



IN MEMORIAM

Dwight M. Jaffee
Willis H. Booth Professor of Banking and Finance II
UC Berkeley
1943 – 2016

Dwight M. Jaffee, Willis H. Booth Professor of Banking and Finance II, and a member of the Real Estate and Finance Group at the Haas School of Business, passed away on January 28, 2016, in San Francisco, California. He was 72 years old and lived in Berkeley since his arrival in 1991.

Dwight was born in Chicago on February 7, 1943. He received his B.A. in economics (Phi Beta Kappa) from Northwestern University in 1964. He received his Ph.D. in economics from the Massachusetts Institute of Technology (MIT) in 1968. He wrote his doctoral dissertation under Professor Franco Modigliani on “Credit Rating and the Commercial Loan Market.” He was a professor of economics at Princeton University from 1968 to 1991, and after that a professor at Berkeley until his death. During his academic career, Dwight established himself as a leading scholar in mortgage markets, banking, risk and catastrophe insurance. Most recently, he testified in front of the U.S. Congress and the U.S. Securities and Exchange Commission in hearings on Freddie Mac, Fannie Mae, and the banking and housing crisis.

“A major theme of Dwight’s research was the impact of federal government policies on mortgage markets,” said Kenneth Rosen, chair of UC Berkeley’s Fisher Center for Real Estate and Urban Economics, who with Jaffee co-authored an earlier paper published by the Brookings Institution that showed the adverse effect of interest rate ceilings on deposit flows to savings and loans. “More recently, Dwight advocated for the privatization of the residential mortgage market by suggesting mechanisms for winding down the role of Fannie Mae and Freddie Mac.” Jaffee also expressed these views in a 2010 opinion piece published in the *Wall Street Journal*.

“Dwight Jaffee was a world-class scholar who made profound contributions to our understanding of contracting under asymmetric information and issues related to the operation of the mortgage and insurance markets that are among the largest capital markets in the world,” said Professor Nancy Wallace, the Lisle and Roslyn Payne Chair in Real Estate Capital Markets and co-chair with Jaffee of the Fisher Center.

“Dwight had a razor-sharp intellect, which he applied with skill and grace in his efforts to affect the public policy debate on questions related to the causes of the financial crisis—which he had anticipated years before its onset,” added Wallace.

Jaffee was an advisor to many central banks throughout Europe. He was the author of more than seven books, including *Globalization and a High-Tech Economy*, co-authored with Ashok Bardhan, Dwight M. Jaffee and Cynthia Kroll, and *The Oxford Handbook of Offshoring and Global Employment*, which he edited with Kroll and Bardhan. He also authored 171 papers in the fields of money and banking, finance, and risk and catastrophe insurance.

“Dwight was instrumental to our school’s preeminence in real estate finance and blazed new trails in related areas as well—such as how markets can and should insure against the risk of catastrophes like earthquakes,” said Haas School Dean Richard Lyons. “On top of all of this, he was cherished as a colleague and an all-around good guy.”

In the last few years, Jaffee also examined the role played by capital markets in explaining the collapse of private markets in catastrophe insurance. Following a catastrophic event, whether natural, such as an earthquake, or man-made, such as a terrorist attack, the insurance market needs access to large quantities of capital to pay out on potentially large losses. Unwilling or unable to meet this requirement, many private insurers abandoned the catastrophe insurance line. Jaffee raised the question whether state and federal government could play an appropriate role in supporting this market.

“Among his many academic talents, Dwight was a skilled and insightful applied econometrician. His individual warmth and vibrant personality combined to make him a terrific teacher and an even better friend,” said Daniel Rubinfeld, Robert L. Bridges Professor of Law and Professor of Economics, Emeritus, at Berkeley, a faculty associate at the Fisher Center, and Professor of Law at New York University’s School of Law.

Throughout his career, Jaffee received many awards, including the 2007 Robert I. Mehr Award from the *Journal of Risk and Insurance*. He was an associate editor at *Housing Finance Review*, the *Journal of Economic Perspectives*, *Journal of Finance*, *Journal of Monetary Economics*, and the *Journal of Money, Credit, and Banking*.

In 1992, he led a joint project between the Haas School of Business and the Graduate School of Management at St. Petersburg University, Russia, to establish the city’s first post-Soviet era school of business.

“One of his great passions was his mentorship of countless undergraduate and graduate students at both Berkeley and Princeton,” said his wife, Lynne LaMarca Heinrich, a lecturer and advisory board member of the Center for Social Sector Leadership at

Berkeley-Haas. “It’s what led him to establish an endowed fund at MIT. Another was his vibrant and intellectual relationships with so many of his Berkeley colleagues. He claimed, to the end, that he had no remaining bucket list...that he’d accomplished what he had set out to do, and his life was full and meaningful.”

Jaffee’s passion for teaching was central to his life’s work. “I view teaching as a way to transmit research results to young people and maybe even create within them a great desire to understand and carry out their own research,” Jaffee once said in an interview with a Berkeley-Haas news writer. “I think there’s just no doubt the biggest legacy of the school is the students.” Jaffee was named one of the World’s Best B-School Professors” by the website Poets & Quants in 2012.

“Dwight was instinctively accessible to colleagues and students for interaction and counsel. His advice was thoughtful and incisive,” says Professor Robert Edelstein, the Maurice Mann Chair in Real Estate and also co-chair with Jaffee of the Fisher Center. “On a personal level, he was gracious and jovial, with a wide smile, and a kind word.”

Besides his wife Lynne, Jaffee is survived by his mother Gertrude, of Boca Raton, Florida; his daughter Elizabeth, known as Betsy, a foreign service officer with the U.S. Department of State; his son Jonathan, Assistant Professor of Strategy, Law & Organizations, at the Drucker School of Management at Claremont Graduate University and a Haas Ph.D. alumnus; and two grandchildren.

In addition to his academic pursuits, Dwight was known for his connoisseurship of fine wine, love of travel and hiking in the hills of Marin County, and his loving friendships.

Kenneth Rosen
Nancy Wallace
2016