are going to run the world. Prepare yourselves." Growing up "poor and African American" was a blessing, Donald said in the *Fortune* article. "It toughened me up early. I learned I couldn't let other people's problems be my problems. There is no better preparation for business."—M.L.

has worked in banking, on Wall Street in investments, and as an entrepreneur.

Health and Medicine Week reported on June 24 that Affymax, a privately held biopharmaceutical company, has appointed **Helen S. Kim, '88**, to the newly created position of chief business officer. Kim, who had been

senior vice president of corporate development at Onyx Pharmaceuticals, will be responsible for business development, marketing, strategic planning, finance, human resources, and investor and public relations.

Scott E. Deeter, '90, has been appointed president and CEO of Ventria Bioscience, a health and science company

based in Sacramento, California. The announcement ran in the May 29 issue of *Biotech Week*. Deeter recently led the start-up and development of several successful products and businesses for Cargill and Koch Industries. Prior to joining Ventria, he served as president and CEO of CyberCrop, a venture-backed software company.

Chris Leavell, '91, was interviewed in the May 17 issue of *Mortgage Technology* magazine about his company's new insured-valuation product. Leavell, president of First American eAppraiseIT, said that the EagleCert program's benefits include "substantially quicker turnaround time, a more robust insurance backstop against a faulty valuation, and a lower cost to the borrower."

Sharon Mandell, '02 (XP-71), vice president of technology at Tribune Publishing in Chicago, was featured in www.InfoWorld.com May 6 as one of a growing number of senior-level technologists who are actively seeking to expand their business expertise. Mandell, who has a bachelor's in computer science, said, "The M.B.A. financial curriculum helps define the long-term business and financial impact" of decisions about technology strategy.—M.L.

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.

Airline Bailouts a Mixed Blessing



Dan Dry

In the June 21 *Milwaukee Journal Sentinel*, **Sam Peltzman** commented on one carrier's decision not to apply for the loan guarantee offered by the federal government to the airline industry in the wake of the September 11 terrorist attacks. Despite an operating loss of nearly \$33 million in the first quarter of the year, Midwest Express Airlines decided to reject the government's package and raised \$21.9 million through a private stock offering. **Timothy Hoeksema, '77 (XP-39)**, is chairman and CEO of Midwest Express. "The flip side of getting the guarantees is that you get supervision by the government," said Peltzman, Ralph and Dorothy Keller Distinguished Service Professor of Economics. "The folks who have applied have been the more desperate cases. They are willing to accept the bad with the good."

Lessons of the Tech Stock Bubble



Dan Dry

John Cochrane, Theodore O. Yntema Professor of Finance, commented on the 1995–2000 "bubble" in technology stocks in the June 30 *Chicago Tribune*, noting that naive investors were not alone in causing the bubble. The dollar volume of trading in tech stocks indicates that traders, not investors, inflated prices, according to Cochrane. He said the tech stock bubble repre-

sented a rush to buy scarce shares by short-term traders who wanted to play with volatile stocks, not invest in the abstract promise of technology.

A Way to Beat the Bear Market?



Dan Dry

In the July issue of *Smart Money* magazine, columnist Paul Sturm described assistant professor of accounting **Joseph Piotroski's** technique for picking value stocks. Piotroski's method, which was published in the *Journal of Accounting Research*, uses a nine-point rating scale based on balance sheet analysis. Last year Sturm selected a portfolio using Piotroski's criteria, and the results were remarkable: the portfolio rose by 17 percent during a period when the market fell by more than 13 percent. "It's also been unusually stable," Sturm wrote, "with no superstars and only two stocks that sell for less now than they did when I wrote about them." (For a story on Piotroski's research from *Chicago GSB*, see gsbwww.uchicago.edu/news/gsbchicago and click on Winter 2002.)

Small Auditing Samples Miss Fraud



Dan Dry

In the June 28 *Wall Street Journal*, V. Duane Rath Professor of Accounting **Roman Weil** said outside auditors "typically start with a presumption that management is honest and telling

the truth, so when management sets out to commit fraud they'll trick us a couple of times." In an article on the WorldCom scandal, Weil said that instead of a thorough audit performed under the assumption that something is wrong, accountants usually do a sample audit, such as testing whether the company's computer systems accurately record revenue. While an auditor should check things such as capital expenditures, "if you took a very small sample you might miss the fraud altogether," Weil said.

Recovery Can't Overcome Scandals

Despite signs that the U.S. economy is recovering, the scandals at WorldCom and other corporate giants continue to wreak havoc on investor confidence in stocks, according to **Edward A. Snyder**, dean and George Pratt Shultz Professor of Economics. Given that some sectors of the economy remain weak, Snyder said in a June 27 *Chicago Sun-Times* article, "the drumbeat of bad action by companies isn't well timed. I think short-term the risk [to stock markets] is high."

Efficiency Theory Holds Up



Dan Dry

Eugene Fama's breakthrough 1963 doctoral thesis, which pioneered empirical research into the behavior of capital markets, continues to have merit, according to the *Financial Times*. According to a June 4 article, his "belief in market efficiency has been

Huizinga Represents "China's Jordan" in Basketball Negotiations



Dan Dry

John Huizinga

giving up "China's Jordan." After Zhang and Huizinga traveled to Beijing to obtain an "agreement in principle" with the Sharks, the Houston Rockets selected Yao as their number one draft pick. The news appeared in the June 25 *Wall Street Journal*.—M.L.

John Huizinga, deputy dean and Walter David "Bud" Fackler Professor of Economics, and **Erik Zhang**, a GSB student, successfully represented Chinese basketball sensation Yao Ming in talks aimed at getting Chinese sports authorities to allow Yao to enter the National Basketball Association draft. The state-sponsored China Basketball Association and Yao's team, the Shanghai Sharks, had argued in months of negotiations that they should be fairly paid for

strengthened by the many inconclusive studies over the years attempting to disprove it." The *Times* also said that Fama's three-factor model of market risk, published with Ken French in 1993, was "the last big academic insight to have a practical impact on the management of money." These days Fama, Robert R. McCormick Distinguished Service Professor of Finance, is pessimistic about the future of the stock market. In the June 16 *New York Times*, he said the difference between the average returns of stocks and treasury bonds may narrow to two to three

percentage points, which implies that the average long-term stock return probably will not exceed 7.5 percent a year—and could be even lower.

Transparency Matters

In the June 28 *Singapore Business Times*, **Scott A. Keating**, clinical assistant professor of accounting, commented on the Enron–Arthur Andersen and other accounting scandals. "Accounting is all about choices, not about the truth," Keating said. "[There is] no such thing as truth in accounting." Keating pointed out that Enron's accounting was apparently within the

limits of the Generally Accepted Accounting Principles, or GAAP. According to Keating, transparency is what's important for an accounting system. "Firms should be allowed to do whatever accounting they want, as long as they provide the information necessary for investors to understand what accounting practices they are applying," he said.

More Regulation Won't Fix Ethics



Jim Ziv

Professor of economics **Anil Kashyap** doesn't think that emulating European business regulation will solve the problem of corporate fraud in the United States, as some European leaders and market professionals have suggested. In the July 10 *Chicago Tribune*, Kashyap said most of the problems caused by corporate fraud can be addressed by enforcing existing laws and regulations. "There are certain specific changes, such as correctly accounting for stock options, where improvements could be made. But for the most part, the rules are already in place," he said. In a separate matter, Kashyap endorsed Chicago mayor Richard M. Daley's Zoning Reform Commission proposal to require additional parking for new residential construction in the city. "The commission has solid economics on its side," he said in an opinion piece published in the July 1 *Chicago Sun-Times*.—M.L.

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