Second Fama Prize Awarded to Mostly Harmless Econometrics

Awarded every three years, Chicago Booth’s Eugene Fama Prize for Outstanding Contributions to Doctoral Education recognizes authors of exceptional PhD-level textbooks in economics and finance. The prize was created to honor Nobel laureate Eugene F. Fama, MBA ’63, PhD ’64, Robert R. McCormick Distinguished Service Professor of Finance, and was made possible through the generosity of a group of Booth alumni and friends:

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Fama is best known for his work analyzing markets and securities prices, pioneering research closely followed by academics and financial services professionals alike. He received the Nobel Memorial Prize in Economic Sciences in 2013, along with Lars Peter Hansen, David Rockefeller Distinguished Service Professor of Economics and Finance; and Robert J. Shiller of Yale University. Fama is among the most cited American academics and has maintained an active teaching role at Booth.

The Fama Prize is intended to encourage the development and diffusion of innovative approaches to doctoral education and the publication and wide distribution of exceptional educational materials.
The second Fama Prize has been awarded to Joshua Angrist (Massachusetts Institute of Technology) and Jörn-Steffen (Steve) Pischke (London School of Economics) for their book *Mostly Harmless Econometrics: An Empiricist’s Companion*, published by Princeton University Press in 2009. Angrist and Pischke will share the $250,000 prize.

“The book draws on readers’ interests and empirical curiosity to motivate the analysis, training future generations of applied researchers who can push forward our understanding of economics and finance,” said Pietro Veronesi, Roman Family Professor of Finance, who is also deputy dean for faculty and chair of the selection committee. “The committee ultimately selected this book, as we believe it best represents the aspirations and the objectives of the Fama Prize.”

“IT’S A GREAT HONOR TO RECEIVE THIS PRIZE, AS EUGENE FAMA IS SUCH A GIANT IN THE PROFESSION.”
—Jörn-Steffen Pischke, Fama Prize Recipient

Angrist and Pischke met as PhD students at Princeton University in the late 1980s, but got to know each other well when they both taught at MIT in the mid-1990s. *Mostly Harmless Econometrics* grew out of their applied econometrics course and their shared affection for Douglas Adams’s *Hitchhiker’s Guide to the Galaxy* and its humorous take on science. The material in the book marks a turn in econometrics instruction, emphasizing the estimation of causal effects and the measurable consequences of changes in economic policy. This approach to empirical work gained traction in the 1980s and 1990s, especially among labor economists like Angrist and Pischke. The pair noticed a need for instructional material aligned with this new and increasingly important style of work. Angrist had toyed with the idea of writing an applied econometrics text of some kind since the late 1990s. He invited Pischke to join and expand the project when Pischke returned to MIT as a visiting faculty member in 2006-07.

“I LOVE TEACHING AND CARE DEEPLY ABOUT INSTRUCTION AS WELL AS RESEARCH, SO IT’S GRATIFYING TO WIN A PRIZE FOR A CONTRIBUTION TO DOCTORAL EDUCATION IN GENERAL ECONOMICS AND FINANCE.”
—Joshua Angrist, Fama Prize Recipient

“I’m thrilled by this recognition. It’s not something I anticipated, and I know Steve feels the same way. *Mostly Harmless Econometrics* became a kind of cult favorite, as they say in the movies,” said Angrist. “But the Fama Prize shows *Mostly Harmless Econometrics* is not just ‘Night of the Living Dead’ for econometrics. I love teaching and care deeply about instruction as well as research, so it’s gratifying to win a prize for a contribution to doctoral education in general economics and finance.”

“It’s a great honor to receive this prize, as Eugene Fama is such a giant in the profession,” shared Pischke. “What creates a particular connection for us is the close parallels between the empirical methods we discuss in the book, and Fama’s 1969 paper with Fisher, Jensen, and Roll. That paper is considered the template for modern event studies in finance, a close cousin of the difference-in-differences methodology used in other fields.”

The Fama Prize was first awarded in 2015 to John Campbell (Harvard University), Andrew Lo (Massachusetts Institute of Technology), and A. Craig MacKinlay (University of Pennsylvania) for *The Econometrics of Financial Markets*.