

IN THE NEWS

Chicago GSB Faculty Weigh In on Stereotypes, Social Networks, and Federal Funds Futures

High Risk of Good Ideas



Dan Dry

People who spend time in various social circles are “at higher risk of having good ideas” than those in cohesive social

networks, according to **Ronald Burt**, PhD '77 (sociology), Hobart W. Williams Professor of Sociology and Strategy. “The trick is,” he told the *New York Times*, “can you take an idea which is mundane and well known in one place to another place where people would get value out of it?”

Burt’s research focused on the gaps between discrete groups of people by studying managers in the supply chain of Raytheon, the electronics company and military contractor. The *Times* noted that Burt’s latest findings appeared in the September 2004 issue of the *American Journal of Sociology*.—P.H.



To read the paper “Structural Holes and Good Ideas” or

learn more about Burt’s research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

Outguessing the Fed



Dan Dry

Federal funds futures contracts are a flawed indication of where Federal Reserve interest rates will be six months down the

road, according to a study coauthored by **Monika Piazzesi**, assistant professor of finance. The contracts’ prices include a risk premium just large enough to attract investors who believe they can make a profit regardless of what the Fed will do. On average, these premiums account for an overestimation of a quarter of a percent of the Fed funds rate, but Fed policy makers compensate by adding only .06 percent to six-month Fed funds futures contracts, according to the study.

“In making just a small adjustment,” Piazzesi told the *New York Times*, “the Fed is misinterpreting the information contained in the federal funds futures about investors’ expectations.”—A.R.



To learn more about Piazzesi’s research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

Why Stereotypes Are Risky



Matthew Gibson

According to stereotypes, Chinese are cautious and Americans like to take risks. But those notions could mislead those

who do business with the two nationalities, according to research by **Christopher Hsee**, Theodore O. Yntema Professor of Behavioral Science and Marketing, and Elke Weber, who expected to find Americans readier to take risks. “So did the American and Chinese students whom they asked,” the *Economist* reported last fall. “But when they asked the students to choose between a high-risk, high-return investment and a low-risk, lower-return one, they found the opposite: it was the Chinese who were happier with risk,” the newspaper said, noting the findings could be useful to Americans considering a deal in Shanghai.—P.H.



To learn more about Hsee’s research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

AWARDS



Matthew Gilson (Vishny); Dan Dry (all others)

Journal's First-Place Prizes Go to Chicago GSB Faculty

The *Journal of Financial Economics* awarded top prizes to three GSB professors in two separate categories for papers published in 2003.

Raghuram Rajan, Joseph L. Gidwitz Distinguished Service Professor of Finance, and **Luigi Zingales**, Robert C. McCormack Professor of Entrepreneurship and Finance, won the Fama-DFA Prize for Capital Markets and Asset Pricing, while **Robert Vishny**, Eric J. Gleacher Distinguished Service Professor of Finance, won the Jensen Prize for Corporate Finance and Organizations.

Rajan and Zingales won for "The Great Reversals: The Politics of Financial Development in the 20th Century," printed in the July edition. Dimensional Fund Advisors provides financial backing for the prize, which is named for **Eugene Fama**, MBA '63, PhD '64, Robert R. McCormick Distinguished Service Professor of Finance, who serves as advisory editor for the journal.

Vishny, with coauthor Andrei Shleifer, won for "Stock Market Driven Acquisitions," published in the December issue.

Winners are selected by readers. First prize in each category is \$5,000.—P.H.

ON THE WEB To read either of the complete papers or learn more about research by Rajan, Zingales, or Vishny, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

DeHoratius Named Batten Scholar



Dan Dry

Nicole DeHoratius, assistant professor of operations management, was honored at the Frank Batten Young Scholars

Forum in Operations and Information Technology last spring at the College of William and Mary School of Business.

The forum's organizers select Batten scholars based on published articles as well as the impact and quality of their research. DeHoratius, who joined the GSB in 2001, was one of five junior faculty from around the country who received the honor. Her research examines execution problems in retail supply chains, the role of incentives in effectively managing retail supply chains, and potential collaboration between manufacturers and retailers to improve execution and product availability.—P.H.

ON THE WEB To learn more about DeHoratius's research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

Birge Wins Japanese Journal Award



Dan Dry

Research by **John Birge**, professor of operations management and Neubauer Family Faculty Fellow, has won

the 2004 award for best paper from the Japan Society of Industrial and Applied Mathematics. *Continued on page 29*

PROMOTIONS AND APPOINTMENTS

Named Professorships Announced

Richard Leftwich, Fuji Bank and Heller Professor of Accounting and Finance and deputy dean for faculty, announced several faculty promotions for the 2004–05 academic year.

John Cochrane has been named Myron S. Scholes Professor of Finance.

Donald Eisenstein, professor of operations management, was named to the 2004–05 David W. Johnson Professorship, a rotating position among faculty teaching at the GSB's overseas campuses that is funded by **David Johnson, '58**. **Christopher Hsee** has been named Theodore O. Yntema Professor of Behavioral Science and Marketing.—P.H.

ON THE WEB For more appointments and promotions, go to gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

ADMINISTRATION

Chintagunta Heads PhD Program



Dan Ory

Pradeep Chintagunta, Robert Law Professor of Marketing, was named director of Chicago GSB's PhD program last summer.

Over the past five years, he has chaired four thesis committees and served on six others. Chintagunta's research focuses on analyses of household purchase behavior, empirical industrial organization models, and movies.

Chintagunta replaces **Milton Harris**, AM '73, PhD '74 (economics), Chicago Board of Trade Professor of Finance and Economics, who had directed the PhD program since 1997. During his tenure, Harris revamped the economics program, launched comprehensive Web sites for constituencies from prospective applicants to prospective employers, increased student recruiting efforts, and created the PhD/JD program.

"Over the past several years, Milt Harris has significantly enhanced the program, most notably student stipends," said Chintagunta. "Now we want to focus on improving recruiting to the program by appealing to the large population of outstanding undergraduates in the Chicago area," he said.

"With the Hyde Park Center, we can now offer students more space. And we've already begun to increase the assistance we offer to students in the job search."—P.H.

FAST ACCESS TO FACULTY RESEARCH

gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html

Want more on the faculty work featured in *Chicago GSB*? Read the full research papers and link to faculty Web pages on our faculty links page.

FELLOWSHIPS



Neubauer Fellows Named for 2004–05

Four GSB professors were named Neubauer Family Faculty Fellows for 2004–05, including one of the inaugural fellowship recipients who has received the fellowship three years in a row.

Awarded Neubauer fellowships this academic year were **Philip Berger, MBA '88, PhD '92**, professor of accounting, who was the inaugural winner in 2002–03 and also won in 2003–04; **Marianne Bertrand**, professor of economics; **John Birge**, professor of operations management; and **Sanjay Dhar**, professor of marketing.

A gift from **Joseph Neubauer, '65**, and his family, including his wife, Jeanette, and his son **Lawrence, MBA '95, JD '95**, established the program in 2002–03 to give the GSB an edge in competing for and retaining top faculty. Neubauer fellows are appointed for one to three years and usually have reduced teaching loads.

In addition to Berger, those who won in 2003–04 were **Monika Piazzesi**, assistant professor of finance; and visiting faculty member Douglas J. Skinner, KPMG Professor of Accounting at the University of Michigan Business School.—P.H.

Continued from page 27 Coauthored with Takayuki Shiina, “Multistage Stochastic Programming Model for Electric Power Capacity Expansion Problems” appeared in the October 2003 edition (number 3) of the *Japan Journal of Industrial and Applied Mathematics*.—P.H.

ON THE WEB

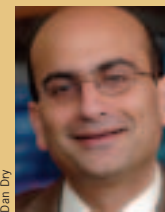
To read the complete paper or to learn more about Birge’s research, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

Students Again Honor Meadow, Sapra



Scott Meadow, clinical professor of entrepreneurship, became the first three-time winner of the Phoenix Award

last spring. Students annually choose a faculty member who has enriched student life not only in the classroom, but also through involvement in extracurricular and community activities. Meadow also won the prize in 2002 and 2003.



Hareesh Sapra, associate professor of accounting, received the Emory Williams Award for Excellence in Teaching for the

second year last spring. Students annually award the prize to a faculty member who demonstrates excellence in the classroom. Sapra also won the award in 2003.—P.H.

ON THE WEB

To learn more about research by Meadow or Sapra, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

BOOKSHELF

From Politics to Physics: What Faculty Are Reading

GSB faculty read more than research in their areas of expertise. Here's a look at what three professors had on their bookshelves recently.



Dan Dry

John Birge
Professor of Operations
Management
Neubauer Family Faculty
Fellow

Tuxedo Park: A Wall Street Tycoon and the Secret Palace of Science That Changed the Course of World War II, **Jennet Conant** (Simon & Schuster, 2002)
 “A neighbor gave me this book about Alfred Loomis when I mentioned having that family name among my ancestors. I had not previously heard of this distant cousin of mine and his double life of Wall Street tycoon and world-renowned scientist. I was amazed to discover the enormous role that this private individual and his home laboratory played in creating such critical technologies as long-range radar. The

book captures the frenetic pace of scientific exploration during World War II and the importance of the personal relationships among the scientists and political leaders.”

The Time of Our Singing, **Richard Powers** (Farrar, Straus and Giroux, 2003)
 “A colleague suggested this novel to me because it also included familiar scenes involving a physicist during World War II in the department where my grandfather worked. While physics and the nature of time play a role in the story, the book’s emotional force comes from the story of a multiracial German-Jewish-African-American-Baptist family united by their common love of music and divided by their separate reactions to racism and its role in their lives. The book offers such penetrating insights into each of its themes that I still wonder how a single author could provide them all.”

“I’m into history these days. I strongly recommend these three books by Robert A. Caro about the life of Lyndon B. Johnson. These books provide great insight into the American political system, the pluses and minuses of Johnson’s character, and his innate genius in using the political system to his advantage.”

Modern Times, **Paul M. Johnson** (Perennial, Revised Edition 2001)
A History of the Jews, **Paul M. Johnson** (Harper & Row, 1987)
 “*Modern Times* is a fascinating view of world history from the 1920s onward. *A History of the Jews* provides a great perspective on the development of one of the world’s great cultures. I still haven’t read Johnson’s *History of the American People*, but it’s on my list and is highly recommended by my good friend **Rex Sinquefield, ’72**, who generously gave me the three books to improve my mind.”



Grant Schneider



Dan Dry

Eugene Fama,
MBA '63, PhD '64
Robert R. McCormick
Distinguished Service
Professor of Finance

The Path to Power (The Years of Lyndon Johnson, Volume 1), **Robert A. Caro** (Knopf, 1982)
Means of Ascent (The Years of Lyndon Johnson, Volume 2), **Robert A. Caro** (Knopf, 1990)
Master of the Senate (The Years of Lyndon Johnson, Volume 3), **Robert A. Caro** (Knopf, 2002)



Dan Dry

Scott Meadow
Clinical Professor of
Entrepreneurship

Independence Day, **Richard Ford** (Knopf, 1995)
 “A coming-of-age book for the middle-aged male. I have not felt like a writer had read my mind like this since I read *Look Homeward, Angel* after my first year in college. With hearty prose and a perspective on how to live in the ‘existence’ phase,

reading Ford is like talking with a good friend. His juxtaposition of subplots is masterful. First, the reader is facing the transitions in a marriage and the empathy involved in successful parenting. Next, the reader is deep in the day-to-day trials of a second career that is a step down in glory from the protagonist's former life. Every time I picked up the book, I was excited but also dreaded what nerve Ford would touch."

Leo Strauss and the Politics of American Empire, **Anne Norton** (Yale University Press, 2004) "The recent blame for all of our problems in foreign policy has increasingly been placed at the feet of people I have respected historically, such as Paul Wolfowitz, Leon Cass, Harvey Mansfield, and Irving Kristol—the so-called neocons. Norton's 230-page overview is a layperson's guide to the life and teachings of Leo Strauss, the intellectual lineage that extends from his work, and the resulting 'impact' on American foreign policy. The book is well written, punctuated with both an air of the gossip column and conspiracy theory, as she highlights the idiosyncrasies of the characters that make up the foundation of the 'Straussian' movement. It made me want to tackle the real texts."—M.M.B.

READINGS

Faculty Lectures Lead to Books



The Escape from Hunger and Premature Death, 1700–2100
(Cambridge, 2004)

Robert Fogel, Charles R. Walgreen Distinguished Service Professor of American Institutions

In *The Escape from Hunger and Premature Death, 1700–2100*, Nobel laureate Robert Fogel discusses the improvements in technology and in human physiology over the last three centuries, which have more than doubled the average human life expectancy and increased the average human body size by more than 50 percent. In turn, healthier humans have brought accelerated economic growth and technological change.

This research formed the basis for Fogel's McArthur Lectures at Cambridge University in 1996. The book expands on the lectures and discusses the crises in financing health care and retirement that have been sparked by the increase in longevity and the rapid growth in demand for health care. Fogel considers whether advances in biotechnology are enough to save health care systems on the brink of collapse and evaluates the distinction between universal and essential health care.

Through its demand for high-tech products, skilled personnel, and new technologies, health care should be the growth industry of the 21st century, Fogel says. But, he warns,

health-care financing systems will need reform if the industry is going to achieve that potential.—A.R.



Statistics, Econometrics and Forecasting
(Cambridge, 2004)

Arnold Zellner, H. G. B. Alexander Distinguished Service Professor Emeritus of Economics and Statistics

Based on his Stone Lectures in Economics delivered at the National Institute of Economic and Social Research and at the Bank of England in 2001, Arnold Zellner's *Statistics, Econometrics and Forecasting* describes the structural econometric time series analysis (SEM-TSA) approach to statistical and economic modeling, which he developed with Franz Palm. Zellner also analyzes the shift by industry and government scientists and decision makers toward the Bayesian approach to scientific inference and discusses alternative approaches to model building, including the production of a Marshallian macroeconomic model through the use and development of the SEM-TSA approach.—A.R.