

January 2006

## VITA

**Name:** Chester Spatt

### Current Position

Mellon Bank Professor of Finance (1996- )	Chief Economist (2004-- )
Director, Center for Financial Markets (1996- )	U.S. Securities and Exchange Commission
Tepper School of Business	Director, Office of Economic Analysis
Carnegie Mellon University	Washington, D.C. 20549
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### Earlier Positions

Professor of Economics and Finance (1987-1996)  
Associate Professor of Economics and Finance (1984-1986)  
Assistant Professor of Economics (1979-1984)  
Carnegie Mellon University

Visiting Professor (May 1996)  
Toulouse University

Leslie Wong Distinguished (Visiting) Professor of Finance (May 1986)  
University of British Columbia

Visiting Assistant Professor of Economics (Spring 1984)  
Princeton University

### Education

University of Pennsylvania (1975-1979)  
Ph.D. degree in Economics, December 1979.  
A.M. degree in Economics, December 1976.  
Honors: 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.  
Center for the Study of Organizational Innovation  
Research Fellowship, 1978-79.  
Economic Research Unit Fellowship, 1975-78.  
Dissertation: "Three Essays in the Economics of Finance and Organization," Supervisor:  
Professor Stephen A. Ross (Yale University).

Yale University (1977-1978)  
Visiting student, Department of Economics.

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**Education Continued**

Princeton University (1971-1975)  
A.B. degree in Economics, June 1975.  
Honors: Magna cum laude graduate

**Research Interests**

Taxation  
Fixed-Income, Commodity and Options Valuation and Hedging  
Market Microstructure  
Strategic and Informational Models

**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  
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

**Grants**

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.

**Grants Continued**

- 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 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 Fund Grant on “Diversification and Capital Gains Taxes with Multiple Risky Assets,” 2001-2002.
- Co-Principal Investigator of Teachers Insurance Annuity Association – College Retirement 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.

**Grants Continued**

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.

**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."  
[http://www.tiaa-crefinstitute.org/Awards/2004\\_Samuelson\\_CSpatt\\_Winner\\_remarks.pdf](http://www.tiaa-crefinstitute.org/Awards/2004_Samuelson_CSpatt_Winner_remarks.pdf)

**Professional Activities**

Executive Editor, Review of Financial Studies, 1990-1993.

Editor, Review of Financial Studies, 1987-1990.

Advisory Editor, Journal of Financial Markets, 2003- .

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- .

Associate Editor, Journal of Financial and Quantitative Analysis, 1999- .

Associate Editor, Financial Management, 1999- .

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.

**Professional Activities Continued**

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 Founding Committee, Society for Financial Studies.

Member of Program Committee, 1999 American Economic Association meetings.

Member of Program Committee, 1989 Econometric Society Winter meetings.

Member of Program Committee, 1985-91, 1997-1999, 2005-2006 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.

**Publications**

"Maximizing Long-Term Wealth Accumulation: It's Not Just about 'What' Investments to Make, but also 'Where' to Make Them," Research Dialogue, TIAA-CREF Institute, 85, September 2005, 1-12 (with R. Dammon, J. Poterba and H. Zhang)  
[www.tiaa-crefinstitute.org/research/dialogue/docs/85.pdf](http://www.tiaa-crefinstitute.org/research/dialogue/docs/85.pdf)

"The Effect of Refinancing Costs and Market Imperfections on the Optimal Call Policy and the Pricing of Debt Contracts," Real Estate Economics, 33, 2005, 595-617 (with K. Dunn).  
<http://wpweb2k.tepper.cmu.edu/spatt/refinancing.pdf>

**Publications Continued**

- “Market Microstructure: A Survey of Microfoundations, Empirical Results, and Policy Implications,” Journal of Financial Markets, 8, May 2005, 217-264 (with B. Biais and L. Glosten).  
<http://wpweb2k.tepper.cmu.edu/spatt/survey.pdf>
- “Optimal Asset Location and Allocation with Taxable and Tax-Deferred Investing,” Journal of Finance 59, June 2004, 999-1038 (with R. Dammon and H. Zhang),  
<http://wpweb2k.tepper.cmu.edu/spatt/locaton.pdf>
- “Capital Gains Taxes and Portfolio Rebalancing,” Research Dialogue, TIAA-CREF Institute, 75, March 2003, 1-14 (with R. Dammon and H. Zhang).  
<http://www.tiaa-crefinstitute.org/Publications/resdiags/issue75.pdf>
- “Optimal Consumption and Investment with Capital Gains Taxes,” Review of Financial Studies, 14, Fall 2001, 583-616 (with R. Dammon and H. Zhang). (<http://web.tepper.cmu.edu/spatt/ctax.pdf>)
- “Equilibrium Forward Curves for Commodities,” June 2000, 55, 1297-1338, Journal of Finance (with B. Routledge and D. Seppi). ([http://sulawesi.tepper.cmu.edu/papers/Equ\\_forward/EquilibriumForward-JF-June-2000.pdf](http://sulawesi.tepper.cmu.edu/papers/Equ_forward/EquilibriumForward-JF-June-2000.pdf))
- “Price Discovery and Learning During the Preopening Period in the Paris Bourse,” Journal of Political Economy, 107, December 1999, 1218-1248 (with B. Biais and P. Hillion) ([www.jstor.org](http://www.jstor.org))
- "Call Options, Points, and Dominance Restrictions on Debt Contracts," Journal of Finance, 54, December 1999, 2317-2337 (with K. Dunn). ([www.jstor.org](http://www.jstor.org))
- "The Optimal Trading and Pricing of Securities with Asymmetric Capital Gains Taxes and Transaction Costs," Review of Financial Studies 9, Fall 1996, 921-952 (with R. Dammon).  
<http://rfs.oupjournals.org/cgi/reprint/9/3/921.pdf>
- "An Empirical Analysis of the Limit Order Book and the Order Flow in the Paris Bourse," Journal of Finance 50, December 1995, 1655-1689 (with B. Biais and P. Hillion). ([www.jstor.org](http://www.jstor.org))
- "Notes on Private Information and the Organization of Securities Markets," in R. Schwartz (ed.), Global Equity Markets: Technological, Competitive and Regulatory Challenges, Irwin Publishing, October 1994 (with S. Srivastava).
- "The Relative Pricing of High Yield Debt: The Case of RJR Nabisco Holdings Capital Corp.," American Economic Review 83, December 1993, 1090-1111 (with R. Dammon and K. Dunn). ([www.jstor.org](http://www.jstor.org))
- “Incentive Conflicts, Bundling Claims, and the Interaction Among Financial Claimants,” Journal of Finance 48, June 1993, 513-528 (with F. Sterbenz). ([www.jstor.org](http://www.jstor.org))
- "An Option-Theoretic Approach to the Valuation of Dividend Reinvestment and Voluntary Purchase Plans," Journal of Finance 47, March 1992, 331-347 (with R. Dammon). ([www.jstor.org](http://www.jstor.org))

**Publications Continued**

- "Pre-Play Communication, Participation Restrictions and Efficiency in Initial Public Offerings," Review of Financial Studies 4, Winter 1991, 709-726 (with S. Srivastava) [reprinted in The Theory of Corporate Finance, edited by Michael J. Brennan, published by Edward Elgar Publishing Limited, 1996]. (<http://rfs.oupjournals.org/cgi/reprint/4/4/709.pdf>)
- "An Introduction to the Market Microstructure Symposium," Review of Financial Studies 4, Fall 1991, 385-388. (<http://rfs.oupjournals.org/cgi/reprint/4/3/385.pdf>)
- "A Reexamination of the Value of Tax Options," Review of Financial Studies 2, Fall 1989, 341-372 (with R. Dammon and K. Dunn). (<http://rfs.oupjournals.org/cgi/reprint/2/3/341.pdf>)
- "Strategic Analyses of Takeover Bids," Financial Markets and Incomplete Information - Volume 2 of Frontiers of Modern Financial Theory, edited by S. Bhattacharya and G. Constantinides, Rowman and Littlefield Publishers: Totowa, NJ, Spring 1989, pp. 106-121.
- "Warrant Exercise, Dividends, and Reinvestment Policy," Journal of Finance 43, June 1988, 493-506 (with F. Sterbenz). ([www.jstor.org](http://www.jstor.org))
- "Private Information and Incentives: Implications for Mortgage Contract Terms and Pricing," Journal of Real Estate Finance and Economics 1, April 1988, 47-60 (with K. Dunn).
- "State Restrictions on Local Debt: Their Role in Preventing Default," Journal of Public Economics 29, March 1986, 199-221 (with D. Epple).
- "Repeated Insurance Contracts and Learning," Rand Journal of Economics 16, Autumn 1985, 356-367 (with T. Palfrey). ([www.jstor.org](http://www.jstor.org))
- "Learning, Preemption and the Degree of Rivalry," Rand Journal of Economics 16, Spring 1985, 84-92 (with F. Sterbenz). ([www.jstor.org](http://www.jstor.org))
- "An Analysis of Mortgage Contracting: Prepayment Penalties and the Due-on-Sale Clause," Journal of Finance 40, March 1985, 293-308 (with K. Dunn). ([www.jstor.org](http://www.jstor.org))
- "A Strategic Analysis of Sinking Fund Bonds," Journal of Financial Economics 13, September 1984, 399-423 (with K. Dunn).
- "Imperfect Price Discrimination and Variety," Journal of Business 56, April 1983, 203-216. ([www.jstor.org](http://www.jstor.org))
- "Adoption Externalities as Public Goods," Journal of Public Economics 20, March 1983, 231-247 (with P. Dybvig).
- "Imperfect Price Discrimination and Welfare," Review of Economic Studies 49, April 1982, 155-181 (with R. Chiang). ([www.jstor.org](http://www.jstor.org))
- "Present Values and Internal Rates of Return," Journal of Economic Theory 23, August 1980, 66-81 (with S. Ross and P. Dybvig).

**Publications Continued**

"Comments on List Price Signaling and Buyer Behavior in the Housing Market," Journal of Real Estate Economics and Finance, 9, 1994, 193-195.

"Discussion," Journal of Finance 42, July 1987, 758-761 (discussion of "Effects of Capital Gains Taxation on Life-Cycle Investment and Portfolio Management" by Y. Balcer and K. Judd). ([www.jstor.org](http://www.jstor.org))

"Discussion," Journal of Finance 40, July 1985, 878-880 (discussion of "Risky Debt, Investment Incentives and Reputation in a Sequential Equilibrium" by K. John and D. Nachman). ([www.jstor.org](http://www.jstor.org))

"Control of Conflicts of Interest in Class-Action Suits: A Comment," Public Choice: Carnegie Papers on Political Economy 41 (1983), 177-179.

"The Objectives of Private and Public Judges: A Comment," Public Choice: Carnegie Papers on Political Economy 41 (1983), 139-143.

**Keynote and Distinguished Speaker Addresses**

"The Growth of Derivative Securities," prepared as a Keynote Address for the "Derivatives-Based Investments" Conference on December 8, 2005. <http://www.sec.gov/news/speech/spch120805css.htm>

"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. <http://www.sec.gov/news/speech/spch111605cs.htm>

"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. <http://www.sec.gov/news/speech/spch060905css.htm>

"Conflicts of Interest in Asset Management," presented at the Hedge Fund Regulation and Compliance Conference in New York City, May 12, 2005. <http://www.sec.gov/news/speech/spch051205css.htm>

"Broad Themes in Market Microstructure," presented at the Market Microstructure Meeting – National Bureau of Economic Research, May 6, 2005. <http://www.sec.gov/news/speech/spch050605css.htm>

"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. <http://www.sec.gov/news/speech/spch040105css.htm>

"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. <http://www.sec.gov/news/speech/spch121604cs.htm>

"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. <http://www.sec.gov/news/speech/spch120304cs.htm>

**Working Papers**

- “Taxes, Estate Planning and Financial Theory: New Insights and Perspectives,” working paper, revised January 2006 (with R. Dammon and H. Zhang).  
[http://wpweb2k.tepper.cmu.edu/spatt/Estate\\_Planning.pdf](http://wpweb2k.tepper.cmu.edu/spatt/Estate_Planning.pdf)
- “Equilibrium Asset Pricing Under Heterogeneous Information,” working paper, revised July 2003 (with B. Biais and P. Bossaerts). <ftp://ftp.hss.caltech.edu/pub/pbs/BBS.pdf>
- “Imperfect Competition in Financial Markets: Island vs. NASDAQ,” working paper, revised November 2003 (with B. Biais and C. Bisiere). <http://wpweb2k.tepper.cmu.edu/spatt/Island.pdf>
- “Diversification and Capital Gains Taxes with Multiple Risky Assets,” working paper, revised August 2001 (with R. Dammon and H. Zhang). <http://web.tepper.cmu.edu/spatt/multiple.pdf>
- “The “Spark” Spread: Cross-Commodity Equilibrium Restrictions and Electricity,” presented at the American Economic Association meetings, revised May 2001 (with B. Routledge and D. Seppi).
- “The Theory of Endowment Management and Dynamic Portfolio Theory,” December 1999, working paper.
- “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?," unpublished manuscript, March 1995 (with R. Dammon).
- "Asymmetric Information and the Smoothing of Dividends," presented at the Conference on Strategic Issues in Financial Contracting at Indiana University, August 1987 (with P. Kumar).
- "Does It Pay to Maintain a Reputation? Quality Incentives in Financial Markets," unpublished manuscript, revised December 1985 (with P. Dybvig).
- "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," presented at the American Finance Association meetings, December 1983 (with P. Dybvig).
- "The Valuation of Warrants with Usable Bonds: Relative Supplies and the Allocation of the Usability Premium" (with K. Dunn and S. Heston).