

## CURRICULUM VITAE

September 2003

### **FRANKLIN ALLEN**

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**DATE OF BIRTH:** March 6, 1956

### **EDUCATION:**

- 1977: B.A. in Economics and Computing Studies, First Class Honors, University of East Anglia, U.K.
- 1979: M. Phil. in Economics (Adviser: Joseph E. Stiglitz)
- 1980: D. Phil. in Economics (Adviser: James A. Mirrlees) Nuffield College, Oxford University, U.K.

### **POSITIONS:**

- July 2000-present: Co-Director, Wharton Financial Institutions Center
- January 1994-present: Nippon Life Professor of Finance and Economics.
- July 1990-January 1994: Professor of Finance and Economics.
- July 1990-June 1993: Vice Dean and Director, Wharton Doctoral Programs.
- July 1987-June 1990: Associate Professor of Finance and Economics (with tenure)
- July 1986-June 1987: Associate Professor of Finance (with tenure)
- September 1980-June 1986: Assistant Professor of Finance

The Wharton School  
University of Pennsylvania  
Philadelphia, U.S.A.

## **VISITING:**

July 2003-present: Scientific Adviser to Sveriges Riksbank (Central Bank of Sweden)

September 2001-June 2004: Adjunct Professor of Finance  
Stern School of Business  
New York University

September 2002-June 2003: Visiting Professor  
Bendheim Center for Finance  
Economics Department  
Princeton University

April-June 2001: Metzler Visiting Professor  
Faculty of Business Administration  
Johann Wolfgang Goethe-Universität Frankfurt  
Frankfurt, Germany

September 2000-present: Visiting Scholar  
New York Federal Reserve Bank

September 1994-May 1995: Visiting Scholar  
Federal Reserve Bank of Philadelphia

April-July 1993: Yamaichi Visiting Professor of Finance  
Faculty of Economics  
University of Tokyo  
Tokyo, Japan

July 1989: Summer Visitor  
Financial Markets Group  
London School of Economics  
London, U.K.

August 1988: Summer Visitor  
Faculty of Commerce,  
University of British Columbia  
Vancouver, Canada.

September 1982-August 1983: Research Fellow  
Nuffield College,  
Oxford University, U.K.

## **Directorships**

1991-present: The Glenmede Fund, Inc.

## **TEACHING EXPERIENCE:**

Ph. D. Introductory Finance

Ph. D. Corporate Finance  
Ph. D. Public Policy  
MBA Financial Analysis  
MBA Microeconomics  
Undergraduate Corporate Finance  
Undergraduate Microeconomics  
Undergraduate Public Policy  
Executive Education Mergers and Acquisitions  
Executive Education Financial Management  
Supervision of Ph.D. Theses  
Supervision of MBA Advanced Study Projects

### **TEACHING AWARDS:**

Lindback Teaching Award 2000-2001 (University Teaching Award)  
Anvil Teaching Award 1992-93, 1998-1999 (“Best Professor” award determined by MBA student votes)  
Class of 1984 Award 1995-96, 1996-97 (presented to the person with the highest teaching evaluations in the MBA program).  
Whatever It Takes Award 1995-96 (presented by Wharton Graduate Association)  
“Above and Beyond the Call of Duty Award” 2001-2002  
MBA Excellence in Teaching Award 1989-90, 1992-93, 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002.  
MBA Teaching Excellence in the Core Award 1991-92, 1992-93, 1995-96, 1996-97, 1998-99, 1999-2000, 2000-2001, 2001-2002.  
MBA Core Curriculum Award 1995-1996, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001.  
Wharton Undergraduate Teaching Award 1990-91.

### **PROFESSIONAL ACTIVITIES:**

Editorial Positions: Executive Editor of Review of Financial Studies 1993-1996  
Editor of Journal of Financial Intermediation 1992-1993  
Co-editor of the Review of Finance 2003-  
Advisory Editor of Journal of Financial Markets 1997-  
Advisory Editor of Journal of Financial Services Research 2000-  
Advisory Editor of Multinational Finance Journal 2001-  
Advisory Editor of Journal of Financial Stability 2003-  
Associate Editor of Financial Management 1991-  
Associate Editor of Journal of Financial Intermediation 1989-1992, 1996-  
Associate Editor of Review of Financial Studies 1989-1992  
Co-editor of the Journal of Economics and Management Strategy 1991-1993

Positions in Academic Associations

American Finance Association:

Director, 1996-1997  
Vice President, 1998  
President-elect, 1999  
President, 2000

Financial Intermediation Research Society

President, 2003-

Society for Financial Studies:

Vice President 1996-Jan 1997  
Acting President Jan-June 1997  
President June 1997-1999

Western Finance Association:

Director 1991-1994  
Vice President 1996-1997  
President-elect 1997-1998  
President 1998-1999

**AREAS OF INTEREST:** Corporate Finance, Asset Pricing, Comparing Financial Systems, Financial Crises.

**RESEARCH GRANTS:**

NSF - Capital Structure and Imperfect Competition in Product Markets (SES-8420171): 1985-1987.

NSF - Studies in the Microstructure of Financial Markets (SES-8813719): 1988-1990.

NSF - Further Studies in the Microstructure of Financial Markets (SES-8920048): 1990-1992.

NSF - Studies in Intermediation and Financial Markets (SES-9121807): 1992-1994.

**PRIZES:** Donald P. Jacobs Award for the best paper in Volume 1 of the *Journal of Financial Intermediation*.

Salomon-Smith Barney Prize for the best paper at the 1998 AFA meetings.

Robert C. Witt Research Award for Outstanding Feature Article in the *Journal of Risk and Insurance*.

**REFEREED PUBLICATIONS:**

1. "Optimal Linear Income Taxation with General Equilibrium Effects on Wages," Journal of Public Economics, 1982, 17, 135-143.
2. "The Relationship Between Unemployment and Vacancies in The United Kingdom: A Mimic Approach," (with A. Parikh) Oxford Economic Papers, 1982, 34(1), 98-107.

3. "On Share Contracts and Screening," Bell Journal of Economics, 1982, 13(2), 541-547.
4. "Admissible Mean Standard Deviation Indifference Curves," Economics Letters, 1983, 12, 11-17.
5. "Credit Rationing and Payment Incentives," Review of Economic Studies, 1983, 50(4), 639-646.
6. "Rational Expectations and the Measurement of a Stock's Elasticity of Demand," (with A. Postlewaite), Journal of Finance, 1984, 39(4), 1119-1126.
7. "Reputation and Product Quality," Rand Journal of Economics, 1984, Autumn, 311-327.
8. "Mixed Wage and Rent Contracts as Reinterpretations of Share Contracts," Journal of Development Economics, 1984, 16, 313-317.
9. "Repeated Principal-Agent Relationships with Lending and Borrowing," Economics Letters, 1985, 17, 27-31.
10. "On the Fixed Nature of Sharecropping Contracts," Economic Journal, 1985, 95, 30-48.
11. "Achieving the First Best in Small Economies," Journal of Public Economics, 1985, 27, 255-260.
12. "Discovering Personal Probabilities When Utility Functions are Unknown," Management Science, 1987, 33, 542-544.
13. "A Theory of Pricing Rigidities When Quality is Unobservable," Review of Economic Studies, 1988, 55, 139-151.
14. "Optimism Invites Deception," (with G. Faulhaber), Quarterly Journal of Economics, 1988, 103, 397-407.
15. "Optimal Security Design," (with D. Gale), Review of Financial Studies, 1988, 1, 229-263.
16. "Signalling by Underpricing in the IPO Market," (with G. Faulhaber), Journal of Financial Economics, 1989, 23, 303-323.
17. "The Market for Information and the Origin of Financial Intermediation," Journal of Financial Intermediation, 1990, 1, 3-30.
18. "Rational Rationing," (with G. Faulhaber), Economica, 1991, 58, 189-98.
19. "Arbitrage, Short Sales and Financial Innovation," (with D. Gale), Econometrica, 1991, 59, 1041-1068.
20. "Measurement Distortion and Missing Contingencies in Optimal Contracts," (with D. Gale), Economic Theory, 1992, 2, 1-26.

21. "Stock Price Manipulation" (with D. Gale), Review of Financial Studies, 1992, 5, 503-529.
22. "Churning Bubbles" (with G. Gorton), Review of Economic Studies 1993, 60, 813-836.
23. "Finite Bubbles with Short Sale Constraints and Asymmetric Information" (with S. Morris and A. Postlewaite), Journal of Economic Theory 1993, 61, 206-229.
24. "Limited Market Participation and Volatility of Asset Prices" (with D. Gale), American Economic Review 1994, 84, 933-955.
25. "A Welfare Comparison of Intermediaries and Financial Markets in Germany and the U.S." (with D. Gale), European Economic Review 1995, 39, 179-209.
26. "Financial Markets, Intermediaries, and Intertemporal Smoothing," (with D. Gale), Journal of Political Economy 1997, 105, 523-546.
27. "Financial Pricing of Insurance in the Multiple Line Insurance Company," (joint with R. D. Phillips, J. D. Cummins), Journal of Risk and Insurance, 1998, 65, 597-636.
28. "Using Genetic Algorithms to Find Technical Trading Rules," (joint with R. Karjalainen), Journal of Financial Economics, 1999, 51, 245-271.
29. "Diversity of Opinion and Financing of New Technologies," (joint with D. Gale), Journal of Financial Intermediation, 1999, 8, 68-89.
30. "Innovations in Financial Services, Relationships and Risk Sharing," (joint with D. Gale), Management Science, 1999, 45, 1239-1253.
31. "Bubbles and Crises," (joint with D. Gale), Economic Journal, 2000, 110, 236-255.
32. "Financial Contagion," (joint with D. Gale), Journal of Political Economy, 2000, 108, 1-33.
33. "A Theory of Dividends Based on Tax Clienteles," (joint with Antonio Bernardo and Ivo Welch), Journal of Finance, 2000, 55, 2499-2536.
34. "Financial Intermediaries and Markets" (with D. Gale) Econometrica (forthcoming). Working Paper 00-44C, Wharton Financial Institutions Center, University of Pennsylvania.
35. "Competition and Financial Stability" (with D. Gale), Journal of Money, Credit and Banking, forthcoming 2004

## **BOOKS**

36. Financial Innovation and Risk Sharing (with D. Gale), MIT Press, 1994.
37. Comparing Financial Systems (with D. Gale), MIT Press, 2000.

## **CHAPTERS IN BOOKS:**

38. "Information-Contracting in Financial Markets," in Financial Markets and Incomplete Information-Frontiers of Modern Financial Theory, Volume 2, edited by S. Bhattacharya and G. M. Constantinides, 1989, 188-197, Rowman and Littlefield.
39. "The Changing Nature of Debt and Equity: A Financial Perspective," in Are the Differences between Equity and Debt Disappearing? Conference Series No. 33, 1989, Federal Reserve Bank of Boston, 12-38.
40. "Quality Control in the Service Firm and Consumer Learning," (with G. Faulhaber) in Service Quality: Multidisciplinary and Multinational Perspectives edited by Stephen W. Brown, Evert Gummesson, Bo Edvardsson and Bengtöve Gustavsson, Lexington Books, 1991, 289-302.
41. "Stock Markets and Resource Allocation," in Capital Markets and Financial Intermediation, edited by C. Mayer and X. Vives, Cambridge, U.K.: Cambridge University Press, 1993, 81-108.
42. "Stock Markets and Resource Allocation," Japanese Translation in Financial Review published by the Japanese Ministry of Finance, June 1993, 34-55.
43. "Estimating Divisional Cost of Capital for Insurance Companies" in Financial Management of Life Insurance Companies, edited by J. D. Cummins and J. Lamm-Tennant, Boston, MA: Kluwer, 1993, 101-123.
44. "The Design and Redesign of Organizational Form," (with Peter Sherer) in Redesigning the Firm, edited by E. H. Bowman and B. Kogut, New York: Oxford University Press, 1995, 183-196.
45. "Corporate Financial Structure, Incentives and Optimal Contracting" (with A. Winton), Chapter 22 in North-Holland Handbooks of Operations Research and Management Science: Finance (Volume 9) edited by R. A. Jarrow, V. Maksimovic and W. T. Ziemba, New York: Elsevier, 1995, 693-720.
46. "Dividend Policy" (with R. Michaely), Chapter 25 in North-Holland Handbooks of Operations Research and Management Science: Finance (Volume 9) edited by R. A. Jarrow, V. Maksimovic and W. T. Ziemba, New York: Elsevier, 1995, 793-837.
47. "Universal Banking, Intertemporal Risk Smoothing, and European Financial Integration," Chapter 16 in Universal Banking edited by A. Saunders and I. Walter, Chicago: Irwin, 1996, 528-542.
48. "The Impact of Institutional Structure on Financial Innovation and Risk Sharing: A Comparison of the U.S., Germany and Japan," in Policy Based Finance and Market

- Alternatives: East Asian Lessons for Latin America and the Caribbean edited by K. B. Staking, Inter-American Development Bank, Washington, D.C., 1997, 87-103.
49. “The Role of Information in Financial and Capital Markets” (in Japanese) Chapter 6 in Change in Financial Capital Markets and the State edited by Kenmei Kaizuka, Ministry of Finance, Tokyo, Japan, 1999, 113-141.
  50. “Financing Strategies,” (joint with J. Percival), in Wharton on Managing Emerging Technologies edited by George Day and Paul Schoemaker, New York: John Wiley & Sons, 2000, 289-306.
  51. “Corporate Governance and Competition” (joint with D. Gale), Corporate Governance: Theoretical and Empirical Perspectives edited by X. Vives, 2000, Cambridge University Press, 23-94.
  52. “Capital Structure and Imperfect Competition in Product Markets,” Incentives, Organization, and Public Economics: Papers in Honour of Sir James Mirrlees edited by Peter J. Hammond and Gareth D. Myles, 2000, Oxford University Press, 281-301.
  53. “Finance Applications of Game Theory,” (with S. Morris), in Advances in Business Applications of Game Theory edited by K. Chatterjee and W. Samuelson, Kluwer Academic Publishers, Boston, 2001, 17-48.
  54. “Asset Price Bubbles and Stock Market Interlinkages” (with D. Gale) in Asset Price Bubbles: The Implications for Monetary, Regulatory, and International Policies edited by William C. Hunter, George G. Kaufman, and Michael Pomerleano, Cambridge: MIT Press, 2003, 323-336.
  55. “Asset Price Bubbles and Monetary Policy” (with D. Gale) in Financial Crises and Global Governance proceedings of a conference held at the London School of Economics, October 13 and 14, 2000 (forthcoming).
  56. “Comparative Financial Systems: A Survey” (with D. Gale) in Financial Intermediation edited by A. Boot, S. Bhattacharya and A. Thakor, New York: Oxford University Press (forthcoming).
  57. “Payout Policy” (with R. Michaely) in North-Holland Handbook of Economics edited by G. Constantinides, M. Harris, and R. Stulz (forthcoming).
  58. “Venture Capital and Corporate Governance” (with W. Song) in Corporate Governance and Capital Flows in a Global Economy edited by P. Cornelius and B. Kogut, New York: Oxford University Press (forthcoming).
  59. “Capital Adequacy Regulation: In Search of a Rationale” (with D. Gale), in Economics for an Imperfect World: Essays in Honor of Joseph Stiglitz edited by R. Arnott, B. Greenwald, R. Kanbur and B. Nalebuff, Cambridge, MA: MIT Press (forthcoming).



## **INVITED AND PROCEEDINGS PAPERS:**

60. "The Prevention of Default," Journal of Finance, 1981, 36(2), 271-276.
61. "Incomplete Markets and Incentives to Set Up an Options Exchange," (with D. Gale), Geneva Papers on Risk and Insurance Theory special issue entitled "The Allocation of Risk with Incomplete Asset Markets," edited by H. Polemarchakis, 1990, 15, 17-46.
62. "Stock Price Manipulation, Market Microstructure and Asymmetric Information," (with G. Gorton), European Economic Review, 1992, 36, 624-630.
63. "Introduction to Special Issue on Security Design," Financial Management, 1993, 22(2), 32-33.
64. "Strategic Management and Financial Markets," Strategic Management Journal Winter 1993 Special Issue, 1993, 14, 11-22.
65. "The Future of the Japanese Financial System," Gendai Finance 1997, No 2, 3-22. (In Japanese).
66. "The Theory of Financial Intermediation," (with A. M. Santomero), Journal of Banking and Finance, 1997, 21, 1461-1486.
67. "Optimal Financial Crises," (with D. Gale), Journal of Finance, 1998, Papers and Proceedings Issue, 53(4), 1245-1284.
68. "Guest Editor's Introduction: The Design of Financial Systems and Markets," Journal of Financial Intermediation, 1999, 8, 5-7.
69. "The Asian Crisis and the Process of Financial Contagion," (with D. Gale), Journal of Financial Regulation and Compliance, 1999, 7, 243-249.
70. "Bubbles, Crises and Policy," (with D. Gale) Oxford Review of Economic Policy, 1999, 15(3), 9-18.
71. "Selection Editor's Introduction," Journal of Finance, 2000, 55, 1477.
72. "Optimal Currency Crises," (with D. Gale), Carnegie Rochester Series on Public Policy, 2000, 53, 177-230.
73. "What Do Financial Intermediaries Do?" (with A. M. Santomero), Journal of Banking and Finance, 2001, 25, 271-294.
74. "Do Financial Institutions Matter?," (AFA Presidential Address), Journal of Finance, 2001, 56, 1165-1175.
75. "Competition Among Banks: Introduction and Conference Overview," (with H. Gersbach,

- J. Krahnert, and A. M. Santomero), European Finance Review, 2001, 5, 1-11.
76. "Financial Structure and Financial Crises," International Review of Finance, 2001, 2, 1-19.
77. "E-Finance: An Introduction," (with J. Mc Andrews and P. Strahan), Journal of Financial Services Research, 2002, August, 5-27.
78. "Liquidity, Asset Prices and Systemic Risk," Proceedings of the 3<sup>rd</sup> Central Bank Conference on Risk Measurement and Systemic Risk, Bank for International Settlements, Basel, Switzerland, 2002, 27-37.
79. "Comparing China's Financial System," (with J. Qian and M. Qian), China Journal of Finance 1, 1-28. (In Chinese)

**BOOK REVIEWS, DISCUSSIONS, NEWSPAPER ARTICLES AND DICTIONARY ENTRIES:**

80. Book review of Financial Markets and Incomplete Information-Frontiers of Modern Financial Theory, Volume 2, edited by S. Bhattacharya and G. M. Constantinides, 1989, 188-197, Rowman and Littlefield in Review of Financial Studies, 1990, 3, 309-313.
81. Discussion of "Banking, Financial Intermediation and Corporate Finance" by Martin Hellwig, Chapter 3 in European Financial Integration, edited by A. Giovannini and C. Mayer, 1991, Cambridge University Press, 64-68.
82. "Design of Securities" in The New Palgrave Dictionary of Money and Finance 1992, 647-648.
83. "Subordinated Debt" (with A. M. Santomero) in The New Palgrave Dictionary of Money and Finance 1992, 600-601.
84. Discussion of "Informational Capacity and Financial Collapse" by Douglas Gale in Capital Markets and Financial Intermediation, edited by C. Mayer and X. Vives, Cambridge, U.K.: Cambridge University Press, 1993, 148-151.
85. Comment on "Capital Requirements, Loan Renegotiation and the Borrower's Choice of Financing Source" by A. V. Thakor and P. Furlong Wilson Journal of Banking and Finance, 1995, 19, 717-718.
86. Book review of Strong Managers, Weak Owners by M. Roe, Princeton University Press, Journal of Economic Literature 1995, 33, 1994-1996.
87. "Riding on the Crest of a Wave can be Easy But ..." Financial Times, Mastering Finance Series, Number 10, July 1997, 2-4.
88. Book review of The Political Economy of Japanese Financial Markets: Myths versus Reality by Dick Beason and Jason James, Economic Journal, 2000, 110, F813-F814.

89. Book review of The Asian Financial Crisis: Causes, Contagion and Consequences by P. Agenor, M. Miller, D. Vines and A. Weber, Economic Journal, 2001, 111, F502-F503.
90. "Comments on Sir Edward George's "Comparing Financial Systems: How Much Convergence," Volkswirtschaftliche Tagung 2001, "Der Einheitliche Finanzmarkt – Ein Zwischenbilanz nach zwei Jahren WWU, Austrian National Bank, 2001, 29-31.
91. Discussion of "Ageing and Financial Stability" by E. Philip Davies in Ageing, Financial Markets and Monetary Policy edited by A. Auerbach and H. Herrmann, 2002, Springer-Verlag, 228-234.
92. Discussion of "Liquidity, Default and Crashes: Endogenous Contracts in General Equilibrium" by J. Geanakoplos and "Trading Volume" by A. Lo and J. Wiang, Advances in Economics and Econometrics: Theory and Applications, Eighth World Congress edited by M. Dewatripont, L. Hansen and S. Turnovsky, 2003, Volume II, 278-283.
93. Discussion of "Monetary Policy and Financial Market Evolution" by V. Bencivenga and B. Smith in Financial and Real Economic Activity edited by A. Gilbert, St. Louis: Federal Reserve Bank of St. Louis Review 85(4), 27-29.
94. Discussion of "Banks and Markets: The Changing Character of European Finance" by R. Rajan and L. Zingales in The Transformation of the European Financial System edited by V. Gaspar, P. Hartmann and O. Sleijpen, 2003, European Central Bank, 169-172.
95. Book review of Theoretical Foundations of Corporate Finance by J. Amaro de Matos in Journal of Economics/ Zeitschrift für Nationalökonomie 79(2), 212-214.
96. Book review of *Financial Crises, Liquidity, and the International Monetary System* by Jean Tirole in Journal of International Economics, forthcoming.

### **UNPUBLISHED PAPERS**

97. "The Social Value of Asymmetric Information," Rodney L. White Working Paper 23-84, University of Pennsylvania.
98. "On the Importance of Interactions of Tax Code Provisions," mimeo, University of Pennsylvania.
99. "Tax Clienteles and the Miller Model with Incomplete Markets," (with J. Jaffe), Rodney L. White Working Paper 5-88, University of Pennsylvania.
100. "Unbalanced Growth Redux: Sectoral Productivity and Capital Markets," (with G. Faulhaber and A. C. Mackinlay), 1989, Fishman-Davidson Discussion Paper 42, University of Pennsylvania.
101. "Scoring Rules for Continuous Probability Distributions when Utility Functions are Unknown," mimeo, University of Pennsylvania.

### **WORKS IN PROGRESS:**

102. “Financial Fragility” (with D. Gale), Working Paper 01-37B, Wharton Financial Institutions Center, University of Pennsylvania.
103. “Banking Regulation versus Securities Market Regulation” (with R. Herring), Working Paper 01-29, Wharton Financial Institutions Center, University of Pennsylvania.
104. “Law, Finance and Economic Growth in China,” (with J. Qian and M. Qian), Working Paper 02-44, Wharton Financial Institutions Center, University of Pennsylvania.
105. “Beauty Contests, Bubbles and Iterated Expectations in Asset Prices,” (with S. Morris and H. Shin), Working Paper 03-06, Wharton Financial Institutions Center, University of Pennsylvania.
106. Understanding Financial Crises, Oxford University Press.