

THE DEUTSCHE BANK PRIZE IN FINANCIAL ECONOMICS

2013



5TH
EDITION

The Center for Financial Studies (CFS), in partnership with Goethe University Frankfurt, has been awarding the Deutsche Bank Prize in Financial Economics biannually since 2005. The award honors internationally renowned researchers whose work has significantly influenced financial economics, and has led to fundamental advances in economic theory and practice. It is awarded every two years and accompanied by a monetary sum of 50,000 €.

2013 marks the academic award's 5th edition. The forthcoming award winner will be **announced in February 2013** by the Chairman of the Jury. The prize will honor the work of another extraordinary researcher. It will be **presented on September 26, 2013** by the CEO of Deutsche Bank AG, in the context of a research symposium, organized by CFS for this purpose. Since its inception, this prestigious award has recognized contributions to the advancement of academic research, with theoretical and practical relevance, in the fields of Money and Finance. The rapid growth of the prize's reputation has been primarily due to the consistently and exceptionally high level of achievement characterizing each awardee, as well as to the openness to alternative points of view.

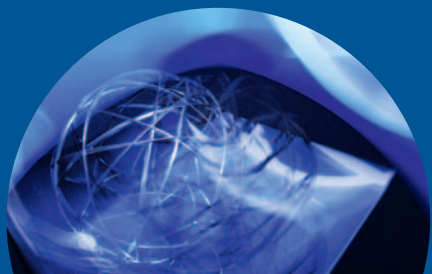
In 2005, the DB Prize honored **Eugene Fama's** fruitful insistence on individual rationality in financial market behavior, as well as **Robert Shiller's** constructive challenge of rationality and promotion of behavioral considerations in 2009. In 2007, it recognized **Michael Woodford's** pathbreaking redefinition of monetary analysis, as well as in 2011, **Kenneth Rogoff's** insightful diagnosis of what can persistently go wrong during financial crises, preventing us from learning how to avoid or handle future ones.

The international academic symposium in honor of the award winner encourages a fruitful dialogue between academics, policy makers, and financial practitioners. It has created a unique platform over the past eight years for renowned international financial economists, together with participants from politics, academia, press, central banks, private institutions and banks, to exchange ideas and discuss the award winner's research and the light it can shed on current developments.

The award ceremony and symposium represent the culmination of significant efforts undertaken by distinguished members of the worldwide academic community. The pool of invaluable nominations provided by an international network of distinguished academics guides the Jury's award winner selection process and ensures that it reflects, in part, the winner's stand within the scientific community. Since 2005, the groups of Jury members have consisted of over 30 distinguished professors with backgrounds from Europe, North America, Latin America, Asia and the South Pacific.

The prize is a decisive contribution to strengthening Frankfurt's role as a center for both research and financial markets. It is donated by the *Stiftungsfonds Deutsche Bank im Stifterverband für die Deutsche Wissenschaft**. The prize holder will be appointed "Distinguished Fellow" of the CFS.

* *Deutsche Bank Donation Fund in the Donor's Association for German Science*



JURY MEMBERS 2013



Ricardo J. Caballero is the Ford International Professor of Economics and Director of the World Economic Laboratory at the Massachusetts Institute of Technology, an NBER Research Associate, and an advisor of QFR Capital Management LP. Caballero was the Chairman of MIT's economics department (2008-2011) and has been a visiting scholar and consultant at most major central banks and international financial institutions. His teaching and research fields are macroeconomics, international economics, and finance. Caballero has served on the editorial board of several academic journals, and has an extensive list of publications and multiple awards in major academic journals. He is a Fellow of the Econometric Society (since 1998) and subsequently of the American Academy of Arts and Sciences (since 2010).



David Folkerts-Landau is Deutsche Bank's Group Chief Economist and Global Head of Market Research, and a member of the Group Executive Committee. Before joining Deutsche Bank in 1997, David was the division head of International Capital Markets surveillance and financial markets research at the International Monetary Fund (IMF) since 1992. He was professor of Economics and Finance at the University of Chicago's Graduate School of Business before joining the IMF. David holds a Bachelors Degree in Mathematics and Economics from Harvard University and a Ph.D. in Economics from Princeton University. He is the author of several books and numerous articles on financial economics.



Nicola Fuchs-Schündeln is professor for Macroeconomics and Development at Goethe University and CFS Fellow in the research area "Household Finance". Previously, she was a faculty member at Harvard University. She received her Ph.D. in economics from Yale University in 2004. Her current research focuses on the analysis of household saving and labor supply behavior, labor market integration, and the endogeneity of economic preferences. In 2010, Fuchs-Schündeln was awarded a European Research Council Starting Grant, one of the most prestigious research grants within the European Union, for her research project "The Role of Preferences and Institutions in Economic Transitions". She is Managing Editor of the *Economic Policy* journal and member of the Editorial Board of the *Review of Economic Studies*. She has published in the leading economic journals, e.g. the *American Economic Review* and the *Quarterly Journal of Economics*. She serves as member of the Scientific Advisory Boards of the German Federal Ministry of Finance, the IfW Kiel (Institut für Weltwirtschaft) and the RWI (Rheinisch-Westfälisches Institut für Wirtschaftsforschung).



Michael Haliassos, Chairman of the Jury 2013, is Director of the CFS, Research Professor for the research area "Household Finance" at the CFS and coordinator of the new Loewe research center S A F E. He holds the Chair for Macroeconomics and Finance at Goethe University and he is Director of the Master's Program in Money and Finance. Previously, he was a faculty member at the University of Maryland and at the University of Cyprus. Haliassos received a B.A. from Cambridge University, and a Ph.D. in Economics from Yale University. His research interests comprise in Macroeconomics and Finance with emphasis on household finance. He is a Research Fellow of CEPR, NETSPAR and the Centre for Finance and Credit Markets (University of Nottingham, UK). He is also advisor to the ECB on the construction of a Eurozone Survey of Household Finances and Consumption and

a member of the Greek National Council on Research and Technology (ESET). His papers appear in major international journals, inter alia the Review of Economics and Statistics, the International Economic Review, the Economic Journal, the Review of Finance and in edited volumes, including the Handbook of Monetary Economics and the New Palgrave Dictionary of Economics and Finance. He recently edited a volume on Financial Innovation: Too Much or Too Little? (MIT Press, 2013).



Otmar Issing is President of the CFS. Furthermore his current positions are: Chairman of the Kuratorium of the Gesellschaft für Kapitalmarktforschung and of the House of Finance; Honorary Professorships at University of Würzburg and Goethe University; International Advisor Goldman Sachs. Issing was Head of the Advisory Group on the New Financial Order appointed by Chancellor Merkel (2008-2012). He was: member of the High Level Group of the European Commission chaired by J. De Larosière; member of the Executive Board of the ECB (1998–2006), responsible for the Directorates General Economics and Research; member of the Board of the Deutsche Bundesbank with a seat in the Central Bank Council (1990–1998); member of the Council of Experts for the Assessment of Overall Economic Developments (1988-1990). He held Chairs of Economics at the Universities of Würzburg and Erlangen-Nuremberg. In addition to publishing numerous articles in scientific journals and periodicals, he is the author, inter alia, of two textbooks: “Einführung in die Geldtheorie” (Introduction to monetary theory), 15th edition 2011; and “Einführung in die Geldpolitik” (Introduction to monetary policy), 6th edition, 1996; “Der Euro – Geburt, Erfolg, Zukunft”, (The Birth of the Euro), 2008, Chinese edition 2011.



Jan Pieter Krahen is Director of the CFS, Research Professor for the research area “Financial Stability and Banking Regulation” at the CFS and coordinator of the new Loewe research center

S A F E. He holds the Chair for Corporate Finance at Goethe University and degrees from Free University Berlin and Goethe University. He was a Visiting Professor at the University of Pennsylvania’s Wharton School and at NYU’s Stern School. Krahen’s current research interests focus on risk transfer in securitization markets, and on implications of the financial turmoil for banking institutions and market regulation. He publishes in renowned scientific journals, e.g. the Review of Economic Studies; Journal of Banking and Finance, Experimental Economics; European Finance Review. Krahen is, inter alia, member of the High-level Expert Group by EU Commissioner M. Barnier, set to examine structural aspects of the EU’s banking sector, chaired by E. Liikanen, Governor of the Bank of Finland; member of the expert team of the Issing Commission, advising German Government on G20 meetings together with Otmar Issing (Chairman), Klaus Regling and Bill White; member of the Academic Advisory Board of the Federal Ministry of Finance, Berlin (since 2010).



Robert C. Merton is the School of Management Distinguished Professor of Finance at the MIT Sloan School of Management and University Professor Emeritus at Harvard University. He was the George Fisher Baker Professor of Business Administration (1988–98) and the John and Natty McArthur University Professor (1998–2010) at Harvard Business School. He previously served on the finance faculty of MIT from 1970 to 1988, after receiving his Ph.D. in Economics from MIT (1970). He is currently Resident Scientist at Dimensional Fund Advisors, where he is implementing a next-generation, integrated retirement-funding solution system that addresses the deficiencies associated with traditional defined-benefit and defined-contribution pension plans. Merton received the Alfred Nobel Memorial Prize in Economic Sciences in 1997 for a new method to determine the value of derivatives. He is past president of the American Finance Association, a member of the National Academy of Sciences, and a Fellow of the American

Academy of Arts and Sciences. He received the inaugural Financial Engineer of the Year Award from the International Association of Financial Engineers in 1993. Merton's research focuses on finance theory, including lifecycle and retirement finance, optimal portfolio selection, capital asset pricing, pricing of options, credit risk, loan guarantees, and improving the methods of measuring and managing macro-financial risk.



Kenneth Rogoff, award winner of the DB Prize 2011, is Thomas D. Cabot Professor of Public Policy and Professor of Economics at Harvard University. He served as Chief Economist and Director of Research at the International Monetary Fund (2001-2003). Rogoff's treatise *Foundations of International Macroeconomics* (joint with Maurice Obstfeld) is the standard graduate text in the field worldwide, and his monthly syndicated column on global economic issues is published regularly in over 50 countries. His recent academic book with Carmen Reinhart, *This Time is Different: Eight Centuries of Financial Folly*, builds on a massive new data set covering 66 countries and 800 years. The book shows the remarkable quantitative similarities across time and countries in both the run-up to, and the aftermath of, severe financial crises. Rogoff is also known for his early research on central bank independence and inflation targeting as an institutional device for enhancing the credibility of monetary policy. Rogoff is an elected member of the National Academy of Sciences and the American Academy of Arts and Sciences, as well as the Council on Foreign Relations and the Group of Thirty. Rogoff is on the Economic Advisory Panel of the Federal Reserve Bank of New York. He holds the life title of international grandmaster of chess.



Raman Uppal is Professor of Finance at EDHEC Business School. He holds a Bachelor's Degree in Economics (Honors) from St. Stephen's College, Delhi University, and M.A., M.B.A and

Ph.D. degrees from The Wharton School of the University of Pennsylvania. Previously, he was at London Business School and the University of British Columbia. He has held visiting positions at Catholic University (Leuven), the MIT Sloan School of Management, and the London School of Economics and Political Science, and has served as Co-Director of the Financial Economics Programme of the CEPR. His research focuses on optimal portfolio selection and asset allocation in dynamic environments, valuation of securities in capital markets, risk management, and exchange rates. This research has been published in *The Journal of Finance*, *The Review of Financial Studies*, *Journal of Economic Theory*, *Journal of Financial and Quantitative Analysis*, *Journal of International Money and Finance*, and *Management Science*. He is an associate editor of *The Review of Asset Pricing Studies* and *The Critical Finance Review*, a member of the editorial board of *Mathematics and Financial Economics*, and a former editor of *The Review of Financial Studies* and *The Review of Finance*.



Uwe Walz is Director of the CFS, Research Professor for the research area "Law and Economics of Financial Organizations" at the CFS and coordinator of the new Loewe research center SAFE. Walz is a Professor in Economics and holds the Chair of Industrial Organization at Goethe University since 2002. Furthermore he is serving as a Research Professor at the Center for European Economic Research (ZEW). He received his Dr. rer. pol. in Economics from University of Tuebingen (1992), where from 1997 to 2002 he also held a full professor position. He was habilitated from University of Mannheim in 1995. Walz was a visiting research fellow at University of California at Berkeley and London School of Economics. From 1995 to 1997 he was a professor at University of Bochum. His research interests are in the field of Contract Theory, Venture Capital, Capital Markets, Corporate Finance, Industrial Organization, and Economics of Network Industries.

Jury Members 2005 to 2011

Michael Binder, Professor of Economics and Dean of the Graduate School of Economics, Finance, and Management, Goethe University, Jury 2005 and 2009.

Matthew Bishop, US business editor and New York bureau chief of "The Economist"; international weekly journal, USA, Jury 2005.

Günter Franke, Professor of International Finance at the University of Constance, Germany, Jury 2007.

Vitor Gaspar, State Minister of Finance, Portugal, Jury 2005

Luigi Guiso, Professor of Economics at European University Institute, Florence, Italy, Jury 2011.

Michael Haliassos, Director of the CFS, Professor of Economics, Chair for Macroeconomics and Finance, Director of the Master's Program in Money and Finance, Goethe University, Jury member 2007 and 2011, Chairman of the Jury in 2013.

Charles Yuji Horioka, Professor of Economics at Institute of Social Economic Research, Osaka University, Japan, Jury 2011.

Otmar Issing, President of the CFS, Chairman of the Board of Trustees of the CFS and the House of Finance at Goethe University, Honorary Professor at the University of Würzburg and Goethe University, Jury 2007, 2009, 2011 and 2013.

Takatoshi Ito, Professor at Graduate School of Economics and Graduate School of Public Policy, University of Tokyo, Japan, Jury 2009.

Jan Pieter Krahn, Director of the CFS, Professor of Corporate Finance at the School of Business and Economics, Goethe University, Chairman of the Jury in 2005 and 2009, Jury member in 2007, 2011 and 2013.

Patrick Lane, Business briefings editor and deputy business affairs editor of "The Economist", London, England, Jury 2007

Christian Laux, Professor of Finance at Vienna University of Economics and Business, Austria, Jury 2005.

Raimond Maurer, Professor of Finance and Chair of Investment, Portfolio Management, and Pension Finance at Goethe University, Jury 2011.

Thomas Mayer, Chief Economist of Deutsche Bank Group and Head of Deutsche Bank Research (until June 2012), Jury 2011.

Lucrezia Reichlin, Professor of Economics at London Business School, Jury 2007.

Carmen M. Reinhart, Professor of Economics at University of Maryland, Dennis Weatherstone Senior Fellow at the Peterson Institute for International Economics, Washington, DC, USA, Jury 2011.

Hermann Remsperger, Honorary Professor at Goethe University, member of the Executive Board of the Deutsche Bundesbank (until 2009), Jury 2005.

Reinhard H. Schmidt, Professor of Finance and Accounting at Goethe University, Jury 2007 and 2009.

Klaus Schmidt-Hebbel, Professor of Economics at the Economics Institute of the Pontificia Universidad Católica de Chile, Jury 2009.

Robert J. Shiller, Award Winner of the DB Prize 2009, Professor of Economics at the Cowles Foundation for Research in Economics, Yale University, and Professor of Finance at the International Center for Finance, Yale School of Management, Jury 2011

Marti G. Subrahmanyam, Professor of Finance and Economics at the Stern School of Business, New York University, Jury 2009.

Lars E.O. Svensson, Deputy Governor of Sveriges Riksbank (the central bank of Sweden), Affiliated Professor at the Institute for International Economic Studies, Stockholm University, Jury 2007.

Mark P Taylor, Professor of International Finance and Macroeconomics at University of Warwick and Managing Director of Barclays Global Investors (BGI), Jury 2005.

Maria Vassalou, Global Macro Portfolio Manager at SAC Capital Advisors LLC, New York, Associate Professor of Finance, Columbia University, Jury 2009.

Norbert Walter, Chief Economist of Deutsche Bank Group and CEO of Deutsche Bank Research (until 2009), Professor of Economics, Jury 2005, 2007 and 2009.

Uwe Walz, Director of the CFS, Professor of Economics and Chair of Industrial Organization at Goethe University, Chairman of the Jury in 2011 and Jury member in 2013.

Volker Wieland, Professor of Monetary Theory and Policy and a Founding Professor of the Institute for Monetary and Financial Stability (IMFS) at Goethe University, Chairman of the Jury in 2007 and Jury member in 2005 and 2009.

Josef Zechner, Professor of Finance and Investments at WU Vienna University of Economics and Business, Austria, Jury 2005.

The **Center for Financial Studies**, located in Goethe University's House of Finance, is an independent non-profit research center, funded by contributions from donors and members, as well as by national and international research grants. CFS member institutions comprise major players in Germany's financial industry.

Mission: CFS affiliated professors and fellows conduct independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Financial Stability and Banking Regulation, to Household Finance, Law and Economics of Financial Organizations, Monetary Policy and Financial Markets, and Trading and Pricing in Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In building a platform for research, CFS relies on its international network among academics, the financial industry and central banks in Europe.

Activities: Among other recurring activities, CFS organizes a number of widely recognized events, including the annual "ECB and Its Watchers" conference, the ongoing ECB-CFS research network initiative on financial integration in Europe, the Presidential Lectures under the auspices of the CFS President Otmar Issing, the bi-annual Deutsche Bank Prize in Financial Economics, and the quarterly CFS Financial Center Index. Its community services at the House of Finance comprise a set of research-enabling activities, consisting of an academic visitors program, a financial market data center, the CFS-GSFEM policy research initiative, and its role as co-founder of the House of Finance Policy Platform.

People: CFS President is Professor Otmar Issing, former chief economist and member of the Executive Board of the ECB; Chairman of the Board is Dr. Rolf-E. Breuer, former CEO of Deutsche Bank AG; CFS Directors are Professors Michael Haliassos, Jan Pieter Krahen and Uwe Walz. ▶ www.ifk-cfs.de

The **Stiftungsfonds Deutsche Bank*** was founded in 1970 to commemorate Deutsche Bank's 100th anniversary. The fiduciary foundation operates under the aegis of the Stifterverband für die Deutsche Wissenschaft, to which Deutsche Bank makes a yearly contribution to support the Stifterverband für die Deutsche Wissenschaft and to promote economic research and first-class education at an internationally competitive level. Deutsche Bank considers it especially important to facilitate international exchange between financial markets' executives, professors and students.

Since 2004, the Stiftungsfonds Deutsche Bank has been supporting the "Finance" cluster at the Goethe University Frankfurt with an annual amount of 1 Million Euro. To enhance Frankfurt's international reputation as a center for financial economics, it has initiated the House of Finance-Foundation and the Deutsche Bank Prize in Financial Economics, which is awarded bi-annually by the Center for Financial Studies and the Goethe University Frankfurt.

▶ www.db-prize-financialeconomics.org

** Deutsche Bank Donation Fund in the Donor's Association for German Science*

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