

New, \$100,000 prize created to honor finance and economics legend Stephen A. Ross

CAMBRIDGE, Mass., October 13, 2007 — Linked by the “transforming influence” he has had on their lives and careers, more than 50 former students last night surprised MIT Sloan School of Management Professor of Financial Economics Stephen A. Ross by unveiling a major new prize in his name to honor outstanding papers in his field.

In more than 35 years of research and teaching, Ross has had a major impact on the field of finance. Among other things, he is the inventor of the Arbitrage Pricing Theory and a pioneer in the area of financial derivatives and interest rate models. He is the coauthor of *Corporate Finance*, now in its eighth edition.

After a fund-raising drive among former Ross students that far exceeded the organizers' goals, the first Stephen A. Ross Prize in Financial Economics will be awarded by the end of 2008 by the newly created non-profit, the Foundation for Advancement of Research in Financial Economics (FARFE). In only about a year of fund raising, about 50 former students of Ross who now teach at MIT, Yale, Chicago, Stanford, Penn and elsewhere together donated more than \$617,000 towards endowing the prize.

After a second phase of fund-raising within the academic and investment communities, the foundation expects to be able to award a prize of at least \$100,000 every two years. In keeping with the foundational nature of Ross' research, the prize-winning publication will either develop or rigorously test a theory pertaining to financial economics.

Ross was unaware of the effort until last night, when the prize and FARFE were announced during a weekend “Steve Ross Conference” at the MIT Endicott House in Dedham, MA, that drew many of those impacted by Ross over the years.

“This will be the biggest prize of its type in the field,” said Anat Admati, a former Ross student and current professor of finance and economics at Stanford University's Graduate School of Business. “FARFE's independence, and the fact that it was created by people for whom Steve has been a mentor, will allow FARFE to award a substantial prize that will be a lasting tribute to Steve's contribution and encourage the type and quality of research exemplified by him.”

In remarks delivered to Ross last night, Jonathan Berk, professor of finance in the Haas School of Business at the University of California, Berkeley, said none of those at the weekend event “would be where we are today were we not lucky enough to benefit from your insights and teaching. So we decided that the best way to thank you would be to endow a prize in financial economics that recognized the kind of path-breaking research that has made your contributions so influential.”

Admati, Berk and Chester Spatt, professor of finance at the Tepper School of Business at Carnegie

Mellon University and Director of its Center for Financial Markets, are FARFE's three board members. "Most of the students Steve has mentored over the years, especially those who, like the three of us, had him as a principal advisor, believe his influence on our lives was transforming," said Spatt. "And it is obvious that Steve has had a major impact on the field of finance in his research and other activities."

In addition to the Ross Prize, McGraw-Hill/Irwin, the publisher of Ross' hugely popular textbook, is honoring Ross with the publication of *Stephen A. Ross, Mentor: Influence through Generations*, a collection of papers by Ross students. The volume is edited by Anderson School of Management at UCLA Professor of Finance Mark Grinblatt, another Ross student.

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