

## MEMORIAL RESOLUTION

### PAUL H. COOTNER (1930 – 1978)

Paul Cootner, C. O. G. Miller Professor of Finance, died suddenly of a heart attack on April 16, 1978, at his campus home. An internationally known scholar in the fields of investment and capital market theory and commodities futures markets, he had come to Stanford from M.I.T. in 1970 to join the faculty of the Graduate School of Business.

Cootner was born in Logansport, Indiana, on May 25, 1930 and received his B.S (1949) and M.A. (1950) degrees from the University of Florida. He received his PhD degree in Industrial Economics from M.I.T. in 1953. His dissertation dealt with innovation and economic development, based on an extensive analysis of railroads in the U.S. from 1826 through 1886.

After a year at Brown University and service in the Army, he went to Resources for the Future. There he did the work which resulted in co-authorship of *Water Demand for Steam Electric Generation* (1966), a book which blended technological considerations with economic analysis.

In 1959 he returned to M.I.T.'s Sloan School as a member of the finance faculty. There he began his work and publications on the "random walk" theory of securities prices, which culminated in the preparation and editing of *The Random Character of Stock Market Prices* (1964), a book with enormous impact on the whole field of investments which included his own contributions and those of his students, in addition to many now well-known works of others.

His interests were remarkably wide-ranging. His early work was in economic history, and he maintained throughout his career a fascination with the insights to be obtained from an application of modern economic theory to the data of the past. He engaged in detailed studies of a variety of industries, including steam power generation, natural gas pipelines, copper, and pharmaceuticals. He developed a deep interest in commodity prices and the operation of futures markets, in which he became both a leading theorist and practitioner. His 1967 paper on speculation and hedging provided a synthesis of earlier ideas and a number of new and important approaches to the subject.

He displayed a continuing interest in financial institutions. He studied speculation in the government securities market and related it to bank behavior. He coauthored detailed studies of commercial banking and of the savings and loan industry. His recent work in this area, dealing with electronic funds transfer systems, is contained in *Retail Banking in the Electronic Age* (1977), coauthored with two Stanford colleagues.

His final work, which may prove to have been his most important contribution, grew out of his research on hedging and futures markets. Much of the literature of finance is based on equilibrium models dealing with the behavior of the prices of capital assets. Fundamental to the determination of such prices is uncertainty concerning production and consumer

preferences. Such basic determinants had not been fully integrated into the theory of finance, and he set out to complete the task. His final paper "Capital Asset Pricing in a General Equilibrium Framework" (1978) contains a more complete theory than had previously been developed, and provides the base for further work in this area which is central to the entire field of finance.

In everything to which his mind was drawn, Paul Cootner had something original and stimulating to offer. This made his company invaluable to both students and colleagues. He was generous with his time, unstinting with his insights, and at the very peak of his powers. He will be very sorely missed, and we extend our heartfelt sympathy to his wife, Cathryn, and his son, Joshua.

William F. Sharpe, Chairman  
Robert H. Litzenberger  
Kenneth E. Scott