



## CHESTER SPATT, PH.D.

### **CURRENT POSITION**

Tepper School of Business, Carnegie Mellon University  
Pamela R. and Kenneth B. Dunn Professor of Finance (2008 – present)

Center for Financial Markets, Carnegie Mellon University  
Director (1996 – present)

### **PAST POSITIONS**

Office of Economic Analysis, U.S. Securities and Exchange Commission  
Chief Economist and Director (2004 - 2007)

#### **Carnegie Mellon University**

Mellon Bank Professor of Finance (1996 – 2008)  
Professor of Economics and Finance (1987 – 1996)  
Associate Professor of Economics and Finance (1984 – 1986)  
Assistant Professor of Economics (1979 – 1984)

#### **Columbia Law School, Columbia University**

Scholar in Residence (Fall 2008)

#### **Toulouse University**

Visiting Professor (May 1996)

#### **University of British Columbia**

Leslie Wong Distinguished (Visiting) Professor of Finance (May 1986)

#### **Princeton University**

Visiting Assistant Professor of Economics (Spring 1984)

### **EDUCATION**

Ph.D., Economics, University of Pennsylvania (1979)

A.M., Economics, University of Pennsylvania (1976)

Dissertation awarded the 1980 William Polk Carey Prize of the Department of Economics

Lawrence Robbins Prize for the top performance among first year graduate students

University Fellowship (1978 – 1979)

Research Fellowship, Center for the Study of Organizational Innovation (1978 – 1979)

Economic Research Unit Fellowship (1975 – 1978)

Dissertation: "Three Essays in the Economics of Finance and Organization,"  
Supervisor: Professor Stephen A. Ross (Yale University)



Visiting Student, Department of Economics, Yale University (1977 – 1978)  
A.B., Economics, Princeton University (1975)  
Magna cum laude graduate

## **RESEARCH INTERESTS**

Taxation and Asset Allocations  
Economics of Financial Market Regulation  
Fixed-Income, Commodity and Options Valuation and Hedging  
Market Microstructure

## **TEACHING EXPERIENCE**

### **Ph.D.**

Information and Agency Problems in Financial Economics  
Portfolio and Equilibrium Pricing Theory in Finance  
Topics in Industrial Organization  
Contract Theory  
Valuation of Interest Rate-Dependent Claims

### **Masters**

Financial Regulation  
Investment Analysis  
Corporation Finance  
Strategic Rivalry  
Financial Contracts/Investment Banking  
Taxation and Financial Strategy  
Market Microstructure  
Valuation of Interest-Rate Dependent Claims

### **Undergraduate**

Intermediate Macroeconomics  
Industrial Organization  
Intermediate Microeconomics

### **Executive**

Dynamic Wealth Planning  
Capital Markets  
Advanced Training Program in Economics  
Program in Competitive Strategy  
Program for Executives  
Corporate, Municipal and Mortgage Debt

## **PROFESSIONAL ACTIVITIES**

Research Associate, National Bureau of Economic Research (2008 – present)  
Senior Economic Advisor, Kalorama Partners (2008 – present)  
Member, Shadow Financial Regulatory Committee (2007 – present)



Member, Financial Economists Roundtable (2006 – present)  
Fellow, TIAA-CREF Institute (2007 – present)  
Fellow, Columbia Program on “Law and Economics of Capital Markets”  
(2008 – present)  
Executive Editor, Review of Financial Studies (1990 - 1993)  
Editor, Review of Financial Studies (1987 – 1990)  
Advisory Editor, Journal of Financial Markets (2003 – present)  
Associate Editor, Journal of Real Estate Finance and Economics (1987 –  
1998)  
Associate Editor, Real Estate Economics (formerly Journal of the American  
Real Estate and Urban Economics Association) (1995 – present)  
Associate Editor, Journal of Financial and Quantitative Analysis (1999 –  
present)  
Associate Editor, Financial Management (1999 – 2005)  
Member of Advisory Board for Journal of Financial Abstracts, Real Estate  
Section.  
Member of Economic Advisory Board, NASDAQ (2000 – 2002) (Chair: 2002).  
President, Society for Financial Studies (1993 – 1996)  
Member of Founding Committee, Society for Financial Studies.  
Distinguished Speaker, Western Finance Association (June 2009)  
President, Western Finance Association (1995 – 1996)  
Program Chairman, Western Finance Association, 1995 meetings.  
President-elect, Western Finance Association (1994 – 1995)  
Vice President, Western Finance Association (1993 – 1994)  
Member of Program Committee, 1999 American Economic Association  
meetings.  
Member of Program Committee, 1989 Econometric Society Winter  
meetings.  
Member of Program Committee, 198 -91, 1997-1999, 2005-2008 Western  
Finance Association meetings.  
Member of Program Committee, European Finance Association meetings.  
Member of Program Committee, Utah Winter Finance Association meetings.  
Presented papers at major universities and conferences.  
Discussant and Chairman at numerous professional conferences (e.g.,  
American Finance Association, Econometric Society, Western Finance  
Association).  
Referee for American Economic Review, American Real Estate and Urban  
Economics Association Journal, Canada Council, Earhart Foundation,  
Econometrica, Financial Management, Financial Review, International  
Economic Review, Journal of Business, Journal of Economic Theory,  
Journal of Economics and Business, Journal of Finance, Journal of  
Financial and Quantitative Analysis, Journal of Financial Economics,  
Journal of Financial Intermediation, Journal of Financial Research,  
Journal of Industrial Economics, Journal of Political Economy,  
Management Science, Mathematics of Operations Research, National



Science Foundation, Quarterly Journal of Economics, Rand (Bell) Journal of Economics, Review of Economic Studies, Review of Financial Studies, Sloan Management Review, and University of Pennsylvania Law Review.

## **AWARDS**

- Recipient (with R. Dammon) of American Association of Individual Investors Award at the 1990 Western Finance Association meeting for "An Option-Theoretic Approach to the Valuation of Dividend Reinvestment and Voluntary Purchase Plans."
- Recipient (with B. Routledge and D. Seppi) of First Prize Roger Murray Award for "Equilibrium Forward Curves for Commodities," as Best Paper Presented at the 1998 meetings of the Institute for Quantitative Research in Finance.
- Recipient (with R. Dammon and H. Zhang) of Runnerup Award for Barclays Global Investors/Michael Brennan Best Paper Prize for Volume 14 (2001) of the Review of Financial Studies for "Optimal Consumption and Investment with Capital Gains Taxes."
- Recipient (with R. Dammon and H. Zhang) for "Optimal Asset Location and Allocation with Taxable and Tax-Deferred Investing," of the 2004 Paul A. Samuelson Award from TIAA-CREF for "Outstanding Scholarly Writing on Issues Related to Lifelong Financial Security"

## **PUBLICATIONS**

- "Liquidity," in Encyclopedia of Quantitative Finance (ed. R. Cont), forthcoming.
- "Equilibrium Asset Pricing and Portfolio Choice Under Asymmetric Information" (with B. Biais and P. Bossaerts), Review of Financial Studies, forthcoming.
- "Systemic Risks in Our Global Marketplace," in Globalization and Systemic Risk (eds Douglas Evanoff, George Kaufman and David Hoelscher), World Scientific: New Jersey, 2009.
- "Maximizing Long-Term Wealth Accumulation: It's Not Just about 'What' Investments to Make, but also 'Where' to Make Them" (with R. Dammon, J. Poterba and H. Zhang), Research Dialogue, TIAA-CREF Institute, September 2005.
- "The Effect of Refinancing Costs and Market Imperfections on the Optimal Call Policy and the Pricing of Debt Contracts" (with K. Dunn), Real Estate Economics, 2005.
- "Market Microstructure: A Survey of Microfoundations, Empirical Results, and Policy Implications" (with B. Biais and L. Glosten), Journal of Financial Markets, May 2005.



- "Optimal Asset Location and Allocation with Taxable and Tax-Deferred Investing" (with R. Dammon and H. Zhang), *Journal of Finance*, June 2004.
- "Capital Gains Taxes and Portfolio Rebalancing" (with R. Dammon and H. Zhang), *Research Dialogue*, TIAA-CREF Institute, March 2003.
- "Optimal Consumption and Investment with Capital Gains Taxes" (with R. Dammon and H. Zhang), *Review of Financial Studies*, Fall 2001.
- "Equilibrium Forward Curves for Commodities" (with B. Routledge and D. Seppi), *Journal of Finance*, June 2000.
- "Price Discovery and Learning During the Preopening Period in the Paris Bourse" (with B. Biais and P. Hillion), *Journal of Political Economy*, December 1999.
- "Call Options, Points, and Dominance Restrictions on Debt Contracts" (with K. Dunn), *Journal of Finance*, December 1999.
- "The Optimal Trading and Pricing of Securities with Asymmetric Capital Gains Taxes and Transaction Costs" (with R. Dammon), *Review of Financial Studies*, Fall 1996.
- "An Empirical Analysis of the Limit Order Book and the Order Flow in the Paris Bourse" (with B. Biais and P. Hillion), *Journal of Finance*, December 1995.
- "Notes on Private Information and the Organization of Securities Markets" (with S. Srivastava), in *Global Equity Markets: Technological, Competitive and Regulatory Challenges* (ed. R. Schwartz), Irwin: 1994.
- "Comments on List Price Signaling and Buyer Behavior in the Housing Market," *Journal of Real Estate Economics and Finance*, 1994.
- "The Relative Pricing of High Yield Debt: The Case of RJR Nabisco Holdings Capital Corp." (with R. Dammon and K. Dunn), *American Economic Review*, December 1993.
- "Incentive Conflicts, Bundling Claims, and the Interaction Among Financial Claimants" (with F. Sterbenz), *Journal of Finance*, June 1993.
- "An Option-Theoretic Approach to the Valuation of Dividend Reinvestment and Voluntary Purchase Plans" (with R. Dammon), *Journal of Finance*, March 1992.
- "Pre-Play Communication, Participation Restrictions and Efficiency in Initial Public Offerings" (with S. Srivastava), *Review of Financial Studies*, Winter 1991.
- "An Introduction to the Market Microstructure Symposium," *Review of Financial Studies*, Fall 1991.
- "A Reexamination of the Value of Tax Options" (with R. Dammon and K. Dunn), *Review of Financial Studies*, Fall 1989.



- "Strategic Analyses of Takeover Bids," in *Financial Markets and Incomplete Information - Volume 2 of Frontiers of Modern Financial Theory* (eds S. Bhattacharya and G. Constantinides), Rowman and Littlefield: Totowa, New Jersey, 1989.
- "Warrant Exercise, Dividends, and Reinvestment Policy" (with F. Sterbenz), *Journal of Finance*, June 1988.
- "Private Information and Incentives: Implications for Mortgage Contract Terms and Pricing" (with K. Dunn), *Journal of Real Estate Finance and Economics*, April 1988.
- "Discussion of 'Effects of Capital Gains Taxation on Life-Cycle Investment and Portfolio Management' by Y. Balcer and K. Judd," *Journal of Finance*, July 1987.
- "State Restrictions on Local Debt: Their Role in Preventing Default" (with D. Epple), *Journal of Public Economics*, March 1986.
- "Repeated Insurance Contracts and Learning" (with T. Palfrey), *Rand Journal of Economics*, Autumn 1985.
- "Discussion of 'Risky Debt, Investment Incentives and Reputation in a Sequential Equilibrium' by K. John and D. Nachman," *Journal of Finance*, July 1985.
- "Learning, Preemption and the Degree of Rivalry" (with F. Sterbenz), *Rand Journal of Economics*, Spring 1985.
- "An Analysis of Mortgage Contracting: Prepayment Penalties and the Due-on-Sale Clause" (with K. Dunn), *Journal of Finance*, March 1985.
- "A Strategic Analysis of Sinking Fund Bonds" (with K. Dunn), *Journal of Financial Economics*, September 1984.
- "Control of Conflicts of Interest in Class-Action Suits: A Comment," *Public Choice: Carnegie Papers on Political Economy*, 1983.
- "The Objectives of Private and Public Judges: A Comment," *Public Choice: Carnegie Papers on Political Economy*, 1983.
- "Imperfect Price Discrimination and Variety," *Journal of Business*, April 1983.
- "Adoption Externalities as Public Goods" (with P. Dybvig), *Journal of Public Economics*, March 1983.
- "Imperfect Price Discrimination and Welfare" (with R. Chiang), *Review of Economic Studies*, April 1982.
- "Present Values and Internal Rates of Return" (with S. Ross and P. Dybvig), *Journal of Economic Theory*, August 1980.



## **WORKING PAPERS**

- "The Information Content of Market-on-Close Imbalances, the Specialist and NYSE Equity Prices" (with Stewart Mayhew and Tim McCormick), working paper, November 2008.
- "Credit-Rating Shopping, Selection and the Equilibrium Structure of Ratings" (with Francesco Sangiorgi and Jonathan Sokobin), working paper, November 2008.
- "The Role of Advisory Services in Proxy Voting" (with Cindy Alexander, Mark Chen and Duane Seppi), working paper, September 2006.
- "Taxes, Estate Planning and Financial Theory: New Insights and Perspectives" (with R. Dammon and H. Zhang), working paper, revised April 2007.
- "Executive Compensation and Contracting," working paper, March 2006.
- "Imperfect Competition in Financial Markets: Island vs. NASDAQ" (with B. Biais and C. Bisiere), working paper, revised November 2003.
- "Diversification and Capital Gains Taxes with Multiple Risky Assets" (with R. Dammon and H. Zhang), working paper, revised August 2001.
- "The 'Spark' Spread: Cross-Commodity Equilibrium Restrictions and Electricity" (with B. Routledge and D. Seppi), presented at the American Economic Association meetings, revised May 2001.
- "The Theory of Endowment Management and Dynamic Portfolio Theory," working paper, December 1999.
- "Market Rules and Order Strategies in the Preopening, Opening and Trading Day," presented at the European Summer Symposium in Financial Markets at Gerzensee, July 1998.
- "Do Heterogeneous Basis Values Affect Equilibrium Asset Prices?" (with R. Dammon), unpublished manuscript, March 1995.
- "Asymmetric Information and the Smoothing of Dividends" (with P. Kumar), presented at the Conference on Strategic Issues in Financial Contracting at Indiana University, August 1987.
- "Does It Pay to Maintain a Reputation? Quality Incentives in Financial Markets" (with P. Dybvig), unpublished manuscript, revised December 1985.
- "Credit Reputation Equilibrium and the Theory of Credit Markets," presented at the Western Finance Association meetings, revised May 1985.
- "Agency and the Market for Mutual Fund Managers: The Principle of Preference Similarity" (with P. Dybvig), presented at the American Finance Association meetings, December 1983.



"The Valuation of Warrants with Usable Bonds: Relative Supplies and the Allocation of the Usability Premium" (with K. Dunn and S. Heston).

## **GRANTS**

- Principal Investigator of Sloan Foundation Grant, "The Industrial Organization of Credit Rating Agencies," June 1, 2009 – June 30, 2010.
- Co-Principal Investigator of National Science Foundation Grant SES-9905543 on "Cross-Commodity Equilibrium Pricing: Theoretical Implications and Empirical Tests of Forward and Option Prices," July 1, 1999 - June 30, 2002.
- Co-Principal Investigator of National Science Foundation Grant IRI-8605282 on "The Effect of Information, Transactions Costs and Uncertainty on Debt Contracts and Pricing," October 1, 1986 - September 30, 1989.
- Principal Investigator of National Science Foundation Grant IST-8408966 on "Information and Uncertainty in Financial Markets," October 15, 1984 - March 31, 1987.
- Principal Investigator of National Science Foundation Grant IST-8208575 on "Models of Information in Industrial Organization," October 1, 1982 - March 31, 1985.
- Principal Investigator of National Science Foundation Grant SES-8015086 on "The Economics of Price Discrimination," October 15, 1980 - March 31, 1983.
- Co-Principal Investigator of Teachers Insurance Annuity Association – College Retirement Equity Fund Grant on "Taxes, Estate Planning and Financial Theory: New Insights and Perspectives," 2002-2003.
- Co-Principal Investigator of Teachers Insurance Annuity Association – College Retirement Equity Fund Grant on "Diversification and Capital Gains Taxes with Multiple Risky Assets," 2001-2002.
- Co-Principal Investigator of Teachers Insurance Annuity Association – College Retirement Equity Fund Grant on "Optimal Asset Location and Allocation with Taxable and Tax-Deferred Investing," 2000-2001.
- Co-Principal Investigator of Teachers Insurance Annuity Association - College Retirement Equity Fund Grant on "Optimal Portfolio Choice and Consumption with Capital Gains Taxes," 1999-2000.
- Co-Principal Investigator of Institute for Quantitative Research in Finance Grant on "Taxes, Estate Planning, and Financial Theory: New Insights and Perspectives," 2003-2006.



Co-Principal Investigator of Institute for Quantitative Research in Finance  
Grant on "Equilibrium Returns and Portfolio Choices Under Asymmetric  
Information," 1999-2003.

Co-Principal Investigator of Institute for Quantitative Research in Finance  
Grant on "Equilibrium Forward and Option Pricing for Commodities,"  
1997-1999.

Project Coordinator of North Atlantic Treaty Organization Collaborative  
Research Grants on "Price Formation on the Paris Bourse: Empirical and  
Theoretic Analysis," 1994-1996, 1996-1998 and 1997-1999.

Co-Principal Investigator of Institute for Quantitative Research in Finance  
Grant on "An Empirical Analysis of the Limit Order Book and the Order  
Flow in the Paris Bourse," 1992-1994.

Co-Principal Investigator of Carnegie-Bosch Institute Grant on "The  
Organization of Foreign Exchange Rate Hedging," 1991 - 1993.

Co-Principal Investigator of Herbert V. Prochnow Educational Foundation  
Award on "Implications of Mortgage Refinancing for Bank  
Management," 1987.

Principal Investigator of Subcommittee on Monetary Research of the Social  
Science Research Council Award on "Analysis of Credit Markets," April  
1, 1983 - March 31, 1984

## **KEYNOTE AND DISTINGUISHED SPEAKER ADDRESSES AND POLICY DISCUSSIONS**

"Increased Importance of Models: Disclosure, Fair Value and Accounting"  
presented as a discussion at the "Model Governance and Model  
Validation" Roundtable at University of Pennsylvania on June 1, 2007.

"Challenges to the Structure and Regulation of the Financial Markets,"  
presented as an opening address for the afternoon of the Conference of  
the Autorite des Marche Financiers on "Structure and Regulation of the  
Financial Markets" on May 14, 2007.

"Shareholder Voting and Corporate Governance: Economic Perspectives"  
presented at the Rutgers University Conference on "Improving  
Corporate Governance: Markets vs. Regulation" on April 20, 2007.

"Public Plan Investment and the Role of Indexing" presented as an Address  
to the Pennsylvania Association of Public Employee Retirement Systems  
Forum on April 12, 2007.

"Economic Analysis and Cost-Benefit Analysis: Substitutes or  
Complements?" presented as a Luncheon Address at the meeting of the



Society for Government Economists and the National Economists Club on March 15, 2007.

"The Economics of FIN 48: Accounting for Uncertainty in Income Taxes" presented at the Global Knowledge Congress Teleconference on March 8, 2007.

"Penalties and Sanctions for Securities Fraud" presented at the American Economic Association meetings on January 6, 2007.

"Agency, Disclosure and the Nature of Shareholdings" presented at the e-learning forum of the National Investor Relations Institute on December 12, 2006.

"Remarks Concerning the Pilot Analysis of Removing Pricing Restrictions on Short Sales: SEC Open Meeting" presented on December 4, 2006.

"Volatility, Price Discovery and Markets," prepared as a Keynote Address at the Wilton Park Conference on "Capital Flows and the Safety of Markets" on November 10, 2006.

"Regulatory Competition, Integration and Capital Markets," prepared as a Keynote Address for the Calgary Center for Research in Finance at the Haskayne School of Business at the University of Calgary on October 23, 2006.

"Financial Regulation: Economic Margins and 'Unintended Consequences'," prepared as a Keynote Address for the Washington Area Finance Conference at George Washington University on March 17, 2006.

"Discussion: An Overview of Bond Market Transparency," presented as a discussion at the American Finance Association meetings on January 6, 2006.

"The Growth of Derivative Securities," prepared as a Keynote Address for the "Derivatives-Based Investments" Conference on December 8, 2005.

"Why Private Pensions Matter to the Public Capital Markets," organized by the Capital Markets Research Center of the McDonough School of Business, Georgetown University on November 16, 2005.

"Governance, the Board and Compensation," prepared for the Keynote Address at the Carnegie Mellon University - Jones Day Conference on June 9, 2005 for "Getting Back to Business: Beyond Sarbanes-Oxley" Conference.

"Conflicts of Interest in Asset Management," presented at the Hedge Fund Regulation and Compliance Conference in New York City, May 12, 2005.



"Broad Themes in Market Microstructure," presented at the Market Microstructure Meeting – National Bureau of Economic Research, May 6, 2005.

"Regulatory Issues and Economic Principles," presented at the Sixth Maryland Finance Symposium. "Governance, Markets, and Financial Policy," at the University of Maryland in College Park on April 1, 2005.

"Frictions in the Bond Market," presented at the Second MTS Conference on Financial Markets: "The Organization and Performance of Fixed-Income Markets," in Vienna on December 16, 2004.

"Executive Compensation and Contracting," presented at the Ohio State-Federal Reserve Bank of New York – Journal of Financial Economics Conference on "Agency Problems and Conflicts of Interest in Financial Intermediaries," December 3, 2004.

#### **CONTACT INFORMATION**

Chester Spatt, Ph.D.  
Tepper School of Business  
Carnegie Mellon University  
Pittsburgh, PA 15213

Phone: 212-338-0600  
Fax: 212-338-0968  
Email: [cspatt@finsch.com](mailto:cspatt@finsch.com)

June, 2009

# FSG



Finance Scholars Group

Accounting • Economics • Finance  
Intellectual Property • Marketing • Valuation  
California • Illinois • New York • Texas  
[www.finsch.com](http://www.finsch.com)

FSG provides consulting and expert witness services related to complex issues in accounting, economics, finance, intellectual property, marketing, and valuation. Our experts include prominent professors from leading universities and experienced, highly-credentialed staff professionals, including CPAs, CFAs, MBAs, and PhDs.