

KENNESAW STATE UNIVERSITY ORAL HISTORY PROJECT

INTERVIEW WITH LUCY F. ACKERT

CONDUCTED BY THOMAS A. SCOTT

EDITED AND INDEXED BY THOMAS A. SCOTT

for the

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Conducted, edited, and indexed by Thomas A. Scott
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TS: Today the interview is with Lucy Ackert who received the Distinguished Scholarship Award in 2009. Lucy, we always start by asking people about their background: where they grew up and where they went to school and things like that. So I wonder if you'd talk about that.

LA: Sure. I was born in Texas, but my family only lived there a couple of months after I was born. My father was career military, Army, so then we were in Turkey for two years. Then he retired from the military, and we lived near Orlando, Florida—Winter Park, Florida. So I grew up there. I lived there until I went to college. I went to the University of Florida.

TS: I noticed that you've got both undergraduate and master's degrees from the University of Florida. How did you get interested in finance?

LA: Originally, when I started at the university, I was interested in psychology, and just through the coursework I took. I took the required economics courses and that kind of thing, and I found that that melded my interested in psychology and how people make decisions with my strength, which was more in the mathematics area. So that's how I ended up there.

TS: Is there a psychological base to what you do?

LA: There is. I've been working a lot recently in the area of behavioral finance, and behavioral finance tries to bring together findings from psychology and apply them to financial decision making. It's kind of a new field in finance. It's not accepted by many because finance people tend to be very numbers based and looking at data and that kind of thing. In finance, we like to have a model that we can test, but people are really hard to fit into a model that can be applied generally. In psychology there's been a lot of research that says people are subject to certain behaviors that aren't consistent with what researchers in finance have traditionally believed—that people are rational and use all the information that they have and that kind of thing.

TS: So your research is more qualitative than quantitative would you say?

LA: Well, no, it's probably more quantitative still even though . . .

TS: But more qualitative than the norm.

LA: Than the norm definitely. I do a lot of experiments along the lines of what psychologists do. The difference would be that in the experiments I do it's very important that people have monetary incentives because we think that for financial decision-making that is often your primary incentive. It makes it more complex because then you have to have funding for the research because you have to pay the subjects, but it's the same idea of recruiting students to come. Some of the first experiments I did were asset markets where they would come in a room and trade an asset, and the asset would have dividend payouts based on fixed probability distributions and that kind of thing. The students really enjoy it, I have found. It's a good way for them to make a little extra money.

TS: That is unusual to pay your subjects I guess, if you can call them that, to do the research. We never pay anybody for an oral history, for example. But that's interesting. You're undergraduate degree in 1982 was a Bachelor of Science in Business Administration.

LA: That's right. And my major then was actually economics.

TS: I see. So you started out thinking you were going to be a psychology major, and then you switched while you were still an undergrad.

LA: That's right, while I was still an undergraduate.

TS: Did you continue to take upper level psychology courses?

LA: Not too much just because there wasn't that much room in the curriculum. Later I tried to. A lot of what I've picked up is just reading on my own.

TS: Okay. In graduate school you didn't continue to take psychology courses?

LA: No.

TS: You got through, and I gather you probably went straight into the master's program after you got through?

LA: That's right, I did. Straight into the master's program.

TS: You got that in 1984. There's a six-year gap before your Ph.D. Did you go to Emory from there?

LA: I went to Emory.

TS: Did you go straight from . . . ?

LA: I spent about a year doing really odd jobs, waitressing and things like that. My husband was a Ph.D. student at the time. I didn't want to start the Ph.D. program at University of Florida for several reasons: one, I thought it was a good idea to go somewhere else since I'd already gotten two degrees there; and, two, he was going to finish soon. If I had

started there, then I would have either had to live apart or transfer or something. So I waited the year until we moved up here. Then I investigated the various programs in the area. He at the time took a position at Georgia Tech.

TS: Okay, is he still at Georgia Tech?

LA: Well, he is now at Georgia Tech. We left for a while and then he came back to Georgia Tech.

TS: Okay. What field is he in?

LA: Accounting.

TS: Both of you are in business.

LA: Yes, makes for exciting conversations. I tell my students, and they laugh. They don't believe that.

TS: You move to Atlanta about 1985, I guess, and start immediately in the program at Emory.

LA: At Emory. It was actually a brand new program at that time. I was among the very first cohorts. That led to challenges because it was a new program, but it was also nice because there was a lot of interest in the students being the first group.

TS: And this is the financial economics group?

LA: It was actually in the Economics department. At the time Emory did not have a Ph.D. program in finance in the business school, but because they had several faculty who crossed over between finance and economics, my dissertation chair was a finance professor. That's why we called the degree financial economics.

TS: I guess that is fortuitous since we had a department of Economics and Finance here.

LA: Together, that's right. A lot of people in finance are crossovers from economics.

TS: What about mentors along the way? Who influenced you?

LA: Well, in the Ph.D. program, definitely my committee. There were three members. Mary Beth Walker is a professor at Georgia State now. Matt [Matthew J.] Cushing is at the University of Nebraska. They were both fairly new professors at that time, junior professors, so they were not out that long. They were really active in their research, so that was really helpful to me. Then my dissertation chair was [William] Curt Hunter, and he really supported me and still does. He has always been really helpful and supportive. He's the dean now at the University of Iowa at their business school.

TS: None of them stayed at Emory, did they?

LA: No. There was a lot of turmoil I think at Emory at that time. You know how it is with the tenure process. When a university is striving to get better sometimes there are conflicts that arise.

TS: So Emory was going through that?

LA: I think they were, yes.

TS: Particularly in the business college?

LA: Yes, and in Economics. At that time, Economics actually left the business school, and their Economics department was in the liberal arts college rather than in the business school. So I think that probably added a little bit more turmoil.

TS: At that time?

LA: They still are. At that time they left the business school, and they still are separate.

TS: I wonder how it would break down nationwide. A lot of people in economics think of themselves as being more in the liberal arts.

LA: I think more are. At the University of Florida they were in the business school, but I think it is more common that you're in the liberal arts. Actually, at University of Florida you could major in economics in the business school or in the College of Liberal Arts. You could go either path.

TS: You talked about the fact that they were young and still doing research that made them good mentors, but could you talk more about what you learned from them or how they were mentors to you?

LA: Well, Matt and Mary Beth's offices were right across from each other. It was actually in an old house because at that time they were having office space constraints. So we and another Ph.D. student who is a good friend of mine spent a lot of time just talking. They were always very open and very friendly. We spent time going to lunch and going to seminars and things like that. Curt was a really good mentor. Being in finance, he knew a lot about the profession, and he could give me a lot of ideas about research and how things worked and how to move forward. He was always very open, just a really good friend. I consider all three of them to be my friends. We're all still in contact, not on a daily basis or anything, but often.

TS: Would you say that early on your passion was research or teaching or what do you think?

LA: I think it was research when I first began. At that time that pretty much was everyone's focus at top research schools. The focus was on research. I don't think that's the case

any more. I think that now everyone recognizes that research and teaching go hand in hand, and they're both important parts of what we do.

TS: But at that time the focus was more research?

LA: Research. I was really, really shy, so the thought of standing in front of a classroom would just about make me pass out! I focused definitely on research. I had the opportunity to teach a small amount at Emory while I was a Ph.D. student. I had a professor who had really large sections of economics like we have here. So I was a tutor and a grader, and I ran study sessions and things like that. Then the last year I was there I actually taught full time for a year.

TS: While you were doing your dissertation?

LA: I was actually finished, and I stayed one year there at Emory. It was good because they have really small classes, or at least at that time the classes I had were very small, and the students were excellent students, so it was a good experience for me. Plus, I was there with my advisors, so if I had questions they could help me out.

TS: How did the Economics department at Emory rank, would you say, nationwide at that period or today for that matter?

LA: Today, the business school—I follow that more than the Economics department—but they rank very high. They're in the top twenty-five, I think, in the United States, so they do rank very high. At that time, I don't think they would have ranked that high. When I was looking at a Ph.D. program, I looked mostly at Georgia State, UGA, and Emory, and Emory just seemed to be the best fit for me. It was a brand new program, so it was very, very small, and I would be able to work closely with my mentors instead of having a big group where it was hard to find somebody to work with. That's the main reason I picked Emory.

TS: Well, you started out with psychology. Then you found out you really liked your economics courses. What drew you to finance, would you say?

La: Finance, historically, was a specialization of economics. You have to have the same basic knowledge background, the same coursework, and just in my readings in graduate school I was real interested in the finance research more than the economics research. Then there were some extra benefits like working with my major advisor, Curt Hunter. I really did want to work with him, and he was in finance, so that worked out good. A third benefit was that the job market is a lot better in finance than in economics, a lot better, a lot more job opportunities.

TS: I wonder why that's so?

LA: I think it's because it's a little bit more technical than economics. There are a lot of areas of economics that are very technical, but finance has the extra added layer of lots of jargon. I think that scares people a little bit.

TS: Have you ever attempted to go into the business world instead of into academia?

LA: I worked at the Federal Reserve Bank of Atlanta for a couple of years. I wouldn't really count that the business world, though some people do, because I was in the research department. So mostly what I did was research just like I'm doing while I'm here.

TS: I guess I was wondering about the ten-year gap between the time you got your Ph.D. and the time you started at Kennesaw.

LA: Oh, when I finished it was a bad job market year. I have a lot of friends, married couples, who have taken positions in separate places. My husband and I didn't want to do that. So we searched far and wide, and we ended up at a university in Canada. We were there for five years. It's called Wilfrid Laurier University in a small town called Waterloo. It's in-between Toronto and Detroit. There's that peninsula, and it's right in the middle of those two. So coming from Florida it was quite an adjustment for me.

TS: I guess so. You probably froze to death.

LA: I about froze to death. But we enjoyed it. We made a lot of good friends that we're still good friends with. I really wanted to come back to the United States, but it was a very good experience, and I'm glad I went there.

TS: How large a university was it?

LA: It was about ten thousand students, so it was smaller than KSU and obviously a lot smaller than University of Florida. But they didn't have as many majors, so the business school was actually pretty big. That's one of the better business schools in Canada. It's actually pretty well known.

TS: So you both taught in the same place?

LA: So we both taught there, yes, and that was nice because we actually do quite a bit of research together. So that worked out well. Actually, there is where I really had the opportunity to get more into behavioral finance and experimental finance because when I went there it was a growing place, and they didn't have a lot of the finance databases. The databases are really expensive. One of the most common ones now is called WRDS [Wharton Research Data Services, the Wharton School of the University of Pennsylvania], and it costs \$100,000.00 a year. Many smaller universities just can't afford to pay that kind of money. If you don't have the databases in finance, you're really stuck research-wise, but I found at the university that they had small grants that you could apply for. With these grants you could use the money to compensate subjects,

so it actually worked out quite well. I couldn't get the traditional data, but I could get money to compensate subjects, so I was able to do a lot of experiments.

TS: Wow. Do we have that database here at Kennesaw?

LA: We just got it. I mean, last week, I think.

TS: Did we justify it because students are going to use it or for faculty research? How did we sell it?

LA: Well, you know Gabriel Ramirez [Professor of Finance and KSU Distinguished Scholarship recipient in 2007]. He's been fighting long and hard to get that database for the faculty. I think what finally made it happen was the DBA program because those students really need that data. That's the Doctorate in Business Administration. We just got that. They really need that data. I think the program is funding part of the cost.

TS: Where's the rest coming from?

LA: I don't know. [laughter]

TS: But it's taxpayer money or grant money?

LA: I have no idea.

TS: I'd forgotten that we obviously do have a doctoral program now.

LA: That just started.

TS: That means you have to have a lot more for research than you had in the old days.

LA: Yes.

TS: Well, that's great. How many universities would have a database like that? All the land grant colleges, I guess.

LA: All the land grant colleges would have it. Any college that considers itself aimed for Research I would definitely have it.

TS: Okay, so Georgia State would have it?

LA: Georgia State would have it. Emory had it back when I was there. Georgia Tech has it.

TS: Okay, so as far as Georgia is concerned, excluding the medical college, we've got our three research schools that would have it of the public institutions. Emory would have it as a private institution. We've got it now. Would anybody else have it in Georgia?

LA: The Federal Reserve Bank. I don't know if they have full access because you can buy parts of this database. WRDS actually combined several databases. I know they have some of it, but I'm not sure if they have the full subscription. I know that many times we've tried to work with the corporation that puts this together to see if there could be some sharing agreement, but they won't allow that across institutions. Even we tried to put it in terms of the university system, but no.

TS: It's obvious when I interviewed Gabriel a couple of years ago that our Finance faculty members are well ahead of the rest of Kennesaw State in moving in a Research I direction. Much more scholarship oriented, everybody in the scholarship track, and so on. At least that's what I got out of his interview. Would you agree with that?

LA: I think that we are going to continue to have a balance. We do have a number of faculty who are on what we call the balance in teaching track.

TS: In Finance?

LA: In Finance, yes. There are some of us who see themselves as being more on the research track, but, for instance, we are hiring this year, and I don't believe they're going to hire on the research track. Partially, that's because of the huge growth we have. We just have needs that have to be covered.

TS: To cover the classes.

LA: Yes.

TS: But to have gotten that database it sounds as though that's a big step toward a scholarship orientation for the institution.

LA: I think so, definitely. And they use the database also in other areas—like Accounting would use it as well.

TS: Every year we're going to have to come up with \$100,000.00?

LA: That's right, that's the big problem, yes.

TS: Who is behind the database? Is anybody making money off of this?

LA: Well, originally we had this database called CRSP [Center for Research in Security Prices] that was put together by the University of Chicago. It's a database of stock price data. The University of Chicago put that together, and then there was a separate database called Compustat that was more financial statement data, income statement balance, that kind of thing. Compustat was put out by Standard & Poor's Corporation. Somehow they came to an agreement with this new data base WRDS, and all of that is combined.

TS: Standard & Poor's is behind it and others?

LA: I know that they own Compustat, so they must have come to some agreement with the University of Chicago. The problem before was, for researchers, we would need data from both databases, and they weren't easily linked because each would have its own identification number for a firm, and they didn't necessarily use the same system. So a firm might be number 124 in this data base and ABC in this one, and how do you link them? We used to talk about using ticker symbols and things like that, but they're not unique.

TS: Ticker symbols?

LA: Ticker symbols, you know like stock tickers, like you see for Coca-Cola is KO. The problem is those are not unique, and they do change over time, so when you're trying to put together a big database it can be extremely time consuming.

TS: Who's compiling the database? Do they have a staff of millions there?

LA: They have a staff that does that, yes.

TS: So a lot of people graduate and go to work for them.

LA: Probably, yes.

TS: Okay. So you stayed five years in Canada. Was that the five years before you came back to Kennesaw?

LA: I was there five years. Then I taught at Berry College for one year. Then I was at the Federal Reserve Bank, and then I was at Kennesaw. So I had a few stops.

TS: Let me ask it this way then. Did your husband go from there back to Georgia Tech?

LA: He went back to Georgia Tech. When I was at Berry College and the Federal Reserve Bank, he was at Georgia Tech.

TS: And then you got the job here at Kennesaw?

LA: That's right.

TS: So you all decided it's too cold up there, and there's a job at Georgia Tech?

LA: Yes.

TS: Why don't I get your husband's name in this transcript?

LA: Okay, it's Bryan and his last name is Church [Bryan K. Church]. Wilfrid Laurier was a great place for us, but, as I said, they didn't at that time have a lot of the data and that

kind of thing. So we were hoping to come back somewhere where there were more resources.

TS: Right. By the way, we didn't talk about your dissertation when we were going through your Emory years. What did you write your dissertation on?

LA: It was on stock market volatility. There was a very, very famous paper in the *American Economic Review* that argued that stock prices were overly volatile. Traditionally, in finance we like to rely heavily on the present value model, so we look at what our future cash flows and value today should be based on what you think the future cash flows are, and you just discount them in terms of interest rates. You take into account the fact that you should earn a certain return. If you buy a stock and you hold it forever, you get dividends. If you have an infinite horizon, basically what you're getting is dividends forever and ever and ever. All of our models were based on that, that stock prices should be the present value of the dividends. So this famous paper said, well, stock prices are way too volatile because dividends are real smooth—dividends don't change much. If companies pay a quarterly dividend usually they wouldn't change their dividend—one quarter it's a dollar and the next quarter it's ten dollars and then it's zero. They tend to smooth them out. But stock prices change constantly up and down every second of the day. In this paper he was able to prove that prices couldn't be the present value of dividends when dividends are real flat and prices are all over the place.

TS: Which seems like common sense.

LA: Seems common sense, doesn't it? He had really nice illustrations with graphs and a lot of mathematics to prove something. It's very intuitive and makes nice sense. In my dissertation I further investigated that. One thing I did try to include was changing expectations because we're trying to include expectations of future dividends. Do investors necessarily expect dividends to stay the same? One thing that we might not incorporate in the model, which we should, is a lot of firms are bought out by other firms, and when you take over a firm, often there are big cash flows at that time. Firms also repurchase their stock, and when they repurchase their stock, sometimes they pay premiums for the stock.

TS: Firms repurchase their own stock? It's on the public stock exchange.

LA: Right. A publicly traded corporation.

TS: Why would they do that?

LA: There are a lot of reasons why they might do it. A big reason they might do it is because they think the stock is undervalued in the market, so if they think it's trading too low, it can benefit them to buy it back. Also, they may believe that they should have a certain capital structure. Most corporations have debt and equity, and they might think that they should have, say, for example, half equity financing and half debt financing. If they see

that the value of their equity is way too big, they might buy back some stock to get their balance back. There are various reasons like that.

TS: So that influences the model then that you've got.

LA: That influences the model because the dividends may be flat, but if you think about these other cash flows, they're really huge, and they're really lumpy, right? They're at very discrete time periods. When you incorporate that, if you just think of a picture of dividends all nice and flat, and then all of a sudden you add these huge, extra cash flows here and there, that can cause a lot of volatility in what people think the stock is worth. A firm doesn't have to be taken over. There are just rumors that it could be taken over, that kind of thing. Once you include all that, stock prices were actually not too volatile. So that was the contribution.

TS: Okay. Did you continue working on this same question of volatility?

LA: I have a few papers in that area. Then, because we had gone to Wilfrid Laurier, I did some additional research using traditional data, but then I started getting more into the experiments.

TS: And experiments were where you were paying people to come in?

LA: And to look at their decisions.

TS: How do you do that? Do you give them so much money to invest?

LA: There are a lot of different designs, but a common thing would be you would recruit eight people to participate in the market, and they would actually trade shares of an asset amongst themselves. At the end of a certain amount of time those shares would be worth something. So they would earn, depending not only on what they have, but also what they bought and sold for. Of course, we know people should buy low and sell high, but they don't always do that. And then the assets—the pay off—is determined by a probability distribution. So with that uncertainty people have different expectations, and we can also manipulate what information people have. Some people can have more information than others, so at the end what they earn should always be tied to the incentives they had in the experiment.

TS: But your experiment is basically why they make the decisions that they do?

LA: Why they make the decisions they do, yes.

TS: Any startling conclusions?

LA: A lot of the initial research I did was looking at information use. In finance a lot of the theory says that the information should be reflected in prices. So if people have

information, they trade based on it. If you know something's going to be worth a lot, you buy a lot of it.

TS: You make intelligent decisions, supposedly?

LA: Right. So we look a lot at that—how information was disseminated when people had different information, and how quickly it would take to be reflected in the market price. If a sufficient number of people have information, we found it was reflected in the price and pretty quickly, but when information is more limited, people sometimes will trade strategically because they don't want everybody to know what they know. So it's not all as clear cut as it seems.

TS: It sounds like you're working with people that are really very serious investors and spend a lot of time on it.

LA: Not necessarily.

TS: That's what I was wondering because I might invest something, but I'm not going to spend a whole lot of time on it, so I'm probably not going to know what I'm doing.

LA: Well, that's a lot of more recent interest because there are so many people concerned about what might happen if Social Security goes to privatization and all of that. How people make decisions. I have a colleague at the Federal Reserve Bank, and we actually, for some experiments, use Federal Reserve employees. We normally use students, and we wanted to use actual employees because we wanted to look at more direct financial decisions, how you would allocate your money. We actually found that the employees' decisions were very similar with what we saw with business students. There weren't huge differences. But there is a lot of interest in that—in encouraging people to make better decisions. One thing I have a few papers on is called home equity bias, and that's the tendency people have to invest in their home market. For example, Americans overinvest in the U.S. market; Canadians overinvest in Canada; it's a worldwide phenomenon. In Japan, people invest very heavily in Japanese stocks, so there's a lot of interest in understanding just that kind of behavior—why people do that. The home bias has declined a little bit over recent years, I think, primarily because of education. People hear more about diversification and that kind of thing, but it's still really, really prevalent.

TS: Probably computerization as well, I mean, just thinking probably until a few years ago people wouldn't have that much knowledge about other countries.

LA: Now it's so easy to diversify if you trade through Vanguard or any of the large mutual funds; it's all right there.

TS: I was thinking too, would there be a home bias in that if you lived in Atlanta, you'd be more inclined to invest in Coca-Cola or Genuine Parts or something.

- LA: That's right. We actually did exactly that. We used students. We have a friend at University of Toronto, so we ran experiments down here, and he ran experiments up there, the same experiment, but using the two different subject pools. In the design the subjects were given an allocation of money and asked to allocate among certain stocks, for instance, Coca-Cola, and we picked large Canadian companies that they would know. We looked at the differences in how they allocated it, and, of course, the American students put a lot of money in not just the American stocks but definitely there was a local bias as well.
- TS: To what degree would the bias be because you actually know the people at Genuine Parts or whatever?
- LA: Well, that's one of the explanations is just familiarity—you've heard of that company. Part of it might be your neighbor works there or you worked there, and you hear great things, and you're optimistic. Much of the recent research has tried to isolate that effect. Definitely, there seems to be a role for familiarity.
- TS: I remember years ago in the Tetley lecture series, the president of ValuJet spoke, and after listening to his speech, if I'd had any money to invest, I would have gone out and invested in ValuJet, and that would not have been a good decision. So I was glad later on that I didn't have any money to invest. He was very impressive because I just heard him speak, and he sounded like he knew what he was doing.
- LA: Well, he was a good businessman. Yes, that happens often.
- TS: One year at Berry and I guess you continue to do research, but it's probably a little more difficult at Berry?
- LA: It was a little more difficult. I had a heavier teaching load, and then I lived here in Kennesaw, so it was a long drive.
- TS: Our former history department chair, Ann Pullen, lived in Rome and drove down here for a number of years.
- LA: It's a long drive. We live here in Kennesaw, and sometimes it would take my husband longer to get to Georgia Tech than it would take for me to get to Berry.
- TS: Oh, the traffic.
- LA: But still it was a very long drive.
- TS: What did you do at the Federal Reserve?
- LA: The title was policy advisor. I was in the research department, and one of the primary responsibilities is to advise the president prior to FOMC meetings—Federal Open Market

Committee meetings—they meet approximately every six weeks and they talk about things like interest rates and that kind of thing.

TS: I was noticing on your website that you're still a visiting scholar at the Federal Reserve Bank?

LA: That's correct.

TS: What exactly does that mean?

LA: It's very nice. Primarily, I just go down and visit and talk with people there about my research and their research as well, so it's a conversation.

TS: So it's like consulting work that you would do down there.

LA: Kind of.

TS: How much time do you devote to that?

LA: It varies. I've had times where I've gone there once every other week. This summer I haven't gone as much, so it does vary. It's not a fixed schedule or anything like that.

TS: How big a research department do they have at the Federal Reserve for Atlanta?

LA: Boy, they have, I'm guessing thirty economists. It's pretty big.

TS: I can see why at the national level interest rates would be so important to the Federal Reserve Board, and I guess they do a lot of research on how much money to print and so on. What exactly does the Atlanta branch do that needs all these researchers?

LA: Every branch of the Federal Reserve Bank has a president, and the presidents serve their terms on FOMC, so they vote on monetary policy. Many of them are economists, but they aren't necessarily economists, so they need a team of researchers to give them advice on what's happening in the economy, just to update them and provide information. The reason that each region has a research team is because they follow that region. Traditionally, way back when the Fed was first formed [1913], they followed what's going on in their particular region in the southeast.

TS: The Fed is going to have its 100th anniversary in four more years. That ought to be interesting.

LA: It will be.

TS: Hope they do something of an historical nature for their centennial.

LA: Yes, I'm sure they will.

- TS: Is the idea that there's a lot of intelligence out in the boondocks, and you want the whole country to be making these financial decisions, that they've got it set up this way?
- LA: Historically, you know the separation between the state and federal government way back when the states didn't want all the power centralized in Washington, D.C. So the creation of regional banks was a way that they could make sure that the whole country is represented. And interests are going to be different in terms of some regions might be fairing poorly and others might be fairing well. So they want to make sure a national decision is made.
- TS: Reflects all the country. In 2000 you come to Kennesaw State. How did that come about?
- LA: I was driving by Kennesaw everyday while I went to work. I knew Roger [C.] Tutterow who was chair of the department at that time. I had also met James [G.] Tompkins [IV] who is a professor here still. There was a position, so I applied.
- TS: What kind of a search did you have to go through?
- LA: Our department does the national search. The Financial Management Association meets every year in October, and the department would put out an ad in finance publications inviting applications. We haven't interviewed the last couple of years, but the last time we interviewed we got several hundred applications. It takes a lot of time going through all these applications.
- TS: Were there that many when you applied, do you think?
- LA: I'm thinking there were probably a hundred, but I'm just guessing. I think there are more now, but there was a good number. Usually, what you do is you set up meetings at the Financial Management Association. You send representatives there, and beforehand they arrange appointments, and they interview people. If you make it through that, then they would invite a certain number of people to campus. Usually, it would be maybe three people for each position that you had.
- TS: Who was on the committee when you got the job here?
- LA: I should know but I don't. I think Tom Miller was, but I'm not positive. You meet everybody.
- TS: Right. And Tutterow had a national reputation I guess at that time, didn't he?
- LA: Yes, definitely.
- TS: *Georgia Trend* magazine listed him a few years ago as one of the forty under age forty rising stars in Georgia.

LA: Really?

TS: Yes. So you applied and you got the job, and the job was to teach Finance. Was there any particular specialty that you were to cover?

LA: At that time I taught a lot of MBA classes, and the primary specialty I did was futures and options markets.

TS: Let's see, I think the MBA program started in '85, so it was an established program by the time you came.

LA: There were a good number of students.

TS: Okay, well, let me just ask you this, what was your impression of Kennesaw when you first came here? Had you heard much about KSU before you applied here? Of course, you already lived in Kennesaw.

LA: I had heard about it even when I was a graduate student because we have seminars that people come to from all the different universities. I thought of it as a teaching school. That was the reputation, but I knew there were some people like James who were involved in research, so I had a good overall view of the place. When I came one thing I really liked, the students are just really nice. The students are very pleasant to work with. I think that over time the students that I have are becoming more serious, so I think that's a good thing. I know that they have a lot of demands on their time with work and family. I know that that's tough, just trying to juggle all of that.

TS: When you were at Wilfrid Laurier. . .

LA: Those students were completely different because they were very traditional. If I taught juniors, they were all twenty or twenty-one years old—every single one of them. In Canada, I don't know the percentage of people who go to college, but they are more traditional students aimed for college, and they go straight through, whereas here we have a lot of students who go in and out.

TS: I guess even compared to Berry we had more non-traditional students, didn't we?

LA: Yes.

TS: Okay, so this is a new experience for you then.

LA: It was new, yes, just trying to help them juggle what they were doing, so that they could still learn what they needed to learn.

TS: So when you came in 2000, we had non-traditional students, probably even more so than today.

LA: Definitely more than today.

TS: We're changing more toward the traditional students campus-wide, and you're seeing that in Finance too?

LA: Definitely.

TS: But you're seen as they become more traditional they're becoming more serious....

LA: I think the students I have are more serious. They're a bit stronger in terms of their background mathematically.

TS: Because they're closer to when they learned it the first time?

LA: That's right. Yes, it's hard to remember algebra when you did it twenty years ago.

TS: Right. Well, how much math do they need in finance?

LA: We required the usual business sequence, which includes calculus. At some universities you would use calculus in the courses, but most of our courses are tailored so you don't have to use calculus. It's primarily algebra.

TS: But I guess a considerable amount of math compared to most majors on campus.

LA: I think so.

TS: So they've got a better foundation you're saying nowadays?

LA: I think so. Every year it seems like they get better.

TS: What about the faculty when you came here? How would you describe the faculty at Kennesaw?

LA: They're almost the same, the faculty. I mean, we've hired some new people, but the people who were here when I came, almost everyone is still here except for, of course, Roger, but pretty much everybody else is still here. There's a nice group of people. We have people who have diverse interests. Some are not that interested in research. For me, as long as there's a balance, that isn't a problem because I think people should be valued for what they're good at, and people contribute in different ways. So that's the nice thing about the different plans that we have in the business school.

TS: I guess you've got the three tracks of scholarship, balanced, and teaching.

LA: That's right. I believe they have different names; sometimes they change the names; but that's the basic idea.

TS: If you're in the teaching track I guess a lot of those people don't have a doctorate do they?

LA: I think nowadays they all have doctorates, yes, I think so. And their load would be four four [four classes fall semester and four classes spring semester].

TS: And then balanced would be three three?

LA: I believe so.

TS: And then scholarship is two two.

LA: Two two.

TS: Unless you've got a grant or something that reduces it further.

LA: Right.

TS: Have you been teaching two two or have you been able to reduce it more?

LA: I've taught two two every year except last year. I was able to get one of the new grants that we have at the university, so that was really nice.

TS: One of those through CETL?

LA: Right, through CETL, and it was very nice.

TS: So you've been on scholarship track ever since you got here.

LA: That's right.

TS: That's one of Tim Mescon's goals I think when he came here way back when was to get that started, so that was pretty well established by the time you came in 2000 I guess.

LA: I think so.

TS: But you were hired to be under the scholarship track.

LA: That's right. Usually when we hire we have a target there.

TS: Did you come in as associate professor or what was your rank?

LA: I came in as full.

TS: And Gabriel came in as full too a couple of years later.

LA: That's correct.

TS: That's one of the ways Kennesaw has been changing in recent years, the last decade or so. In the old days there were very, very few that would be hired as full professors when they got here. Maybe it's a little different in business, I don't know. But at least you two—any others in business that came in as full professors?

LA: I'm thinking Joe [F.] Hair in Marketing would have because he came recently.

TS: Any others in Economics and Finance?

LA: No. The other people that we've hired have been new Ph.D.'s except for Ann [B.] Gillette, who was hired as associate. She became full last year.

TS: I know she's done a lot of scholarship too.

LA: She has.

TS: In fact, I think Ann and you and Gabriel have a pretty good record of taking all those Flames of Excellence.

LA: Oh, the Foundation Prize.

TS: The Foundation Prize.

LA: That's a very nice thing too.

TS: How many of those have you won now?

LA: Two.

TS: Two. We only started those about 2003, so there haven't been that many, seven, I guess, and you've won a couple.

LA: Ann's won two.

TS: Ann's won two and Gabriel's won one so that's five of the seven. Who won the other two?

LA: Brett [E.] Katzman [associate professor of Economics] won this year, and last year Richard M. Franza, the chair of Management and Entrepreneurship, won.

TS: You have if not a monopoly, something pretty close to it. You're in the department of Economics, Finance, and Quantitative Analysis, but the Finance faculty is probably getting big enough to be your own department somewhere along the line, aren't you?

LA: That's the decision of the dean to decide that.

TS: Well, of the people in Finance how many of them are on the teaching track?

LA: We have some people who kind of go back and forth between Finance and Economics, so it makes it hard to count. We do have a couple of lecturers too, so they would teach four four. Of the tenure track faculty, I think they're all on balanced or research and mostly on research I think in Finance.

TS: So that's the direction that your department has moved, or at least your half of the department. And in Economics is it more toward balanced than scholarship?

LA: It's probably mostly scholarship as well. They have a few people who are on the teaching track, people who have been here for a while, but the newer people are either balanced or scholarship.

TS: Was this something that was a Roger Tutterow influence in that department?

LA: I think so.

TS: So he pushed it that direction. And other departments in business maybe were less inclined to do that.

LA: To push that hard. I think accounting has in recent years.

TS: You talked about all those applications for jobs. Is Finance an area where you have to compete with people that are working for banks and out in the business world, as opposed to people that are working strictly in academia, or are those two areas almost totally divorced from each other, would you say?

LA: They're pretty much divorced. If you haven't continued to do research, it's so hard to get it started again. We do see some people now, especially with the economic downturn, who are trying to enter academics from Wall Street and that kind of thing, but they're often going to have to take lectureship positions because for AACSB [Association to Advance Collegiate Schools of Business] we have to have a certain level of contribution to scholarship for accreditation. Even people on the teaching track have to have some scholarship for AACSB.

TS: How do they do it with a four four?

LA: I know. It's tough, isn't it?

TS: I was thinking too when I was interviewing Harry Lasher a number of years ago that he was saying that having a doctorate was actually a liability in some of the banks that he had worked for, and he didn't want to let them know that he had a doctorate—that they

had their approach, and academia had it's approach. So you're not competing with the business world to hire the next professor in Finance then.

LA: No. Now is not the time, but back when the economy was much better, Wall Street would attract a lot of people who did really quantitative research in Finance because they were trying to set up hedge funds, and there was a lot of growth in that area, and really technical, mathematical types, but right now I don't think that's going to be happening very much.

TS: Talk about the scholarship that won you the award this year and what you did to win the Foundation Prizes.

LA: From what I know about it, the campus wise Distinguished Scholarship award is based on the whole track record, so it's having a number of contributions.

TS: Life time achievement.

LA: Yes. The first Foundation Prize was an experiment where we looked at trading and information use like I was describing earlier. In that study we actually ran experiments not just here in Atlanta but in Toronto and also in China. What we were trying to see was whether there was a cultural influence. The outcomes interestingly were really similar even though the people seemed to be a lot different. We found that there were big differences in how they traded, but the prices would end up being really close. The Americans would tend to trade more, for example. Many of the Chinese participants were more reserved. The second Foundation Prize was actually for a more traditional empirical study where I looked at the effect of short selling on stock prices because if you pick up the Wall Street Journal, the short sellers are not viewed in a positive light.

TS: No, they're not.

LA: No. But we found that short sellers actually provide a service to the market because the idea is that they should short sell when the price is wrong, when the price is too high, and we found that that was usually what they were doing. Not every time, but on average over our sample of data that stock that was short sold would then rebound. Then we would see prices more in alignment with what they should be. Other studies have concluded similarly. Of course, there are people who take advantage of others, but in general when stocks are short sold, it's actually good for the rest of the market.

TS: So it shouldn't be a pejorative that don't sell us short.

LA: Exactly.

TS: Where did you publish those?

LA: The experiment was in the *Journal of Economic Behavioral and Organization, JEBO*, and the other one was *Journal of Banking and Finance*.

TS: I noticed from your website that you've published in *Journal of Finance* and that's the biggie in the field.

LA: That's right. That's the big one. The study I was describing earlier with the smooth dividends and the lumpy cash flows for mergers was in *Journal of Finance*.

TS: I know when I interviewed Gabriel he was talking about there are often multiple authors of publications nowadays. Is it a team project that you did?

LA: That one was with a co-author, his name is Brian Smith. He was at Wilfrid Laurier, and he's a really good empirical finance researcher.

TS: So two authors.

LA: Two authors on that one.

TS: Gabriel had as many as four on some of his it seemed like.

LA: I got a couple with that many, mainly with experiments. It was because it's just so time consuming, setting it up and running it and all of that.

TS: I guess so. Let's see, you published in *American Economic Review*.

LA: That was one that wasn't from my dissertation, but it was that stock market volatility as kind of an extension with my advisor, Curt Hunter.

TS: And then *Journal of Accounting Research*.

LA: Yes.

TS: That's a little bit beyond your field, isn't it?

LA: It sounds like it. I have a number in accounting journals because accountants are really interested in use of information. In experiments we've looked at how information is used. Those were mainly experiments in those journals.

TS: I noticed that you've gotten grants from a number of places. How difficult it is to get grants in the field of business?

LA: It's very hard, it really is. The few grants I got in Canada were from the SSHRC, which is the equivalent of NSF [National Science Foundation], but they just have a longer name—Social Sciences and Humanities Research Council. I don't know if you've ever looked at NSF, but it's extremely time consuming, just all the forms you have to do. SSHRC is similar to that. They send them out for outside review and same basic process. So those were excellent grants to get because they were quite significant.

- TS: Is the *Canadian Investment Review* a journal?
- LA: It's a practitioner-oriented journal. I have published a couple of papers in there. From time to time they have competitions, and they'll pick a best paper or they'll have competition for research funding. I have gotten that for the short sales work that I've done.
- TS: Chicago Board of Trade?
- LA: That was nice. They used to have a journal many years ago, a futures market journal. They don't have it any more, but they used to. When they had that journal they would have these competitions for funding. The first time I presented an academic paper was there at the Chicago Board of Trade, and it was really nerve-wrenching because I think there was maybe one other woman in the whole room of 100 people, so it was just different.
- TS: You also have Center for the Study of Futures Markets at Columbia University. How many of these grants have come in since you've been at Kennesaw?
- LA: I think just the ones from Canada, from the *Canadian Investment Review*. The SSHRC you have to be at a Canadian university, so all of those I got when I was in Canada.
- TS: So are you working on any grants now?
- LA: Not right now. Gabriel and I tried to work on one, and we had some trouble with the approval process, the agreement that the university would come to with [the grantor], so that was kind of sticky.
- TS: Yes. I think that's probably campus wide. I've heard of some other situations.
- LA: Sticky situations?
- TS: Yes, where it seems like the negotiations go on and on.
- LA: They go on and on, and then they fall through. It's too bad. But I've been working on a book. You've written your own books, so you know that's an extremely time consuming. I'll be very glad when that's out.
- TS: What kind of book is it?
- LA: It's a behavioral finance book, a textbook primarily aimed at business majors and MBA students.
- TS: Talk a little bit about your teaching now and what courses you're teaching and how large the classes are and things of that sort.

LA: This semester I have two sections of Finance 3100. That's the principles of finance that all business majors take. I actually like teaching it because I think the students learn things that are so important for their life. Many of the students don't want to be there, so you have to find ways to reach out to them so that they come to class. I like to teach that, but those are going to be big classes. Usually there are about sixty students, but this time I got smaller rooms. So I was lucky. I got the rooms that have the maximum of fifty, so it's not a lot smaller. They both are full, so they both have fifty students. Next semester I believe I'm going to be teaching the behavioral finance elective which is a new course. We've offered it just one time before so . . .

TS: This is one you've developed?

LA: Yes. We offered it just one time a couple of years ago. We have so many needs it's hard to offer a new course, but I'm hoping that it will become a permanent course.

TS: Good. What else do you teach?

LA: I teach the Futures and Options Markets. That's a pretty technical course. Mostly senior finance majors take it. Sometimes you get a few accounting students, but mostly it's going to be finance students and it's real technical.

TS: What about graduate courses?

LA: When I first came that's all I taught were the futures in options for MBA's and also the corporate finance for MBA's. The last two years or so I haven't taught the MBA's as much. I like teaching them as well. It's just for my own interests. I have three children, and the MBA classes are all at night and teaching until eleven at night.

TS: I understand that. And weekend classes.

LA: And weekends made it complicated.

TS: So for those reasons you're doing mainly undergrad.

LA: Yes, because of the time.

TS: Do you expect to be involved with the doctoral program at all?

LA: Gabriel and Ann and I had hoped to be part of the program, and that's not ruled out at this point. We're just not sure because of the limited resources. They have not offered a major in Finance, but they may in the future.

TS: How many students are in the doctoral program?

LA: Oh boy. I'm thinking about twenty but I don't know for sure.

TS: What about the master's level programs, are they holding their own or growing or what?

LA: I think there is some growth which is good because I've heard from people at other universities that they're actually shrinking a little bit, but ours are definitely doing fine. And the undergrads, you know, is just growing like crazy.

TS: We've talked about teaching and scholarship; what about professional service that you've been involved with? Do you have time to do much of that?

LA: I'm on some editorial boards, a couple of them, so I've done that.

TS: But in your scholarship track that's probably the third on the list of important things, isn't it?

LA: I think it is, but service to the profession, especially when you've been out more than a few years, I think is an important way to contribute.

TS: Sure. Well, you've been here nine years. You got a new dean here as well. Do you see the Coles College changing in the nine years that you've been here?

LA: I think it has changed a lot. A lot of it is just growth; it's gotten so much bigger. We see some talk of moving toward a stronger research orientation, and I see some of that, but I don't think that there's any expectation that we're going to move that far from applied research. I think that that's the goal to focus on applied research.

TS: Would you describe what you've been doing as applied research?

LA: Some of it. I think probably most of it is more traditional discipline based.

TS: I was just thinking, when you're giving advice to the head of the Federal Reserve board . . .

LA: That's pretty applied!

TS: That's pretty applied, isn't it—although it may be based on traditional research? Would that be correct?

LA: I think so.

TS: So change through growth. Let's see, Ken Harmon is the new dean.

LA: That's correct.

TS: And he came out of accounting?

LA: He was the director of the School of Accountancy.

TS: Do you think that's going to change the culture at all or is he pretty much going to continue things they way they've been going?

LA: My take is that he strongly will support the culture that we already have. That was one of the promises that he made.

TS: So that's what you all want then, I guess?

LA: I think so because we do have a balance of different types of people.

TS: I guess really if you wanted to shake up a place you'd bring somebody in from outside.

LA: Right, who had a totally different background and different vision.

TS: Yes. So you all are happy with the direction that you were going and you think that's the way the decision was made.

LA: I think so.

TS: What about for the campus as a whole? For nine years we're on our second president since you've been here. Have you seen any change other than growth? We've certainly grown. I can't even remember in 2000, what were we—13,000 or something like that in enrollment when you came?

LA: When I first came we still had the roads through the middle of campus, so the first thing was closing off the roads so that there's the quad in the middle. I think it's nice just having students around. It just seems like a much more active, alive place.

TS: So more interaction with students, do you think?

LA: I think so, yes. And actually because of my children I see the music program a lot because they all play strings and the youth symphony plays here at Kennesaw. It's wonderful on the weekend and all the kids here and just so actively involved in the music.

TS: Well, we've done nothing but build new buildings since you got here.

LA: That's the truth. Now we need a new business school.

TS: That's what I heard. What's the story on that? Are they going to expand the current building or build a new building?

LA: I haven't heard anything about it, but it would be nice.

TS: When you came the math department still had, what the fourth floor, didn't they?

LA: The fourth floor, that's right.

TS: So you've bumped them out now.

LA: We've bumped them out and we are out of room.

TS: I would guess so. I know our Social Sciences building has only been there for a couple of years now, and they've had to take open spaces and fill them in with offices during the summer break just to figure out where they were going to put everybody. I thought we had more room in that building than we would need for the next twenty-five years. I wasn't very good at predicting the future because we're full up. I know you've got to be in Business. So you're ready for a new building then.

LA: I am! [laughter]

TS: Well, maybe with the new intramural fields we could build a new one where the soccer field sits there.

LA: That's a good spot, I didn't even think of that.

TS: Since we got the 88 acres now for intramurals maybe that would be a good spot. I don't know whether you can build behind the Burruss building any more since the Commons is there.

LA: No, there isn't any room there any more.

TS: You could put a building between your building and Kennesaw Hall to fill in something, or put in a wing.

LA: Something.

TS: Growth is good. It's nice to know we're growing in that direction. I think I'm just about out of questions. What haven't we talked about that we should have, do you think? Is there anything that you'd like to say for the record that we haven't talked about?

LA: No burning issues that I can think of.

TS: Have we covered your scholarship adequately enough, do you think?

LA: I think so. I think one thing is the Foundation and just appreciating all that they've done with the Foundation prizes and all the support for research. I think it really makes a huge difference.

TS: I'm with you on that. I've interviewed in the last couple of years several of the leaders on the Foundation, and it's pretty impressive what they've actually done.

LA: It's very impressive.

TS: Tommy Holder certainly in terms of supporting all of these awards on campus as well as providing the leadership to move the Foundation in that direction is just remarkable.

LA: Amazing.

TS: We all owe the Foundation a big debt, I think. I very much appreciate the interview.

LA: Thank you for inviting me over.

TS: I've enjoyed talking to you.

LA: Me too.

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