



Michael C. Jensen

April 2, 2024

Michael Cole Jensen (Mike) died on April 2nd, 2024 at the age of 84. Mike was a brilliant and renowned scholar of financial economics, an impactful teacher and mentor, a successful entrepreneur, a generous and loyal friend, and a great father.

Mike was born in 1939 to Gertrude and Harold Jensen in Rochester, Minnesota. He was the oldest child and brother to sisters Judy and Gayle. Mike graduated high school in 1957 from Minneapolis Vocational Tech with plans to be a printer like his father. Unexpectedly, he received a phone call from his English teacher urging him to attend her alma mater, and he became the first in his family to attend college. That life-changing call sparked a chain of events that resulted in his career as a university professor and economist. He was forever grateful. Mike discovered his love of economics at Macalester College, he paid his expenses by working full time at night at a print shop, and he graduated in 1962.

Mike received a scholarship to attend the MBA program at the University of Chicago. He married Dolores (Laurie) Dvorak after they graduated from Macalester and they moved to Chicago, where she worked while he learned. Mike also periodically worked nights at the Chicago Tribune as a printer. He said after the first of his two years, he loved the environment so much that he had to figure out how to stay longer. He did - Mike enrolled in the Ph.D. program of the Graduate School of Business.

Mike earned his Ph.D. in 1967 and was hired as an Assistant Professor at the University of Rochester Graduate School of Management. Mike and Laurie moved to Rochester and had two daughters, Natalie and Stephanie. Though they separated after fifteen years of marriage, Mike and Laurie parented cooperatively and remained friends. Mike was a loyal and dedicated father.

While at Rochester, Mike published his most cited paper titled "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure" (JFE 1976) with co-author, dean and friend William Meckling. It has been praised as a fundamental foundation in understanding modern corporations. Mike became a full professor, a recognized force in

his field, and he was the founding director of the Managerial Economic Research Center (MERC).

Mike became a Professor at the Harvard Business School in the mid-1980s and moved to Cambridge, MA. He quickly became an extremely popular professor, and his signature course - Coordination, Control and the Management of Organizations (CCMO) - was in the highest demand by students. Throughout his teaching career, Mike went above and beyond to advise and mentor, especially with his Ph.D. students. So many have said they would not be where they are without him.

A common theme across Mike's varied life's work is that he wanted to change the world for the better, and he succeeded. Mike was an early "disruptor" in every stage of his career, always challenging the status quo and always willing to loudly voice an unpopular or contrary opinion. He was independent in the extreme, he was not afraid of failure, and he wasn't hampered by a need to be liked or to belong. He relished being a "bull in the china shop", which was mostly admirable but sometimes infuriating to those around him.

Mike had so many professional accomplishments that they are hard to list. His early work focused on market efficiency. In his Ph.D. thesis he created the powerful "Jensen's alpha" concept in finance (now often popularly just called "Alpha"), and he co-authored a seminal event-study paper studying stock-splits. His next major contribution was in the field of Agency Theory – about the conflicts of interest between owners and hired managers in companies. This was followed by research about the Market for Corporate Control (e.g. mergers and acquisitions, leveraged buyouts, hostile takeovers), and he explored the advantages of debt in influencing manager behavior. This work predicted the rise in Private Equity and led into his research about corporate governance mechanisms and executive compensation.

In his later years, in addition to continuing his work on executive compensation, Mike expanded his scholarly attention to understanding why individuals did not always behave in the rational way that he and other economists theorized they would. He saw that individuals, groups and entire organizations could be so much more efficient and effective, leading to his work involving practical strategies to improve both integrity and leadership in organizations.

The collection of Mike's research has made him one of the most highly cited and influential economists. But he didn't do it alone. Mike had too many wonderful co-authors to recognize here. But outside his family, his closest relationships were created through his research and his entrepreneurial work with colleagues, and he valued them deeply.

Throughout his life, Mike believed a critical factor in advancing scholarly thought was the free flow of information. In the mid-1970s he perceived the preeminent financial and economic journals of the time were reluctant to embrace new concepts that were being posited by his younger generation of scholars. Ever the disruptor, Mike co-founded and edited the Journal of Financial Economics to create competition to the entrenched journals that had gone stale in their thinking. It was a great success, becoming a preeminent journal itself.

In the mid-1990's Mike once again played disruptor, this time to the inefficiency of sharing early research and eventually to the legacy publishers of academic journals. Early on, he identified the newborn-internet as the way to share early-stage research papers, rather than using the mail. SSRN.com (Social Science Research Network) was born and it became the largest open access, on-line, social sciences working paper repository in the world. It has made sharing research vastly more efficient and has democratized access to academic information. Mike personally financed the effort, and he considered it his gift to his community.

Most of Mike's research is available on his Author page https://papers.ssrn.com/sol3/cf_de v/AbsByAuth.cfm?per_id=9 at his beloved SSRN, where his papers have been downloaded more than one million times. For another perspective on Mike's work, please read this nice tribute by Eugene Fama <https://www.promarket.org/2024/04/05/michael-c-jensen-tribute/> who was Mike's co-author, thesis advisor, and friend.

Michael Cole Jensen will live on through his writings and through his daughters and his grandchildren. His family loved him deeply and his loss leaves a huge hole in our lives. Mike is survived by his daughters Natalie Jensen-Noll and Stephanie Jensen, their husbands Richard Noll and Paul Eykamp, his grandchildren Ricky and Michael Noll and Tyler and Maggie Jensen-Eykamp; and by his sister Gayle Marie Jensen.

In lieu of flowers, donations may be made in Mike's honor to one of the following charities of which he would have approved:

Humane Society of Sarasota County – Mike loved animals.

<https://www.hssc.org/give/donate>

The "Advancing Capitalism Scholarship" – this is a scholarship started by Mike's daughter Natalie to benefit a student majoring in business or economics. It is administered by the college access program Crosby Scholars in Winston-Salem, NC. Specify "In Honor of

Michael C. Jensen” and it will benefit the Capitalism scholarship.

<https://www.crosbyscholars.org/make-a-donation/>

The Stigler Center – Mike was fond of both the University of Chicago and George Stigler.

<https://www.chicagobooth.edu/research/stigler>