

# GEORGE M. CONSTANTINIDES

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October 2009

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## Degrees

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Oxford University, Oxford, England: BA-1970; MA-1974.

Indiana University, Bloomington, Indiana: MBA-1972; DBA-1975.

## Related Experience

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Fulbright Scholar, 1970. Assistant Professor, GSIA, Carnegie-Mellon University, 1974-79. Ford Foundation Visiting Assistant Professor (1978-79), Associate Professor (1979-83), Professor (1983- ), University of Chicago Booth School of Business. Marvin Bower Fellow, Graduate School of Business, Harvard University, 1985-86. BP Visiting Professor, London School of Economics, 2007.

## Affiliations

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Fellow (2002-), president (2001), president-elect (2000), vice president (1999), director (1984-86, 2002), The American Finance Association. President (1990-93), vice president (1988-90), member of the founding committee, The Society for Financial Studies. Research Associate, National Bureau of Economic Research 1989- . Director, Western Finance Association, 1989-91. Editor-in-Chief, *Foundations and Trends in Finance*, 2004-. Editor, *Annals of Finance*, 2004-. Advisory Editor, Elsevier/North-Holland Handbooks in Finance Series, 2002-. Advisory Board Member, *Mathematics and Financial Economics*, 2007-. Associate Editor, *Ekonomia*, 1990-; *European Finance Review*, 1996-; *International Journal of Finance Education*, 2002-; *International Journal*

## GEORGE M. CONSTANTINIDES

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*of Monetary Economics and Finance*, 2007-; *International Journal of Theoretical and Applied Finance*, 1997-; *International Review of Finance*, 2000-; *Journal of Finance*, 1983-00; *Journal of Financial and Quantitative Analysis*, 1984-90; *Mathematical Finance*, 1990-01; *Multinational Finance Journal*, 1997-; *Quantitative Finance*, 2001-; *Review of Derivatives Research*, 1996-; *Review of Financial Studies*, 1990-93. Member of the interim governing board, University of Cyprus, 1989-95. Member of the advisory board, Centre for International Macroeconomics and Finance (CIMF) 2005-; Cyprus International Institute of Management (CIIM) 2000-; Athens Laboratory in Business Administration (ALBA) 1997-. Trustee, the DFA Investment Trust Company 1983-. Director, DFA Investment Dimensions Group Inc., Dimensional Investment Group Inc. and Dimensional Emerging Markets Value Fund Inc. 1983-. Member of the Investment Policy Committee, Cook County IL. 2008-.

## Honorary Degrees and Awards

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Academy of Alumni Fellows Award, Indiana University, February 1994.

Honorary Degree, University of Piraeus, Greece, June 1999.

## Articles

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“Mispricing of S&P 500 Index Options,” *Review of Financial Studies* 22 (March 2009), 1247-1277 (with J. C. Jackwerth and S. Perrakis).

“Junior is Rich: Bequests as Consumption,” *Economic Theory* 32 (July 2007), 125-155 (with J. B. Donaldson and R. Mehra).

“Stochastic Dominance Bounds on American Option Prices in Markets with Frictions,” *Review of Finance* 11 (January 2007), 71-115 (with S. Perrakis).

“Junior Must Pay: Pricing the Implicit Put in Privatizing Social Security,” *Annals of Finance*, 1 (January 2005), 1-34 (with J. B. Donaldson and R. Mehra).

“Rational Asset Prices,” *Journal of Finance* 57 (August 2002), 1567-1591.

## GEORGE M. CONSTANTINIDES

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Asset Pricing with Heterogeneous Consumers and Limited Participation: Empirical Evidence,” *Journal of Political Economy* 110 (August 2002), 793-824 (with A. Brav and C. Geczy). Reprinted in J. H. Cochrane, ed., *Financial Markets and the Real Economy*, The International Library of Critical Writings in Financial Economics. Edward Elgar, 2006.

“Stochastic Dominance Bounds on Derivative Prices in a Multiperiod Economy with Proportional Transaction Costs,” *Journal of Economic Dynamics and Control* 26 (July 2002), 1323-1352 (with S. Perrakis).

“Junior Can’t Borrow: A New Perspective on the Equity Premium Puzzle,” *Quarterly Journal of Economics* 117 (February 2002), 269-296 (with J. B. Donaldson and R. Mehra).

“Bounds on Option Prices in an Intertemporal Setting with Proportional Transaction Costs and Multiple Securities,” *Mathematical Finance* 11 (July 2001), 331-346 (with T. Zariphopoulou).

“Bounds on Prices of Contingent Claims in an Intertemporal Economy with Proportional Transaction Costs and General Preferences,” *Finance and Stochastics* 3 (1999), 345-369 (with T. Zariphopoulou). Reprinted in G. M. Constantinides and A. G. Malliaris, eds., *Options Markets. American Options, Numerical Methods and Risk Management*, Volume III, The International Library of Critical Writings in Financial Economics, 6. Edward Elgar, 2001.

“Asset Pricing with Heterogeneous Consumers,” *Journal of Political Economy* 104 (1996), 219-240 (with D. Duffie). Reprinted in: J. H. Cochrane, ed., *Financial Markets and the Real Economy*, The International Library of Critical Writings in Financial Economics. Edward Elgar, 2006; M. Magill and M. Quinzii, eds., *Incomplete Markets*, The International Library of Critical Writings in Financial Economics. Edward Elgar, 2008.

“Time Nonseparability in Aggregate Consumption: International Evidence,” *European Economic Review* 37 (June 1993), 897-920 (with P. A. Braun and W. E. Ferson).

## GEORGE M. CONSTANTINIDES

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“A Theory of the Nominal Term Structure of Interest Rates,” *Review of Financial Studies* 5 (1992), 531-552. Reprinted in L. Hughson, ed., *The New Interest Rate Models*, Risk Books. Reprinted also in G. M. Constantinides and A. G. Malliaris, eds., *Options Markets. Interest Rate Derivatives, Exotics, Real Options and Empirical Evidence*, Volume II, The International Library of Critical Writings in Financial Economics, 6. Edward Elgar, 2001.

“Habit Persistence and Durability in Aggregate Consumption: Empirical Tests,” *Journal of Financial Economics* 29 (October 1991), 199-240 (with W. E. Ferson).

“Habit Formation: A Resolution of the Equity Premium Puzzle,” *Journal of Political Economy* 98 (June 1990), 519-543.

“Optimal Investment with Stock Repurchase and Financing as Signals,” *Review of Financial Studies* 2 (1989), 445-465 (with B. D. Grundy).

“Capital Market Equilibrium with Transaction Costs,” *Journal of Political Economy* 94 (August 1986), 842-862. Reprinted in S. Bhattacharya and G. M. Constantinides, eds., *Theory of Valuation: Frontiers of Modern Financial Theory*, Volume 1, Totowa, NJ. Rowman and Littlefield, 1989.

“Optimal Bond Trading with Personal Taxes,” *Journal of Financial Economics* 13 (September 1984), 299-335 (with J. E. Ingersoll). Reprinted in D. H. Miller and S. Myers, eds., *Frontiers in Finance: The Batterymarch Fellowship Papers*, Blackwell, 1990. Reprinted also in G. W. Schwert and C. W. Smith, eds., *Empirical Research in Capital Markets*, McGraw-Hill, 1992.

“Warrant Exercise and Bond Conversion in Competitive Markets,” *Journal of Financial Economics* 13 (September 1984), 371-397.

“Optimal Stock Trading with Personal Taxes: Implications for Prices and the Abnormal January Returns,” *Journal of Financial Economics* 13 (March 1984), 65-89. Reprinted in G. M. Constantinides and A. G. Malliaris, eds., *Options Markets. Interest Rate Derivatives, Exotics, Real Options and Empirical Evidence*, Volume II, The

## GEORGE M. CONSTANTINIDES

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International Library of Critical Writings in Financial Economics, 6. Edward Elgar, 2001.

“Strategic Analysis of the Competitive Exercise of Certain Financial Options,” *Journal of Economic Theory* 32 (February 1984), 128-138 (with R. W. Rosenthal).

“Capital Market Equilibrium with Personal Tax,” *Econometrica* 51 (May 1983), 611-636.

“CVL Analysis and Break-Even Capital Budgeting,” *Cost and Management* (March-April 1983, with Y. Ijiri, and R. A. Leitch).

“Intertemporal Asset Pricing with Heterogeneous Consumers and without Demand Aggregation,” *Journal of Business* 55 (April 1982), 253-267.

“Stochastic Cost-Volume-Profit Analysis with a Linear Demand Function,” *Decision Sciences* (July 1981, with Y. Ijiri, and R. A. Leitch).

“Optimal Liquidation of Assets in the Presence of Personal Taxes: Implications for Asset Pricing,” *The Journal of Finance* 35 (May 1980), 439-449 (with M. S. Scholes).

“Admissible Uncertainty in the Intertemporal Asset Pricing Model,” *Journal of Financial Economics* 8 (March 1980), 71-86.

“Multiperiod Consumption and Investment Behavior with Convex Transactions Costs,” *Management Science* 25 (November 1979), 1127-1137.

“A Note on the Suboptimality of Dollar-Cost Averaging as an Investment Policy,” *Journal of Financial and Quantitative Analysis* 14 (June 1979), 443-449.

“Existence of Optimal Simple Policies for Discounted-Cost Inventory and Cash Management in Continuous Time,” *Operations Research* 26 (July-August 1978), 620-636 (with S. F. Richard).

“Market Risk Adjustment in Project Valuation,” *Journal of Finance* 33 (May 1978), 603-616. Reprinted in G. M. Constantinides and A. G. Malliaris, eds., *Options Markets. Equity Options Markets: Foundations and Pricing*, Volume I, The International Library

## GEORGE M. CONSTANTINIDES

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of *Critical Writings in Financial Economics*, 6. Edward Elgar, 2001.

“Portfolio Selection with Transactions Costs,” *Journal of Economic Theory* 13 (October 1976), 245-263 (with M. J. P. Magill).

“Stochastic Cash Management with Fixed and Proportional Transaction Costs,” *Management Science* 22 (August 1976), 1320-1331.

## Edited Books

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*Corporate Finance: Handbook of the Economics of Finance*, Volume 1A, *Handbooks in Economics* 21. Elsevier/North-Holland, 2003 (with M. Harris and R. Stulz).

*Financial Markets and Asset Pricing: Handbook of the Economics of Finance*, Volume 1B, *Handbooks in Economics* 21. Elsevier/North-Holland, 2003 (with M. Harris and R. Stulz).

*Options Markets. Equity Options Markets: Foundations and Pricing*, Volume I, *The International Library of Critical Writings in Financial Economics*, 6. Edward Elgar, 2001 (with A. G. Malliaris).

*Options Markets. Interest Rate Derivatives, Exotics, Real Options and Empirical Evidence*, Volume II, *The International Library of Critical Writings in Financial Economics*, 6. Edward Elgar, 2001 (with A. G. Malliaris).

*Options Markets. American Options, Numerical Methods and Risk Management*, Volume III, *The International Library of Critical Writings in Financial Economics*, 6. Edward Elgar, 2001 (with A. G. Malliaris).

*Theory of Valuation: Frontiers of Modern Financial Theory*, Volume 1, Totowa, NJ. Rowman and Littlefield, 1989 (with S. Bhattacharya). Reprinted as *Theory of Valuation*, World Scientific, 2005.

*Financial Markets and Incomplete Information: Frontiers of Modern Financial Theory*, Volume 2, Totowa, NJ. Rowman and Littlefield, 1989 (with S. Bhattacharya).

## GEORGE M. CONSTANTINIDES

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### Other Publications

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“Comment on Barro and Ursua,” *Brookings Papers on Economic Activity* (Spring 2008), 341-350.

“Option Pricing: Real and Risk Neutral Distributions,” in J. R. Birge and V. Linetsky (eds.), *Financial Engineering*, Handbooks in Operations Research and Management Science, Volume 15, 565-591. Elsevier, Amsterdam, 2008 (with J. C. Jackwerth and S. Perrakis).

“Understanding the Equity Risk Premium Puzzle,” in R. Mehra (ed.), *Handbook of the Equity Risk Premium*, Handbooks in Finance, 331-359. Elsevier, Amsterdam, 2008.

“Market Organization and the Prices of Financial Assets,” *The Manchester School Supplement* 74 (September 2006), 1-23.

“Transaction Costs and Pricing of Financial Assets,” *Multinational Finance Journal* (June 1997), 93-99.

“Portfolio Theory,” in: R. A. Jarrow, V. Maksimovic, and W. T. Ziemba (eds.), *Finance*, Handbooks in Operations Research and Management Science, Volume 9, 1-30. North-Holland, 1995 (with A. G. Malliaris).

“Optimal Investment Strategies for University Endowment Funds: Comment,” in Clotfelder, C. T. and M. Rothschild (eds.), *Studies of Supply and Demand in Higher Education*. University of Chicago Press, 1993.

“Theory of Valuation: Overview and Recent Developments,” in: S. Bhattacharya and G. M. Constantinides (eds.), *Theory of Valuation: Frontiers of Modern Financial Theory*, Volume 1, Totowa, N.J. Rowman and Littlefield, 1989.

“Comments on Stock Return Seasonality,” in E. Dimson (ed.) *Stock Market Anomalies* Cambridge University Press, 1988.

“Call and Conversion of Convertible Corporate Bonds: Theory and Evidence,” Proceedings, *Seminar on the Analysis of Security Prices*, CRSP, Graduate School of

## **GEORGE M. CONSTANTINIDES**

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Business, University of Chicago (November 1986) 35-69 (with B. D. Grundy).

“Debt and Taxes and Uncertainty: Discussion,” *Journal of Finance* (July 1985) 657-658.

“The Disposition to Sell Winners Too Early and Ride Losers Too Long: Theory and Evidence: Discussion,” *Journal of Finance* (July 1985) 791-792.

“To Pay or Not to Pay Dividend: Discussion,” *Journal of Finance* (May 1982), 470-472.

“Optimal Bond Trading with Personal Tax: Implications for Bond Prices and Estimated Tax Brackets and Yield Curves,” *Journal of Finance* (May 1982), 349-352 (with J. E. Ingersoll).

“Cash Demand, Liquidation Costs, and Capital Market Equilibrium under Uncertainty: Comment,” *Journal of Financial Economics* (June 1976), 295-296.

“Optimal Portfolio Revision with Proportional Transaction Costs: Extension to HARA Utility Functions and Exogenous Deterministic Income,” *Management Science* 22 (April 1976), 921-923.

## **Working Papers**

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“The Puzzle of Index Option Returns,” Working paper, University of Chicago (October 2009, with J. C. Jackwerth and A. Z. Savov).

“Asset Pricing Tests with Long Run Risks in Consumption Growth,” Working paper, University of Chicago (June 2009, with A. Ghosh).

“Are Options on Index Futures Profitable for Risk Averse Investors? Empirical Evidence,” Working paper, University of Chicago (September 2008, with M. Czerwonko, J. C. Jackwerth, and S. Perrakis).

## **Keynote Addresses**

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“Asset Pricing Tests with Long Run Risks in Consumption Growth.” Eighth

## **GEORGE M. CONSTANTINIDES**

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Conference on Research on Economic Theory & Econometrics (CRETE), Tinos, Greece, July 2009.

“The Financial Crisis of 2007-2009: Lessons for Risk Management.” International Conference on Applied Business and Economics (ICABE), Kavala, Greece, October 2009.

“Global Research on the Equity Premium.” International Conference on the Global Economics of a Changing Environment, Athens, Greece, July 2008.

“Global Research on the Equity Premium.” Fourth International Finance Conference, IFC4, Hammamet-Yasmine, Medina, Tunisia, March 2007.

“Market Organization and the Prices of Financial Assets.” Thirty Seventh Annual Conference of the Money Macro and Finance Research Group, Rethymno, Greece, September 2005.

“Global Research on the Equity Premium.” Eleventh Annual Conference of the Multinational Finance Society, Istanbul, July 5, 2004.

“Rational Asset Prices.” Ninth Annual Conference of the Multinational Finance Society, Paphos, Cyprus, July 1, 2002.

“Rational Asset Prices.” Presidential Address, American Finance Association, Atlanta, January 5, 2002.

“Asset Pricing with Heterogeneous Consumers and Limited Participation: Empirical Evidence.” Intertemporal Asset Pricing Conference, hosted by CIRANO, Montreal, October 24, 1999.

“Asset Pricing with Heterogeneous Consumers and Limited Participation: Empirical Evidence.” Workshop on Mathematical Finance, Vienna, September 17, 1999.

“Transaction Costs and the Pricing of Derivatives: Perspective and Recent Developments.” 47<sup>th</sup> Annual Meeting of the Midwest Finance Association, Chicago, March 19, 1998.

## **GEORGE M. CONSTANTINIDES**

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“Transaction Costs and the Pricing of Derivatives: Perspective and Recent Developments.” Fourth Annual CAP Workshop on Mathematical Finance Theory, Practice and Computation, Columbia University, October 28, 1997.

“Transaction Costs and the Pricing of Financial Assets.” Fourth Annual Conference of the Multinational Finance Society, Thessaloniki, June 27, 1997.

“The Impact of Transaction Costs on Prices and Liquidity Premia when Trading is Endogenous.” Conference on Recent Developments in Asset Pricing and Optimal Trading Strategies, Rutgers University, May 13, 1994.