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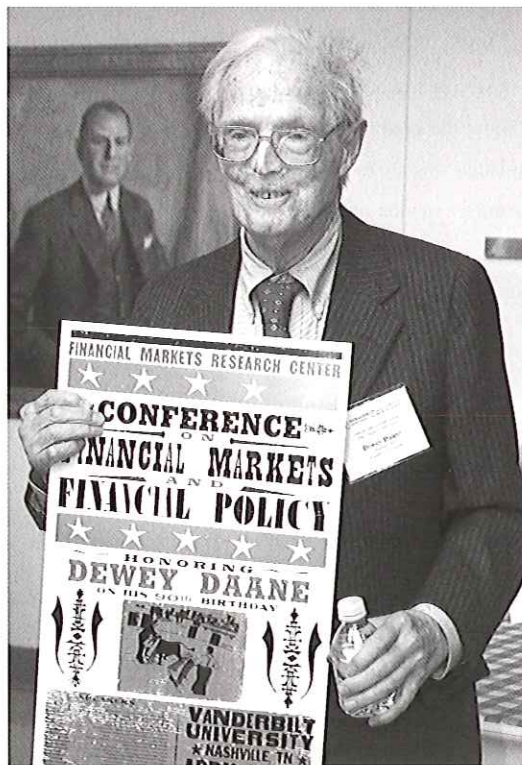
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FINANCIAL MARKETS RESEARCH CENTER • 2009

Conference on
*Financial Markets and Financial Policy,
Honoring Dewey Daane on his 90th Birthday*

The 22nd annual conference of the Financial Markets Research Center, held on April 18, 2009 at Vanderbilt, honored Dewey Daane on the occasion of his 90th birthday (belatedly since the birthday



Dewey Daane with conference poster.

was July 6, 2008). Participants in the conference included leading economic thinkers and policy makers that have lectured in prior years in Dewey Daane's Seminar on Monetary and Fiscal Policy. The Seminar has been in continuous operation since Daane joined the Owen faculty in 1974 after retiring as a Governor of the Federal Reserve Board. Needless to say, the conference focused on the appropriate policy response to the continuing credit crisis as well as on the long run remedies to strengthen the financial system.

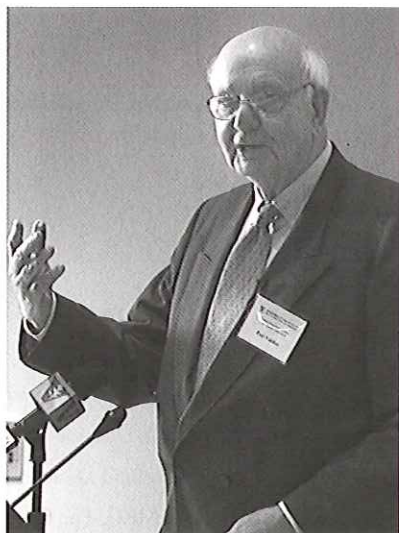
Dean **Jim Bradford** welcomed conference participants and turned the podium over to **Hans Stoll**, Director of the FMRC. Stoll noted that this was the second Daane retirement conference sponsored by the FMRC. The first took place exactly 20 years earlier on the occasion of Daane's 70th birthday. Stoll thanked the Eurex and the OCC for providing special funding for this conference.

The lead-off speaker, **Paul Volcker**, discussed the causes of the current financial crisis and some of the proposed solutions. Underlying the crisis, he noted, are widespread international imbalances, excessive exuberance of investors, changes in the financial markets (such as securitization, subprime mortgages, credit default swaps), lax regulation, and failure of risk management. He noted that regulatory changes would come but asked that they not be instituted too hastily. He drew the distinction between the traditional banking segment of the financial system, which is based on knowing your customer, and the markets segment, which is based on trading a growing range of financial instruments by anonymous investors. He argued that the government safety net should be provided for the banking system but that government protection of the trading system should be very limited.

Stephen Axilrod, for many years the most senior staff person at the Federal Reserve Board and a regular tennis partner of Dewey Daane, next spoke on the decision-making process during the terms of William McChesney Martin, Arthur Burns, and Paul Volcker as Fed chairmen. He recommended the designation of one of the governors as deputy governor. Axilrod's experiences at the Fed are chronicled in a recent book, *Inside the Fed*.

Next **Donald Kohn**, Vice Chairman of the Fed, spoke on the topic, "Monetary Policy in the Financial Crisis." He noted that the Fed has moved aggressively to provide

Daane Conference *(continued)*

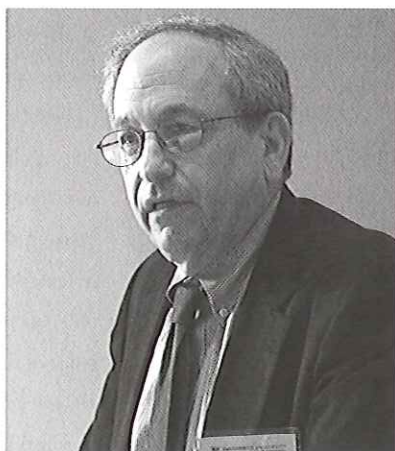


Paul Volcker discussing regulation of financial markets.

liquidity to banks and the economy by its usual policy of changing the Fed Funds rate and by a variety of other means not seen before. The latest innovation is for the Fed to buy and sell long term governments and agencies. Kohn answered a number of questions raised by the Fed's aggressive actions: Have the actions been effective? Are we allocating credit? Are we taking credit risk? Can we gauge how much to do? Will these policies lead to a surge in inflation? Have we compromised our independence? ("Yes" to the first and "No" to the remaining questions.) The talk was followed by a lively and somewhat contentious question and answer period. Paul Volcker wanted to know why an inflation of 2% was called "price stability." Would it not be better to aim for 0% inflation? (The press reported that Kohn had been grilled by Volcker.)

The remainder of the conference consisted of panels of two persons plus a chair. The first panel, chaired by **Peter Fisher**, Co-Head of Fixed Income at Black Rock, dealt with the subject "Credit Risk and the Credit Crisis." **William Dudley**, the newly appointed President of the

Federal Reserve Bank of New York, spoke on the topic, "The Fed's Liquidity Facilities in the Financial Crisis." He noted some of the difficulties posed by credit default swaps and other derivative instruments. He described the new credit facilities in three parts: a part to deal with the seizing up of short term inter-bank lending (term auction facility and dealer credit facility); a part that expanded lending beyond the bank to corporate borrowers (commercial paper funding facility, e.g.); and a part that expanded the types of assets purchased by the Fed (to long term treasuries and Fannie Mae/Freddie Mac MBS). **William Poole**, former president of the Fed of St Louis, forcefully spoke about the need to do something about banks that are too big to fail. He recommended a market solution



Donald Kohn describing monetary policy.

under which all banks are required to maintain a large capital base that consists of subordinated revolving debt. An inability to refinance the debt would be a signal of difficulty and a signal that even more capital should be required.

After a lunch break the group returned to hear from a panel on the Economic Outlook. The panel was chaired by **Gary Stern**, President of the Fed of Minneapolis.



VANDERBILT UNIVERSITY
OWEN GRADUATE SCHOOL OF MANAGEMENT

Financial Markets Research Center 2009

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Pat Scott, Administrator

FUNDING

The Center, founded in 1987, is funded by its members and by an endowment. Funds are used to maintain financial markets data bases and to support the Center's research projects. Members sit on the advisory board, participate in all activities of the Center, receive research reports, and give advice on the activities and research direction of the Center.

Members over the past 21 years include the following:

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FROM THE DIRECTOR

As the nation's worst financial and economic crisis enters its 3rd year, a sense of optimism that reflects the stabilization of the financial sector



Hans R. Stoll

seems to pervade the country. Yet the stock market is down over 40% from its high in October 2007. Short term rates remain low as the Fed tries to stimulate lending. Economic conditions have worsened with unemployment rising to 9.5%. Federal spending is exploding and new entitlements are likely to bring about a permanent increase in the Federal budget. The country has managed to turn a financial crisis into an economic crisis with long run problems to boot.

This past year the Center held two special conferences that dealt in part with the current financial crisis. On October 16-17, 2008, the Center sponsored a conference on Financial Innovation: 35 Years of Black/Scholes and Merton, with the help of sponsors, CBOE, CME, Options Clearing Corporation/Options Industry Council, and Susquehanna. The conference honored Black/Scholes and Merton for developing the option pricing model, a model credited with giving rise to the tremendous growth in derivatives. A short discussion of the conference and pictures are elsewhere in this newsletter. Our spring conference, held on April 18, 2009, was also devoted to a special celebration – Dewey Daane's 90th birthday. It is the second conference given in

expectation of Dewey's retirement. The first was in 1989, exactly 20 years ago. Neither has convinced Dewey that it is, in fact, time to retire. The conference itself dealt with the current financial crisis as policy makers analyzed the causes and cures for the economic collapse.

As usual there have been some comings and goings of Center faculty associates. Joining the finance faculty this year will be **Miguel Palacios**, who has just completed his PhD degree at Berkeley. He is an expert on human capital, and his dissertation incorporates human capital in an asset pricing model. Visiting faculty include **Kate Barraclough**, who is visiting for a third year and teaches derivatives and bond markets, and **Nicole Branger**, who is a professor at the University of Muenster and visits every other year to teach the course on advanced derivatives.

Upcoming events at the Center include a conference on "The role of government regulation in corporate finance" that is being organized by Center associate, **Alexei Ovtchinnikov**, and that will take place on October 10, 2009 at Vanderbilt. The Center intends to sponsor a research conference each fall in the future to supplement the spring conference. This conference is the first in that series. The objective is to invite researchers on a particular topic to present their papers and discuss further research possibilities. The spring 2010 conference is scheduled for April 22-23, topic yet to be determined. ■

Dewey Daane Invitational Tennis Tournament

Dewey Daane presided over the tournament as he has done for the preceding 17 years. The format was round-robin doubles with partners changing every 4 games. The contents of the Daane cup were awarded to Joe Blackburn for first place and Lisa Greenfield for second place. ■



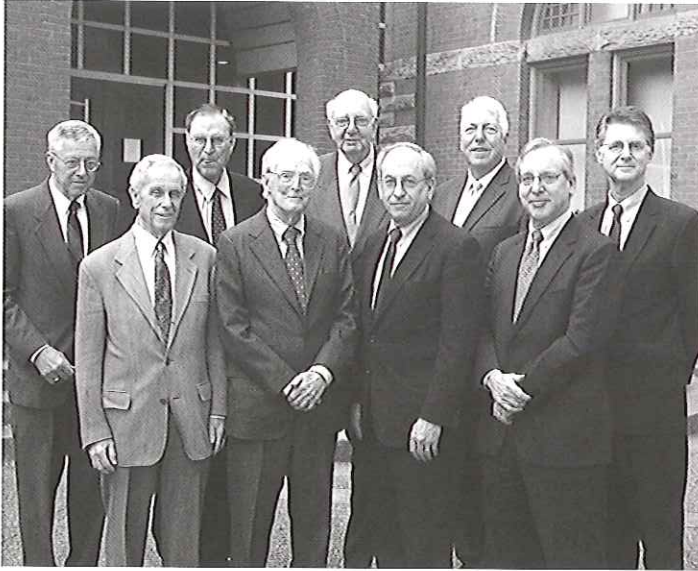
Tennis players ready to play.

GOALS OF THE CENTER

The Financial Markets Research Center at Vanderbilt University fosters scholarly research in financial markets, financial instruments, and financial institutions. Research of the Center examines participants in financial markets, such as brokers, exchanges, financial intermediaries, and businesses needing financing. The Center:

- Provides a mechanism for interaction among industry practitioners, academic researchers, and regulators.
- Identifies critical research issues in financial markets.
- Supports research by faculty members and PhD students at Vanderbilt.
- Maintains data bases.
- Disseminates research about financial markets. ■

Daane Conference *(continued)*



Some of the conference participants.

Stern made a few comments on the topic of “Too big to fail,” a subject with which he has long been associated. He argued that banks must be allowed to fail. The spillover effects of such failures should be handled before the crisis hits. **Roger Brinner**, Partner and Chief Economist at the Parthenon Group, spoke on the topic, “Consumer spending: temporary panic or tectonic shift.” He noted the much greater severity of this recession as compared to those of the past, something he ascribed to the collapse of the housing market, the decline in exports and the drop in consumer sentiment. “Sustaining international capital flows in the face of an \$850 billion elephant,” was the topic of **Catherine Mann’s** talk. She expressed concern for the financial reputation of the U.S. and discussed the factors affecting the dollar.

The next panel on the Budget Outlook was chaired by **Rudolph Penner**, Senior Fellow at the Urban Institute. In a pessimistic introduction, Penner bemoaned the rapid increase in government debt in the short run as a result of the current recession and the costly stimulus plan, and he predicted that the ratio of debt relative to GDP would not improve in the long run because of the growth in health care costs and other entitlements. **William Hoagland**, VP of Public Policy at Cigna and former advisor to Senate Leader Bill Frist on budget matters, reviewed the budget process and the actions in the 1980s and 1990s to bring about a balanced budget. He projected continuing deficits and a significant growth in the national debt. **Donald Marron**, Former Acting Director of the Congressional Budget Office, echoed the concerns of the previous speakers and predicted a substantial increase in the national debt under current law.

The next panel, on Banking and Real Estate, focused on various aspects of the mortgage market and was chaired by **Dennis Lockhart**, President of the Fed of Atlanta. In his remarks, Lockhart warned that problems in commercial real estate were still to come. **Robert Davis**, Executive VP of the

American Bankers Association, presented data on the residential mortgage delinquencies and discussed alternative mortgage modification programs. **Frank Nothaft**, VP and Chief Economist at Freddie Mac, discussed the housing contraction resulting from the large supply of houses for sale. He noted however that mortgage interest rates are at an all time low, a fact that should stimulate recovery in the housing market.

The last session of the conference, on Innovation in Financial Markets, was chaired by **Scott Pardee**, Holmes Professor of Economics at Middlebury. Pardee made a plea for more regulation and government oversight of risk management – a Sarbanes Oxley law for risk management. Well-known innovator **Richard Sandor**, who developed a number of the early financial futures contracts and is currently providing mechanisms to trade social “bads”, such as CO2 emissions, spoke on his latest endeavor, the Chicago Climate Exchange. He explained the benefits of trading “bads” that are restricted by law and he noted that such items will increase in importance. The last speaker, **Anthony Santomero**, former President of the Fed of Philadelphia, provided an excellent overview of the regulatory framework and



Bill Poole urging a solution to the “Too big to fail” problem.

the likely changes in regulation. He pointed out the gaps in current regulation and four possible models for a redesigned regulatory system: 1) Industry based regulation – different regulators for insurance, banking, securities; 2) Objective based regulation – different regulators according to function (consumer protection, market stability); 3) A single regulator for all financial markets and institutions; 4) Twin peaks regulation – a prudential regulator to oversee systemic risk and a regulator to protect consumers.

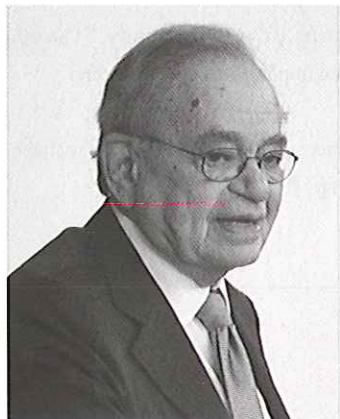
The group adjourned to prepare for the dinner celebrating Dewey’s 90th birthday. The dinner included an entertaining video and remarks by Paul Volcker about the times in the 1960s when he and Dewey traveled globally to deal with fissures in the international monetary system. ■

Conference on

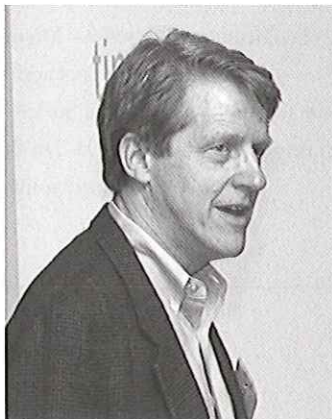
Financial Innovation: 35 Years of Black/Scholes and Merton



Nobel Laureates Myron Scholes and Bob Merton on the second day.



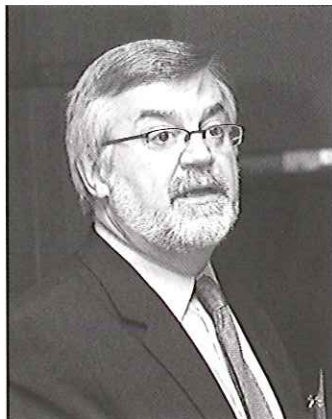
Leo Melamed giving keynote address.



Bob Shiller on the housing crisis.



George Constantinides discussing options on index futures.



Bob Whaley closing the conference.

On October 16-17, 2008 the FMRC sponsored a special conference to honor Fischer Black, Myron Scholes and Robert Merton for their development of the option pricing model. No research in finance has had the ground-breaking influence of the articles by Black/Scholes and by Merton. Published in 1973, the articles have provided the analytical underpinning of a host of financial innovations as well as a way to think about long standing corporate finance issues. The conference, organized by Center Co-director, **Bob Whaley**, was supported by special grants from the CBOE, the CME, the Options Industry Council, and Susquehanna Group. It brought together leading thinkers to present papers on topics that build on the seminal work of Black/Scholes and Merton. The conference was all the more interesting as it took place against the backdrop of the country's most severe financial crisis.

The keynote address was delivered by **Leo Melamed**, Chairman Emeritus of the CME Group. He noted that organized futures and options markets worked well in the crisis and expressed fear of a regulatory backlash that would hamper the operation of free markets. (Copies of the Melamed keynote and of most of the other papers may be found at <http://conferenceonfinancialinnovation.com/>) The remainder of the conference consisted of 6 academic sessions, each with two academic papers, covering topics such as Volatility Markets, Real Estate Markets, Credit Markets, Index Option Markets, Real Options, and Compensation Contracts. In each session two papers were presented that relied on option pricing theory. In addition, an informal roundtable discussion featuring **Bob Merton**, **Myron Scholes**, and Leo Melamed was held. The reception and dinner on October 16 took place at the Country Music Hall of Fame, and included country music by two of the genres best known singer/songwriters. ■

Research Workshops

Workshops conducted at the Owen School throughout the year provide a forum for the exchange and testing of new ideas in areas of current research. During 2008-2009 the following researchers presented work on finance topics:

08/08/08 – **Jacob Sagi**, *Vanderbilt University*: “Do fund managers make informed asset allocation decisions?”

08/22/08 – **Sukwon Kim**, *Vanderbilt University*: “Is order imbalance related to information?”

09/12/08 – **Nicolas P.B. Bollen**, *Vanderbilt University*: “Locked up by a lockup: Valuing liquidity as a real option”

09/19/08 – **Audra L. Boone**, *University of Kansas*: “Do private equity consortiums impede takeover competition?”

09/26/08 – **John C. Fellingham**, *The Ohio State University*: “Evaluation in an induced moral hazard setting (aka an exercise in tension relevance)”

10/02/08 – **Karin Thorburn**, *Dartmouth College*: “Markup pricing revisited”

10/03/08 – **Christopher A. Parsons**, *UNC at Chapel Hill*: “Strike three: Umpires’ demand for discrimination”

10/10/08 – **D. Craig Nichols**, *Cornell University*: “Stock option exercises and the quality of operating cash flows”

10/24/08 – **C.S. Agnes Cheng**, *Louisiana State University*: “Role of accruals and cash flows in predicting future cash flows – The growth effect”

10/31/08 – **Vivek Ghosal**, *Georgia Tech*: “Small is beautiful but size matters: The asymmetric impact of uncertainty and sunk costs on small and large businesses”

11/05/08 – **Rüdiger Fahlenbrach**, *The Ohio State University*: “Estimating the effects of large shareholders using a geographic instrument”

11/07/08 – **Paolo Pasquariello**, *University of Michigan*: “Strategic cross-trading in the U.S. stock market”

11/14/08 – **David K. Musto**, *Wharton School*: “High water marks in competitive capital markets”

11/21/08 – **Dirk Hackbarth**, *University of Illinois at Urbana-Champaign*: “The timing and returns of mergers and acquisitions in oligopolistic industries”

12/03/08 – **Berk A. Sensoy**, *USC*: “Club deals in leveraged buyouts”

12/05/08 – **Itzhak Ben-David**, *The Ohio State University*: “Does mandated financial counseling improve mortgage decision-making? Evidence from a natural experiment”

12/12/08 – **Ted Day**, *University of Texas at Dallas*: “Dividend distributions and closed-end fund discounts”

01/21/09 – **Tor-Erik Bakke**, *University of Wisconsin*: “How does finance affect growth? Evidence from a natural experiment in Venezuela”

01/23/09 – **David Solomon**, *University of Chicago*: “Selective publicity and stock prices”

01/30/09 – **Rose C. Liao**, *The Ohio State University*: “Corporate block acquisitions around the world”

02/06/09 – **Miguel Palacios**, *University of California Berkeley*: “The value and the risk of aggregate human capital implications from a general equilibrium model”

02/13/09 – **Jan Bena**, *LSE*: “The effect of credit rationing on the shape of the competition-innovation relationship” ■

Guest Speakers

An important aspect of the education of MBA students and the faculty at the Owen School is the opportunity to listen to and question senior executives from financial industries. Outside speakers are sponsored directly by the Financial Markets Research Center, the Owen Lecture Series, or the Finance Association, or are invited as an integral part of courses such as Monetary and Fiscal Policy and Financial Institutions. Guest speakers during the 2008-2009 academic year were:

Roger E. Brinner, Partner and Chief Economist, *The Parthenon Group*

Michael M. Calbert, Member, *KKR*

Jim Cooper, Congressman for Tennessee’s 5th District

Charles L. Evans, President, *Federal Reserve Bank of Chicago*

Ben W. Heineman, Jr., former Senior Vice President for Law and Public Affairs, *General Electric*

G. William Hoagland, Vice President of Public Policy, *Cigna Corporation*

Jeffrey M. Holland, Chief of Projections Unit, *Congressional Budget Office*

Douglas Holtz-Eakin, President, *DHE Consulting, LLC*

Donald L. Kohn, Vice Chairman, *Board of Governors of the Federal Reserve System*

Donald B. Marron, Member, *President’s Council of Economic Advisers*

Martin J. Mauro, Vice President: Fixed Income Strategist, *Merrill Lynch*

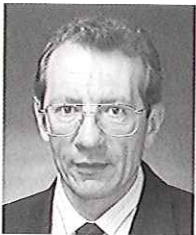
Deborah Perelmuter, Senior Vice President, *Federal Reserve Bank of New York*

Gary H. Stern, President, *Federal Reserve Bank of Minneapolis*

John G. Walsh, Chief of Staff and Public Affairs, *Office of the Comptroller of the Currency*

Lawrence Yun, Chief Economist and Senior Vice President, *National Association of REALTORS* ■

Current Activities of Center Faculty



CLIFFORD A. BALL, Professor (finance and statistics) and Faculty Director of the PhD Program. MSc, Nottingham 1975, PhD (mathematics), New Mexico 1980.

Current research interests include equities, bonds, options, and futures contracts; empirical testing of financial models; stochastic processes and statistical applications to finance; stochastic volatility and correlation; the European monetary system; capital requirements, risk management and value-at-risk.

During the past year, Professor Ball taught a two-module sequence in Financial Econometrics designed for MSF students, Risk Management, Stochastic Processes, and Investments. He serves as Director of Graduate Studies for the Owen PhD Program and participated in the "PhD Project," a program designed to attract students from underrepresented minorities, which was held in Chicago last November. Ball is also a member of the Executive Committee of the Graduate School Council and serves as associate editor for the *Journal of Empirical Finance* and as referee for numerous other finance and economics journals.

Professor Ball's paper, "Contagion in the Presence of Stochastic Interdependence" (with Walter Torous), is under review at the *Review of Financial Studies*.



KATHRYN BARRACLOUGH, Visiting Lecturer (finance), PhD, Australian National University 2007.

Current research interests include asset pricing, derivatives, and bond markets.

Professor Barraclough teaches classes in derivatives and bond markets at the Owen School. She is currently working on two research papers, "Failure to exercise put options and the short stock interest strategy" (with Robert E. Whaley) and "Special dividends and stock option contract adjustments" (with Hans R. Stoll and Robert E. Whaley).



NICOLAS P.B. BOLLEN, The E. Bronson Ingram Associate Professor of Finance and Faculty Director of the MS Finance Program. MBA, PhD, Duke 1997.

Research interests include hedge funds, mutual funds, derivatives, and financial markets.

Professor Bollen had two papers on hedge funds accepted for publication in the *Journal of Finance* in 2008; both will appear in print in 2009. In "Hedge fund risk dynamics: Implications for performance appraisal" (with Robert Whaley), Bollen studies methods of measuring fund risk exposures in the presence of a time-varying strategy mix. He finds that significant errors in manager ranking can occur when these changes are not taken into account properly. In "Do hedge fund managers misreport returns? Evidence from the pooled distribution" (with Veronika Krepely Pool), Bollen reveals a robust feature of hedge fund returns: the cross-sectional distribution is marked by a pronounced discontinuity at zero. The number of small positives far exceeds the number of small negatives, suggesting that some managers round up returns for reporting purposes. The paper generated a great deal of media attention, including an extensive article in the *Wall Street Journal*, and has been downloaded over 1,000 times.

Professor Bollen is currently working on two other papers on hedge funds. One studies the cost of lockups and other redemption restrictions; the other examines the ability of quantitative filters to predict hedge fund fraud. Bollen's steady output of hedge fund research has resulted in a number of recent invitations to speak internationally, including presentations at Oxford, Paris, Rotterdam, and Stockholm. He has also recently visited American University, Cornell University, the University of Mississippi, Virginia Tech, and the Commodity Futures Trading Commission. Bollen was recognized for his work with the Owen School's 2009 Research Impact Award.

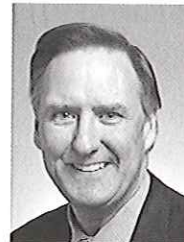


PAUL K. CHANEY, Professor (accounting). MBA, PhD, Indiana 1983, CPA, CMA.

Research interests include auditor reputation, the quality of earnings, earnings management, and audit pricing.

Professor Chaney's paper, "Financial Crisis: A Time to Reevaluate Risk Management" (with Debra Jeter and K. Philipich), was published in *Commercial Lending Review* in March 2009. His paper, "Analysts and Audit Quality: Analysts' Forecasts During the Meltdown of Andersen" (with Steven Cahan, Debra Jeter, and Wei Zhang), is scheduled to be presented at the annual American Accounting Association meeting to be held in New York City in August 2009.

Professor Chaney serves on the editorial boards of *The Accounting Review*, *The International Journal of Accounting*, and *Auditing: A Journal of Practice and Theory*.



WILLIAM G. CHRISTIE, The Frances Hampton Currey Professor of Management and Professor of Law. MBA, PhD, Chicago 1989.

Research interests include financial markets, market microstructure, and corporate finance.

Professor Christie has returned to full-time faculty status after having served as Associate Dean for Faculty Development from August 2007 through November 2008. He serves as faculty director of the Executive MBA program and faculty advisor to the Max Adler Investment Club. His teaching responsibilities during the 2009-2010 academic year will include all sections of the core finance class for incoming MBA and Masters of Accountancy students, in addition to the Executive MBA students. He also taught the finance class to the inaugural group of students in the Master of Management in Health Care program during the spring of 2009. He has completed a three-year term (two as chair) of the Promotion and Tenure Review Committee at Vanderbilt, and currently serves as one of the Owen representatives on the Faculty Senate.

Christie continues in his role as Executive Editor for *Financial Management*, the flagship journal of the Financial Management Association. His recent publications include "Market microstructure of the Pink Sheets" (with Nick Bollen) in the *Journal of Banking and Finance*, "Wall Street scandals: The curative effects of law and finance" (with Bob Thompson) in the *Washington University Law Review*, and "Tick Size, Market Structure and Trading Costs" (with Jeff Harris and Eugene Kandel) that appeared in the book, *Market Liquidity*. He has presented his research at the University of Virginia, the University of Windsor, and Florida International University.



J. DEWEY DAANE, The Frank K. Houston Professor of Finance, Emeritus and Senior Advisor to the Financial Markets Research Center. MPA, DPA, Harvard 1949.

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Faculty Activities *(continued)*

Research interests include monetary economics and international finance. During the spring semester, as part of his Seminar in Monetary and Fiscal Policy, Professor Daane arranged for many of the guest speakers listed elsewhere in this newsletter.

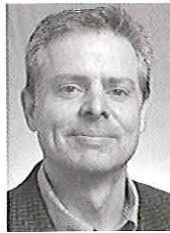
In September of 2008, Professor Daane attended the International Conference on "The Credit Market Turmoil of 2007-2008: Implications for Public Policy" hosted by the Federal Reserve Bank of Chicago and the European Central Bank. In October, he attended the annual meeting of the International Monetary Fund (Group of Thirty) in Washington. In April 2009, he was honored at the Financial Markets Research Center Conference on "Financial Markets and Financial Policy" at Vanderbilt. In May, he attended the 45th Bank Structure & Competition Conference on "Assessing the State and Local Sector – Where Will the Money Come from?" at the Federal Reserve Bank of Chicago.

Professor Daane at 91 is still a regular contributor to the *Wall Street Journal's* monthly economic survey and has earned a spot in their annual US economic-forecasting rankings. He also contributes to the *USA TODAY's* quarterly economic forecast.



LUKE M. FROEB,
The William C. Oehmig
Associate Professor of
Entrepreneurship and Free
Enterprise. PhD,
Wisconsin 1983.

During the past year, Professor Froeb consulted on mergers in the beer and airlines industries. In March, he gave testimony to Congress on the Ticketmaster-Live Nation merger, and spoke on antitrust Policy and related topics at several conferences. He gave a paper on the intersection of patent and antitrust law at both the US Department of Justice and the FTC. His Paper on "Post-Merger Product Repositioning" appeared in *Journal of Industrial Economics* and his textbook, *Managerial Economics: A Problem Solving Approach*, sold enough copies to make it to a second edition. The second edition will be updated with stories and anecdotes from the financial crisis and, for the first time, the book will delve into the darker arts by exploring alternatives to rational behavior. Among Froeb's other publications are articles on Competition Policy appearing in the *ABA Newsletter* and the ABA Section of Antitrust Law.



KARL E. HACKENBRACK,
Associate Professor
(accounting) and Faculty
Director of the Master of
Accountancy Program.
PhD, The Ohio State
University 1989, CPA.

Research interests include audit service production and mandated corporate disclosure. Current research topics include mandatory disclosure of auditor-sourced non-audit services, audit committee oversight of the financial reporting process, and auditor selection. Hackenbrack teaches the assurance-related courses in the Master of Accountancy program.

Hackenbrack is active in numerous academic and professional conferences, including the PricewaterhouseCoopers Accounting and Auditing Symposium, KPMG's Audit Committee Roundtable, and American Accounting Association meetings, where he presented his manuscript, "Local Preference in Municipal Audit Markets."

Hackenbrack is the faculty director of the new one-year Master of Accountancy program, so he is heavily involved in all aspects of the program. He also serves on the editorial board of *Auditing: A Journal of Practice and Theory* and is a referee for numerous academic journals.



NICOLE THORNE JENKINS, Associate
Professor (accounting),
PhD, University of Iowa
2002, CPA.

Research interests include corporate finance and financial accounting with specific emphasis on the quality of accounting information. Current research topics include an expanded investigation of how repurchased shares are used as a form of currency and how informed trading (insider trading, repurchases, and issuances) provide a valuation context in which the market is better able to value a restatement.

Professor Jenkins's work has been published in top academic journals, including the *Journal of Accounting and Economics*, *The Accounting Review*, and *The Review of Accounting Studies*. In the past year Jenkins has presented her research at Texas A&M University, University of Texas, George Mason University, and the AAA annual conference. During the past year she has attended many academic conferences and has served as a referee for several accounting and

finance journals. Professor Jenkins is currently teaching intermediate and advanced courses in financial reporting.



DEBRA C. JETER,
Associate Professor
(accounting), MBA, Murray
State 1981, PhD, Vanderbilt
1990, CPA.

Research interests include financial accounting and auditing, with specific interests in earnings and audit quality, earnings management, components of earnings, the market for audit services, audit pricing, and audit opinions.

Professor Jeter teaches financial accounting at Owen, and she taught in Executive Programs for TVA and Bridgestone in 2009. She and coauthor Paul Chaney have recently revised their textbook, *Advanced Accounting*, for its fourth edition (John Wiley & Sons Inc., publishers), which is forthcoming in the fall of 2009. She is currently serving on the Editorial Boards of *Issues in Accounting Education* and *International Journal of Accounting, Auditing, and Performance Evaluation*.

Jeter's paper, "Auditor Specialization: The Influence of Investment Opportunities" (with S. Cahan, J. Godfrey and J. Hamilton), was published in *The Accounting Review* in November 2008 (lead article). Her paper, "The Role of Auditing in Buyer-Supplier Relations" (with Hui Chen), was published in the *Journal of Contemporary Accounting and Economics*. Jeter presented her paper, "Executive Pay and Firm Performance after Enron and Other Accounting Scandals," co-authored with Hui Chen and Ya-wen Yang, at the University of Auckland in March 2009 and at The Athens Institute for Education and Research (ATINER) in October 2008. She moderated an auditing session at the American Accounting Association conference in August 2008. Her paper, "Joint Accounting Choices: An Examination of Firms' Adoption Strategies for SFAS No. 106 and SFAS No. 109" (with P. Chaney, and M. Daly), was published in the *Review of Quantitative Finance & Accounting* in 2008, and her paper, "Financial Crisis: A Time to Reevaluate Risk Management" (with Paul Chaney and Kirk Philipich), was published in *Commercial Lending Review* in 2009 (lead article).



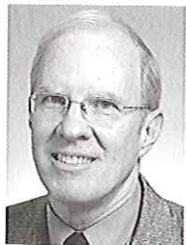
CRAIG M. LEWIS,
The Madison S.
Wiggington Professor of
Management (finance).
MS, PhD, Wisconsin 1986,
CPA.

Research interests include equity analyst

behavior, the security issue process, corporate financial policy, and the time series properties of stock market volatility. Current research topics include the estimation of expected bankruptcy costs, the specification of option pricing models when assets follow Levy processes, and convertible debt security design. Professor Lewis teaches courses in company valuation and corporate financial policy. He serves as Finance Area Coordinator.

Lewis's paper, "Shareholder Initiated Class Action Lawsuits: Shareholder Wealth Effects and Industry Feedback" (with Amar Gande), is forthcoming in the *Journal of Financial and Quantitative Analysis*. His paper, "Information, Selective Disclosure and Analyst Behavior" (with Anchada Charoenrook), was published in *Financial Management* this Spring. He is currently working on the estimation of expected bankruptcy costs as part of research program that focuses on company valuation. The paper, "Firm-Specific Estimates of the Ex Ante Bankruptcy Discount," calculates how much firms are expected to lose if they are forced into bankruptcy. Lewis is developing a new methodology for estimating sales growth rates.

Lewis attended the Financial Management Association meetings in Dallas and Torino where he discussed several papers and served as a session chair. He served as Program Chairman for the Financial Management Association meetings in Torino. Lewis is an associate editor of the *Journal of Corporate Finance* and serves as referee for numerous academic journals.



RONALD W. MASULIS, The Frank K. Houston Professor of Finance and Professor of Law. MBA, PhD, Chicago 1978.

Research interests include corporate finance, corporate governance, investment banking, venture capital, and international finance.

Professor Masulis teaches courses in mergers and acquisitions, law and finance of mergers & acquisitions, venture capital, corporate finance theory and evidence, and corporate value management.

Professor Masulis was recently appointed as a research associate at the European Corporate Governance Institute. He serves as associate editor of the *Journal of Financial and Quantitative Analysis* and the *Pacific Basin Finance Journal*, and he is a referee for numerous other finance journals. Masulis is chair of the Finance PhD Program at Owen.

During the past year, Masulis attended many conferences including the Asian FMA Conference in Korea. He served as a Panlist for

the European FMA Doctoral Symposium, and his paper, "Pyramids: Empirical Evidence on the Costs and Benefits of Family Business Groups" (with P. Pham and J. Zein), received the Best Corporate Finance Paper Award at the European FMA Meetings and was accepted for presentation at the 2009 FMA Annual Meetings. He has presented his papers at various conferences all over the world and has recently had four accepted for publication.



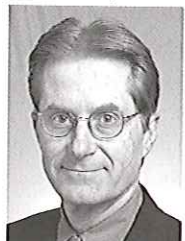
ALEXEI OVTCHINNIKOV, Assistant Professor (finance). MBA, University of California, Riverside 2000, PhD, Purdue University 2004.

Research interests

include regulation and mergers, board characteristics and firm performance, and the effect of market timing on firms' cost of capital. Ovtchinnikov came to Owen in 2007 from the Pamplin College of Business at Virginia Tech. His work in the field of corporate finance has appeared in such leading publications as the *Journal of Finance*, the *Journal of Financial Economics*, the *Journal of Financial and Quantitative Analysis*, and the *Journal of Investment Management*. He teaches Corporate Valuation and Empirical Methods in Finance.

Professor Ovtchinnikov's paper, "Corporate Political Contributions and Stock Returns" (with Michael J. Cooper and Huseyin Gulen), received the first prize in Corporate Finance at the Midwest Finance Association Meeting in Chicago in March 2009 and has been accepted for publication in the *Journal of Finance*. His paper, "Capital Structure Decisions: Evidence from Deregulated Industries," has been accepted for publication in the *Journal of Financial Economics*. His paper, "Capital Market Imperfections and the Sensitivity of Investment to Stock Prices" (with John J. McConnell), is forthcoming in the *Journal of Financial and Quantitative Analysis*.

Ovtchinnikov serves as referee for the *Financial Management*, the *Journal of Banking and Finance*, the *Journal of Corporate Finance*, the *Journal of Financial and Quantitative Analysis*, and the *Review of Financial Studies*.



DAVID C. PARSLEY, E. Bronson Ingram Professor of Economics and Finance. AM, Indiana 1979, PhD, California, Berkeley 1990.

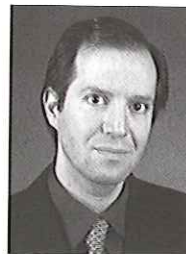
Research interests

are in the fields of international finance and macroeconomics. His research examines links across countries,

both in financial markets and in markets for goods and services.

In May 2009, Professor Parsley was a Visiting Scholar at the Hong Kong Institute of Monetary Research and was a Visiting Scholar at the South Africa Reserve Bank in summer 2009. Parsley presented his paper, "Does Source Country Corporate Governance Affect International Investment Patterns?" (with Shang-Jin Wei), at Yonsei University (Korea) in April, and at the conference: "The Global Financial Turmoil and the Evolving Financial Interdependence in Asia" in May. In November 2008, he presented the paper: "How Important are Exchange Rates in Monetary Policy", (with Helen Popper), at the Bank of England and also, in May 2009, at the Hong Kong University of Science and Technology.

His paper, "In Search of a Euro Effect: Big Lessons from a Big Mac Meal?" (with Shang-Jin Wei), was published in the March 2008 issue of the *Journal of International Money and Finance*, and the paper, "Sudden Deaths: Taking Stock of Geographic Ties" (with Mara Faccio), is forthcoming in the *Journal of Financial and Quantitative Analysis*. Another paper, "Understanding Real Exchange Rate Movements with Trade in Intermediate Products" (with Helen Popper), is forthcoming in the *Pacific Economic Review*.



JACOB S. SAGI, FMRC Associate Professor (finance). BS, University of Toronto 1991, PhD, University of British Columbia (physics) 1995, (financial economics) 2000.

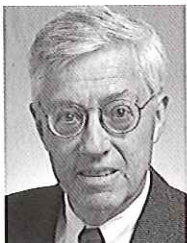
Research is focused on decision-making under risk and uncertainty, as well as asset pricing. An expert on financial economics and decision theory, Sagi has been published in *Econometrica*, the *Journal of Economic Theory* and other highly regarded journals. His research has been recognized with numerous grants and distinctions, including awards from the Research Grants Council of Hong Kong and the National Institute on Aging (NIA). He previously served as assistant professor of finance at the Haas School of Business at the University of California, Berkeley.

This past academic year, Professor Sagi was invited to present his work at The UBC PH&N Summer Finance Conference, McGill University, EDHEC in Nice, BI in Oslo, CalPoly San Luis Obispo, the University of Illinois, the Wirtschaft Universität in Vienna, University of Heidelberg, and Goethe University in Frankfurt. His paper,

Faculty Activities (continued)

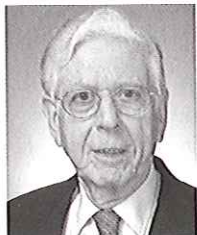
"Liquidity and Closed-End Funds" (with Martin Cherkes and Richard H. Stanton), which was winner of the "Best Paper" award at the 2006 Utah Winter Finance Conference, is published in the *Review of Financial Studies*. His paper, "Small Worlds: Modeling Attitudes Towards Sources of Uncertainty" (with Chew Soo Hong), was published in 2008 as the lead article in the *Journal of Economic Theory*.

Professor Sagi is on the program committee of the 2008 Utah Winter Finance Conference and the IDC Conference in Herzliya, Israel. He is a referee for numerous journals and serves as Associate Editor for *Emerging Markets Review*.



HANS R. STOLL, The Anne Marie and Thomas B. Walker Professor of Finance and Director of the Financial Markets Research Center. MBA 1963, PhD 1966, U of Chicago.

Research interests include market microstructure, derivatives and other aspects of financial markets. Stoll teaches in the areas of international finance, derivatives and financial markets. His article, "The Shape of Securities Markets: Competition or Consolidation?" appeared in the November/December issue of the *Financial Analysts Journal*. He recently completed a working paper, "Special dividends and stock option contract adjustments," (with Kate Barraclough and Bob Whaley). During the past year, Stoll spoke to a number of groups about the Financial Crisis of 2007-2008. In October 2008 he participated in a conference, "Financial Innovation: 35 Years of Black, Scholes, Merton," held at Vanderbilt. In April 2009, Stoll arranged the spring conference of the Financial Markets Research Center. In July 2009, he participated in the meeting of the Financial Economists Roundtable held in Oregon. Stoll is a past president of the American Finance Association. He currently serves on the editorial boards of five academic finance journals. He recently stepped down as a public director of the Options Clearing Corporation.



H. MARTIN WEINGARTNER, The Brownlee O. Currey Professor of Finance, Emeritus. MS, PhD, Carnegie Mellon 1962.

Before his retirement from Owen in January 1998, Professor Weingartner taught courses in negotiation, case studies in finance, financial decision making, and real estate finance. His research over the years focused on the premise that specialty is the financial strategy of organizations – particularly entrepreneurial ventures. He has written extensively on the uses of mathematical models in financial decision making and approaches to capital budgeting and has consulted for major financial institutions and other organizations. Professor Weingartner is a past president of The Institute of Management Sciences and associate editor of *Management Science*.

In May 2009, Weingartner again attended the meeting of the Council of Scientific Society Presidents (CSSP), of which he is an alumni network member. The CSSP, which meets in Washington DC, consists of the presidents-elect, presidents, and immediate past-presidents of about 60 scientific societies. Among other activities, sessions are devoted to the preparation of statements on science policy which are promulgated to members of Congress and others. Each meeting concludes with a Congressional breakfast meeting at the House of Representatives at which one or more Congress members discuss current issues and talk informally with CSSP members.



ROBERT E. WHALEY, The Valere Blair Potter Professor of Management (finance) and Co-Director of the Financial Markets Research Center. PhD, University of Toronto 1978.

Research interests include derivatives, asset pricing, market microstructure, and market volatility. Much of Professor Whaley's past work focused on investigations of the effects of program trading on stock prices, the expiration day effects of index futures and options, and the valuation of option and futures option contracts and the efficiency of the markets in which they trade. His research has been published in the top academic and practitioner journals, and he is a frequent presenter, chairman, and/or discussant at major conferences and seminars.

Whaley's recent research includes "Hedge fund risk dynamics: Implications for performance appraisal" (with N.P.B. Bollen), *Journal of Finance* 64 (April 2009), "Political regimes, business cycles, seasonalities, and returns" (with J.G. Powell, J. Shi, and T. Smith), *Journal of Banking and Finance* 33 (June 2009), "Failure to Exercise Call Options: An Anomaly and a Trading Game" (with V. Krepley and H.R. Stoll), *Journal of Financial Markets* 11 (2008), and "Understanding the VIX," *Journal of Portfolio Management* 35 (Spring 2009).

Whaley holds a number of editorial positions, serves as a referee for many journals and granting agencies, and is a former member of the Board of Directors of the Western Finance Association and the American Finance Association. He is currently a member of the International Advisory Board of the University Centre for Financial Engineering at the National University of Singapore.



RICHARD H. WILLIS, Associate Professor (accounting). BS, University of South Alabama 1983, MAS, Ohio State University 1984, MBA, Duke University 1992, PhD, University of Chicago 1998, CPA (State of Illinois), 1996.

Research interests include security analysts and, in particular, their earnings forecasts, stock recommendations, and target prices. Teaching interests are in managerial accounting and financial statement analysis, courses for which he has won several teaching awards.

Professor Willis's research has been published in top academic journals, including the *Journal of Accounting and Economics*, the *Journal of Financial Economics*, and *The Accounting Review*. He presented his paper, "Security Analysts, Cash Flow Forecasts, and Turnover" (with S. Pandit and L. Zhou), at Arizona State University in September 2008 and at Indiana University in December 2008.

Willis is on the editorial board of *The Accounting Review* and serves as a referee for numerous accounting and finance journals. ■

Faculty Research Papers

Current working papers, completed or revised since January 1, 2008, are listed below.

"Failure to exercise put options and the short stock interest strategy," **Kathryn Barraclough** and **Robert E. Whaley**, February 2009

"Special dividends and stock option contract adjustments," **Kathryn Barraclough**, **Hans R. Stoll**, and **Robert E. Whaley**, June 2009

"Locked up by a lockup: Valuing liquidity as a real option," A. Ang and **Nicolas P.B. Bollen**, 2009

"Predicting hedge fund fraud," **Nicolas P.B. Bollen** and **Veronika Krepely Pool**, 2009

"A Classification of Firms Based on Earnings Attributes," **Paul K. Chaney**, **Bruce Cooil** and **Debra C. Jeter**, 2008

"Analysts and Audit Quality: Forecast Revisions during the Meltdown of Arthur Andersen," S. Cahan, **Paul K. Chaney**, **Debra C. Jeter**, and **W. Zhang**, 2008

"Self-Selection Models and Endogeneity Issues in Accounting Research: The Case of Audit Pricing," **Paul K. Chaney**, **Debra C. Jeter**, and **L. Shivakumar**, 2008.

"The Quality of Accounting Information in Politically Connected Firms," **Paul K. Chaney**, **Mara Faccio** and **David C. Parsley**, March 2009

"The Market Reaction to Eliminating the Reconciliation Requirement for U.S. Foreign Private Issuers," **Paul K. Chaney**, **Debra C. Jeter**, and **Richard Willis**, 2009

"Mergers among Firms that Manage Revenue," **Arturs Kalnins**, **Luke M. Froeb**, and **Steven Tschantz**, 2008

"Mergers in Auctions with an Incumbent Advantage," **Luke M. Froeb**, **Mikhael Shor**, and **Steven Tschantz**, September 2008

"Local Preference in Municipal Audit Markets," **Karl Hackenbrack** and **Mikhael Shor**, Spring 2009

"Enabling auditor-sourced management advisory services," **George Drymiotes** and **Karl Hackenbrack**, Summer 2009

"The Use of Interest Rate Swaps to Generate Earnings," S. Chernenko, M. Faulkender, and **Nicole Thorne Jenkins**, Spring 2009

"Supporting Stock Prices with Stock Repurchases and Insider Buying," B. Badertcher, S.P. Hribar, and **Nicole Thorne Jenkins**, Spring 2009

"Put Your Money Where Your Mouth Is... Treasury Stock as Currency," **Nicole Thorne Jenkins** and **Alexei Ovtchinnikov**, June 2009

"Asset Specificity and the Ownership of Buildings," **Debra C. Jeter**, **J. Wong** and **N. Wong**, 2008

"The Pricing of Industry Specialization by Auditors in New Zealand," **David Hay** and **Debra C. Jeter**, March 2009

"Executive Pay and Firm Performance after Enron and Other Accounting Scandals," H. Chen, **Debra C. Jeter**, and **Y. Yang**, 2009

"Do Regulatory Policies Regarding Auditing and Financial Reporting Affect Executive Pay?" H. Chen, **Debra C. Jeter**, and **Y. Yang**, 2009

"Client-level Audit Fees, Specialist Premiums, and the Investment Opportunity Set," S. Cahan, **J. Godfrey**, **J. Hamilton**, and **Debra C. Jeter**, 2009.

"The Relation between Fees for Specialist Auditors and Industry Competitiveness," S. Cahan, **Debra C. Jeter**, and **V. Naiker**, 2009.

"The Role of Auditor Specialization in Relation to Financial Statement Quality," **J. Godfrey**, **Debra C. Jeter**, and **J. Hamilton**, 2009

"Firm-Specific Estimates of the Ex Ante Bankruptcy Discount," **Craig Lewis**, April 2009

"Convertible Design and Contract Innovation," **Craig Lewis** and **Patrick Verwijmeren**, May 2009

"Equity Ownership in IPO Issuers by Brokerage Firms and Analyst Research Coverage," **Xi Li** and **Ronald W. Masulis**, May 2008

"How Do Venture Investments by Different Classes of Financial Institutions Affect the Equity Underwriting Process?" **Xi Li** and **Ronald W. Masulis**, September 2008

"Venture Capital Conflicts of Interest: Evidence from Acquisitions of Venture Backed Firms," **Ronald W. Masulis** and **Rajarishi Nahata**, March 2009

"Corporate Venture Capitalists, Strategic Alliances and the Governance of Newly Public Firms," **Vladimir Ivanov** and **Ronald W. Masulis**, March 2009

"IPOs and Venture Capital Reputation," **Vladimir Ivanov**, **C.N.V. Krishnan**, **Ronald W. Masulis**, and **A. Singh**, June 2009

"Are Foreign Directors Valuable Advisors or Ineffective Monitors?" **Ronald W. Masulis**, **Cong Wang**, and **Fei Xie**, June 2009

"Are All Inside Directors the Same?" **Ronald W. Masulis** and **Shawn Mobbs**, June 2009

"Pyramids: Empirical Evidence on the Costs and Benefits of Family Business Groups," **Ronald W. Masulis**, **P. Pham**, and **J. Zein**, June 2009

"Information Revelation along the Supply Chain: Seasoned Stock Offering Implications for Issuers with Large Customers," **W. Johnson**, **J.K. Kang**, **Ronald W. Masulis**, and **S. Yi**, June 2009

"Do Underwriters or Venture Capitalists Restrain Earnings Management by IPO issuers?" **Gemma Lee** and **Ronald W. Masulis**, June 2009

"Corporate Lobbying and Financial Performance," **Hui Chen**, **David C. Parsley**, and **Ya-Wen Yang**, June 2008

"How Important are Exchange Rates in Monetary Policy?" **David C. Parsley** and **Helen Popper**, November 2008

"Do Fund Managers Make Informed Asset Allocation Decisions?" **Brady Breon-Drish** and **Jacob Sagi**, 2009

"A Neoclassical Model of Managed Distribution Programs: Theory and Evidence," **Martin Cherkes**, **Jacob Sagi**, and **Jay Wang**, 2009

"Predicting Risk from Financial Reports by Text Regression," **Shimon Kogan**, **Bryan Routledge**, **Jacob Sagi**, and **Noah Smith**, 2009

"Time Varying Corporate Capital Stocks and the Cross Section and Inter-temporal Variation in Stock Returns," **Jacob Sagi**, **Matthew Spiegel**, and **Masahiro Watanabe**, 2009

"Common divisors, payout persistence, and return predictability," **J.G. Powell**, **J. Shi**, **T. Smith**, and **Robert E. Whaley**, May 2009

"Security Analysts, Cash Flow Forecasts, and Turnover," **S. Pandit**, **Richard Willis**, and **L. Zhou**, June 2009 ■

2007-2008 PUBLICATIONS

Bollen, Nicolas P., Pool, V.K., 2008. Conditional Return Smoothing in the Hedge Fund Industry. *Journal of Financial and Quantitative Analysis*, 43, 267-298.

Bollen, Nicolas P., Whaley, Robert E., 2009. Hedge fund risk dynamics: Implications for performance appraisal. *Journal of Finance*, 64, 987-1037.

Bollen, Nicolas P., Christie, William G., 2009. Market Microstructure of the Pink Sheets. *Journal of Banking and Finance*, 33:7, 1326-1339.

Bollen, Nicolas P., Pool, V.K., 2009. Do Hedge Fund Managers Misreport Returns? Evidence from the Pooled Distribution. (forthcoming in *Journal of Finance*)

Bollen, Nicolas P., 2009. The financial crisis and hedge fund returns. (forthcoming in *Review of Derivatives Research*)

Chaney, Paul, Daly, M., Jeter, Debra C., 2008. Joint Accounting Choices: An Examination of Firms' Adoption Strategies for SFAS No. 106 and SFAS No. 109. *Review of Quantitative Finance & Accounting*, 30:2.

Chaney, Paul, Jeter, Debra, Philipich, K., 2009. Financial Crisis: A Time to Reevaluate Risk Management. *Commercial Lending Review*, 24:2 (March-April) 3-6.

Christie, William G., Harris, Jeffrey, Kandel, Eugene, 2008. Tick size, market structure and trading costs. *Market Liquidity*, edited by Greg Gregoriou and Francois-Serge Lhabitant, John Wiley and Sons, Inc., 173-197.

Gandhi, A., Froeb, Luke, Tschantz, S., Werden, G., 2008. Post-Merger Product Repositioning. *Journal of Industrial Economics*, 41 (March) 49-67.

Froeb, Luke M., Pautler, Paul, Roeller, Lars-Hendrik, 2009. The Economics of Organizing Economists. (forthcoming in *Antitrust Law Journal*)

Gleason, C., Johnson, W.B., Jenkins, Nicole Thorne, 2008. Financial statement credibility: The contagion effects of accounting restatements. *The Accounting Review*, 81, 83-110.

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Charoenrook, Anchada, Lewis, Craig M., 2009. Information, Selective Disclosure, and Analyst Behavior. *Financial Management*, 38:1 (Spring) 39-57.

Masulis, Ronald W., Wang, C., Xie, F., 2009. Agency Costs at Dual-class Companies. (forthcoming in *Journal of Finance*)

Lee, G., Masulis, Ronald W., 2009. Seasoned Equity Offerings: Quality of Accounting Information and Expected Flotation Costs. (forthcoming in *Journal of Financial Economics*)

Masulis, Ronald W., Thomas, R., 2009. Why Private Equity Continues to Be a Source of Wealth Creation? The Effects of Private Equity and Derivatives on Corporate Governance. (forthcoming in *University of Chicago Law Review*)

Masulis, Ronald W., Nahata, R., 2009. Strategic Investing: Evidence from Corporate Venture Capital. (forthcoming in *Journal of Financial Intermediation*)

Ovtchinnikov, Alexei, V., 2009. Capital structure decisions: Evidence from deregulated industries. (forthcoming in *Journal of Financial Economics*)

Cooper, M., Gulen, H., Ovtchinnikov, Alexei, V., 2009. Corporate political contributions and stock returns. (forthcoming in *Journal of Finance*)

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Parsley, David C., Wei, Shang-Jin, 2008. In Search of a Euro Effect: Big Lessons from a Big Mac Meal? *Journal of International Money and Finance*, 27, 2, 260-276.

Faccio, M., Parsley, David C., 2009. Sudden Deaths: Taking Stock of Geographic Ties. (forthcoming in *Journal of Financial and Quantitative Analysis*)

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Chew, Soo Hong, Sagi, Jacob S., 2008. Small Worlds: Modeling Attitudes Towards Sources of Uncertainty. *Journal of Economic Theory*, (lead article) 139, 1-24.

Cherkes, M., Sagi, Jacob S., Stanton, R., 2008. Liquidity and Closed-End Funds. *Review of Financial Studies*, 22, 257-297.

Pool, Veronika Krepely, Stoll, Hans R., Whaley, Robert E., 2008. Failure to Exercise Call Options: An Anomaly and a Trading Game. *Journal of Financial Markets*, 11, 1, 1-35.

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Powell, J.G., Shi, J., Smith, T., Whaley Robert E., 2009. Political regimes, business cycles, seasonalities, and returns. *Journal of Banking and Finance* 33 (June) 1211-1128. ■