

## Robert L. McDonald

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### Current Position

Erwin P. Nemmers Professor of Finance, Kellogg School of Management, Northwestern University.

### Education

- B.A. with Highest Honors in Economics, University of North Carolina at Chapel Hill, December 1975.
- Ph.D. in Economics, Massachusetts Institute of Technology, June 1982.

### Teaching and Administrative Appointments

- Boston University School of Management, Assistant Professor, Department of Finance and Economics, September 1981-August 1984.
- University of Chicago, Graduate School of Business, Visiting Associate Professor, July 1989 - June 1990.
- Northwestern University, J. L. Kellogg Graduate School of Management, Finance Department.
  - Assistant Professor, September 1984 - August, 1987
  - Associate Professor, September 1987 - August 1991
  - Professor, September 1991 - present.
  - Finance Department Chair, September 1991 - August, 1994
  - Acting Director of Kellogg Computer Services, May 1993 - Sept. 1995
  - Northwestern University Program Review Council, 2002-2005 (Chair, 2005)
  - Co-director, Financial Markets Research Center (2006-)
  - Acting Director, Guthrie Center for Real Estate, 2008-2009
  - Teaching: Derivatives Markets I, Derivatives Markets II, Taxation and Decision-Making, Corporate Finance, Doctoral Seminar on Continuous-Time Methods in Finance.

## Other Professional Activities

- Editorial positions
  - Editor: *Review of Financial Studies*, editor (2002 - 2006)
  - Associate Editor: *Financial Management* (2000-2006), *Journal of Financial and Quantitative Analysis* (1992 - present), *Journal of Finance* (2000 - 2003), *Management Science* (1992 - 1997), *Review of Financial Studies* (2000-2002)
- Research positions
  - Research Associate, Federal Reserve Bank of Boston, August 1978 to August 1979.
  - Research Associate, National Bureau of Economic Research, September, 1985 - 1996
- Consulting and Training
  - Chicago Board Options Exchange, derivatives training, 1986-2000
  - Valuometrics, Inc., advisory board member and valuation consultant, 1986-2005
  - Deutsche Terminbrse, consultant, 1992
  - Director, "Portfolio Management with Derivative Securities", executive program run jointly with Morgan Stanley and Co., 1992 and 1994
  - Enron Corp., derivatives training program, 1993-95
  - AlliedSignal Corp., consultant on internal financial training, 1995
  - Irish Life of North America, derivatives training program, 1996
  - Hay Management Consultants, compensation valuation consulting, 1997
  - Options Clearing Corporation, consultant, 2001
  - Expert witness: US Dept of Justice, in *Coltec Industries v US* (01-72 T), 2004
  - Federal Reserve Bank of Chicago, Consultant, 2006 - present
  - Expert witness: Internal Revenue Service, in *Tigers Eye Trading, LLC, Sentinel Advisors, LLC, Tax Matters Partner v. Commissioner of Internal Revenue* (14510-05), 2007-2009

## Honors, Grants, and Fellowships

- Phi Beta Kappa, 1975.
- National Science Foundation Graduate Fellowship

- Graham and Dodd Scroll (distinguished paper in Financial Analyst's Journal), Financial Analyst's Federation, 1985.
- Iddo Sarnat Prize (best paper in Journal of Banking and Finance), 1987.
- Smith-Breeden Prize (distinguished paper in Journal of Finance), 1990.
- Review of Financial Studies Prize (best paper in Review of Financial Studies), 1991.
- Lynde and Harry Bradley Foundation Research Grant, 1991-92
- Q-Group Research Grant, 1998.
- International Investment Forum Academic competition, first prize ("Cross-Border Investing with Tax Arbitrage: the Case of German Dividend Tax Credits"), 1999.
- European Finance Association, Best Symposium paper ("The Tax (Dis) Advantage Of A Firm Issuing Options On Its Own Stock"), 2002

## Publications

- Heaton, J., Lucas, D., and McDonald, R. L. (forthcoming). Is mark-to-market accounting destabilizing? Analysis and implications for policy. *Journal of Monetary Economics*
- McDonald, R. L. (2006b). The role of real options in capital budgeting: Theory and practice. *Journal of Applied Corporate Finance*, 18(2):28-39
- Lucas, D. J. and McDonald, R. L. (2006). An options-based approach to evaluating the risk of fannie mae and freddie mac. *Journal of Monetary Economics*, 53(1):155-176
- McDonald, R. L. (2004). The tax (dis)advantage of a firm issuing options on its own stock. *Journal of Public Economics*, 88(5):925-955
- McDonald, R. L. (2001). Cross-border investing with tax arbitrage: the case of German dividend tax credits. *Review of Financial Studies*, 14(3):617-657
- Lucas, D. J. and McDonald, R. L. (1998). Shareholder heterogeneity, adverse selection, and payout policy. *Journal of Financial and Quantitative Analysis*, 33(2):233-253
- McDonald, R. L. and Schroder, M. D. (1998). A parity result for american options. *Journal of Computational Finance*, 1(3):5-13
- Korajczyk, R., Lucas, D., and McDonald, R. L. (1992). Equity issues with time-varying asymmetric information. *Journal of Financial and Quantitative Analysis*, 27(3):397-417

- Lucas, D. J. and McDonald, R. L. (1992). Bank financing and investment decisions with asymmetric information about loan quality. *Rand Journal of Economics*, 23(1):86–105
- Korajczyk, R., Lucas, D., and McDonald, R. L. (1991). The effect of information releases on the pricing and timing of equity issues. *Review of Financial Studies*, 4(4):685–708 (Winner of 1991 *Review of Financial Studies* best paper prize)
- Lucas, D. J. and McDonald, R. L. (1990). Equity issues and stock price dynamics. *Journal of Finance*, 45(4):1019–1043 (Winner of 1990 Smith-Breedren Prize for Distinguished Paper)
- Lucas, D. J. and McDonald, R. L. (1987). Bank portfolio choice with private information about loan quality: Theory and implications for regulation. *Journal of Banking and Finance*, 11:473–497 (Winner of 1987 Iddo Sarnat Prize)
- McDonald, R. L. and Siegel, D. (1986). The value of waiting to invest. *Quarterly Journal of Economics*, 101(4):707–727 (Reprinted in *Real Options and Investment Under Uncertainty: Classical Readings and Recent Contributions*, Eduardo Schwartz and Lenos Trigeorgis, eds, MIT Press (2001))
- Kane, A., Marcus, A. J., and McDonald, R. L. (1985). Debt and the rate of return premium to leverage. *Journal of Financial and Quantitative Analysis*, 20(4):479–499
- McDonald, R. L. and Siegel, D. R. (1985). Investment and the valuation of firms when there is an option to shut down. *International Economic Review*, 26(2):331–349
- Kane, A., Marcus, A. J., and McDonald, R. L. (1984). How big is the tax advantage to debt. *Journal of Finance*, 39(3):841–853
- McDonald, R. L. and Siegel, D. R. (1984). Option pricing when the underlying asset earns a below-equilibrium rate of return: A note. *Journal of Finance*, 39(1):261–265
- Bodie, Z., Kane, A., and McDonald, R. L. (1984). Why haven't nominal rates declined? *Financial Analysts Journal*, 40(2):16–27 (Winner, Graham and Dodd scroll)
- McDonald, R. L. (1983). Government debt and private leverage: An extension of the miller theorem. *Journal of Public Economics*, 22:303–325

## Comments, Book Chapters, and Others

- Lucas, D. J. and McDonald, R. L. (forthcoming). Valuing government guarantees: Fannie and freddie revisited. In Lucas, D. J., editor, *Measuring and Managing Federal Financial Risk*. University of Chicago Press
- McDonald, R. L. (2000). Real options and rules of thumb in capital budgeting. In Brennan, M. J. and Trigeorgis, L., editors, *Project Flexibility, Agency, and Competition: New Developments in the Theory and Application of Real Options*, chapter 2, pages 13–33. Oxford University Press, New York
- Shimko, D. and McDonald, R. L. (1997). A golden opportunity. *Risk*, 10(10):37
- McDonald, R. L. (1996). Speculating on an acquisition with options: Rjr nabisco. Casenet, Southwestern Publishing
- Hagerty, K. and McDonald, R. L. (1995). Brokerage, market fragmentation, and security market regulation. In Lo, A. W., editor, *Industrial Organization and Regulation of the Securities Industry*, pages 35–56. University of Chicago Press, Chicago, IL
- Korajczyk, R., Lucas, D., and McDonald, R. L. (1990). Understanding stock price behavior around the time of an equity issue. In Hubbard, R. G., editor, *Asymmetric Information, Corporate Finance, and Investment*, pages 257–277. University of Chicago Press, Chicago, IL
- May, R. C., McDonald, R. L., and Horn, B. V. (1990). Valuation issues in leveraged esops. *The Journal of Employee Ownership Law and Finance*, 2(1):99–121
- Bodie, Z., Kane, A., and McDonald, R. L. (1985). Inflation and the role of bonds in investor portfolios. In Friedman, B. M., editor, *Corporate Capital Structures in the United States*, pages 167–196. University of Chicago Press, Chicago, IL
- McDonald, R. L. and Siegel, D. R. (1983). A note on the design of commodity options contracts: Comment. *Journal of Futures Markets*, 3(1):43–46
- Review of *Options Pricing and Strategies in Investing*, by Richard M. Bookstaber; *Sloan Management Review*, Fall, 1982.
- Kimball, R. C. and McDonald, R. L. (1979). Inflation and the financing of new england commercial banks in the 1980's. *New England Economic Review*

## **Books**

- McDonald, R. L. (2009). *Fundamentals of Derivatives Markets*. Pearson Publishing, Boston, MA
- McDonald, R. L. (2006a). *Derivatives Markets*. Addison Wesley, Boston, MA, 2nd edition (first edition, 2003)

## **Work in Process**

- “Is it Optimal to Accelerate the Payment of Income Tax on Share-Based Compensation?”
- “Financial Product Taxation and the Debt/Equity Distinction” (with Tom Brennan)
- “Understanding Leveraged ETFs” (with Ernst Schaumburg)
- “Derivatives Markets” revision for third edition

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