

Topic Page: [Fama, Eugene \(1939 - \)](#)

Summary Article: **Eugene Fama Author of the efficient markets hypothesis**

From *QFinance: The Ultimate Resource*



1939	Born in Boston, Massachusetts.
1960	Receives a BA from Tufts University.
1963	Received MBA from University of Chicago, Graduate School of Business.
1964	Received PhD from University of Chicago, Graduate School of Business.
1968	Appointed professor of finance, University of Chicago, Graduate School of Business.
1972	Publication of <i>The Theory of Finance</i> .
1973	Appointed professor of finance, University of Chicago, Graduate School of Business.
1975	Appointed visiting professor, Catholic University of Leuven and European Institute for Advanced Studies in Management, Belgium.
1982	Appointed visiting professor, Anderson Graduate School of Management, University of California.
1982	Joined board of directors, Dimensional Fund Advisors.
1984	Appointed distinguished service professor of Finance Graduate School of Business, University of Chicago.
2001	Became the first elected fellow of the American Finance Association.
2005	Received the Deutsche Bank Prize in Financial Economics.
2007	Received the Morgan Stanley American Finance Association Award for Excellence in Finance, and the Fred Arditti Innovation Award.
2009	Received the Onassis Prize in Finance.

LIFE AND CAREER

Eugene Fama was a tenured professor at the University of Chicago before he was 30, where he taught portfolio theory before modern finance became established. He has spent his career at the Graduate School of Business, University of Chicago, where he revolutionized thinking on the efficient markets hypothesis, and where he is now Chairman of its Center for Research in Security Prices. He is also

Director of Research at Dimensional Fund Advisors, and is an advisory editor of the *Journal of Financial Economics*. He was the first elected Fellow of the American Finance Association, and is also a Fellow of the Econometric Society and the American Academy of Arts and Sciences. He has received numerous honorary degrees, and was the co-winner of the Smith Breeden Prize for the best paper in the *Journal of Finance* in 1992, and received the first Deutsche Bank Prize in Financial Economics in 2005.

KEY THINKING

- Eugene Fama is a prolific author and researcher, having written two books, and published more than 100 articles in academic journals. He is among the most cited of America's financial researchers.
- He is identified with research on markets, particularly with regard to developments in the efficient market hypothesis, and the random walk theory, as well as his work on portfolio theory and asset pricing, both theoretical and empirical.
- Coined the term "efficient markets theory" in a 1970 paper on efficient capital markets, arguing that it is practically impossible for someone to consistently beat the stock market because of the wide availability of information.
- He was the first of many to study how stock prices respond to an event, using price data from a newly available database.
- Focuses much of his study on the relation between risk and return, and the implications for portfolio management.
- Has also made innovations in how we understand the functioning of markets, asset pricing theory, and corporate finance

IN PERSPECTIVE

- He helped popularize the efficient market hypothesis, and the random walk theory.
- The efficient market hypothesis evolved from his PhD thesis, and suggested that stock markets are efficient because securities will be appropriately priced, and reflect all available information in a market with well-informed investors.
- The random walk theory was discussed in one of his papers, concluding that stock price movements are unpredictable, and follow a random walk.
- His work on efficient markets proposed two key improvements, by classifying three types of efficiency—strong form, semi-strong form, and weak efficiency—and by identifying the notion of market efficiency with the model of market equilibrium.
- His work on the efficiency of markets has helped create many new finance products, and aided the development of new futures contracts for hedging risks.
- He has written a series of papers with Kenneth French that question the validity of the capital asset pricing model (CAPM), as not taking into account market capitalization and book value to market value.
- In portfolio management, Fama and French also developed a successful three-factor model to

describe market behavior.

MORE INFO

Books:

Fama, Eugene F. *Foundations of Finance: Portfolio Decisions and Securities Prices*. New York: Basic Books, 1976. A readable introduction to financial theory that examines stocks and portfolios in great detail.

Fama, Eugene F.; Miller, Merton H.. *The Theory of Finance*. New York: Holt, Rinehart and Winston, 1972. Provides a systematic grounding in basic financial theory.

See Also:

The Theory of Finance

“In an efficient market at any point in time the actual price of a security will be a good estimate of its intrinsic value.”

Eugene Fama

APA

Chicago

Harvard

MLA

Eugene Fama Author of the efficient markets hypothesis. (2014). In Qatar Financial Center, & Qatar Financial Center (Eds.), *QFinance: the ultimate resource* (5th ed.). London, UK: A&C Black. Retrieved from https://search.credoreference.com/content/topic/fama_eugene_1939



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Chicago

"Eugene Fama Author of the efficient markets hypothesis." In *QFinance: The Ultimate Resource*, edited by Qatar Financial Center, and Qatar Financial Center. 5th ed. A&C Black, 2014.

https://search.credoreference.com/content/topic/fama_eugene_1939

Harvard

Eugene Fama Author of the efficient markets hypothesis. (2014). In Qatar Financial Center & Qatar Financial Center (Eds.), *QFinance: the ultimate resource*. (5th ed.). [Online]. London: A&C Black. Available from: https://search.credoreference.com/content/topic/fama_eugene_1939 [Accessed 23 October 2019].

MLA

"Eugene Fama Author of the efficient markets hypothesis." *QFinance: The Ultimate Resource*, edited by Qatar Financial Center, and Qatar Financial Center, A&C Black, 5th edition, 2014. *Credo Reference*, https://search.credoreference.com/content/topic/fama_eugene_1939. Accessed 23 Oct. 2019.