

# Obituaries

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MYRON J. GORDON, 89 » PROFESSOR OF FINANCE

## U of T prof's stock-market formula grew into important tool for investors

Hatched at MIT in 1959, the Gordon Equation now used as a model for sophisticated computerized variations

BY FRANK EDWARDS

Myron J. Gordon – known as Mike to most of his family and colleagues – was a professor of finance who created a simple formula to calculate the fair value of a stock in 1959.

Einstein had  $E=MC^2$ .  
Gordon had  $P=D/(k-g)$   
(Price  $P$  equals dividend value  $D$  divided by (expected return  $k$  minus growth  $g$ .)

For a Harvard-trained economist, it was an interesting mathematical exercise that allowed investors to incorporate the value of future dividends and growth rates into investment decisions. But it is unlikely that Gordon was aware that his formula would build an important bridge between the real world of business and the theoretical world of academe.

While its usefulness was readily apparent to stock brokers, the Gordon Growth Model also proved to Wall Street that there was practical research to be mined in the ivory towers of university business schools. Today, half a century later, sophisticated computerized variations of the model drive pricing decisions in the world's capital markets and can also be used to interpret what prevailing stock prices suggest about the direction of the economy.

Financial historian and Ohio University professor emeritus Stephen Buser marvels at the simple genius of the formula.

"Right now we take it for granted. We say, 'Sure that's nothing.' But at the time it was a big deal ... a very impressive and convenient tool that summarized a very important issue and made it accessible to a lot of people. It was a pretty easy formula in a world before hand-held computers."

While others might have coasted along on the adulation of the business world, Gordon continued to follow his restless curiosity wherever it led, helping to build the foundation of University of Toronto's Rotman School of Management along the way.

He became expert in valuing communication and power utilities and, as a consumer advocate, fought hard against the privatization of electrical utilities. He set up academic exchange programs with Chinese universities for the Canadian International Development Agency and followed the economic development of China with keen interest, offering advice and guidance to his counterparts there.

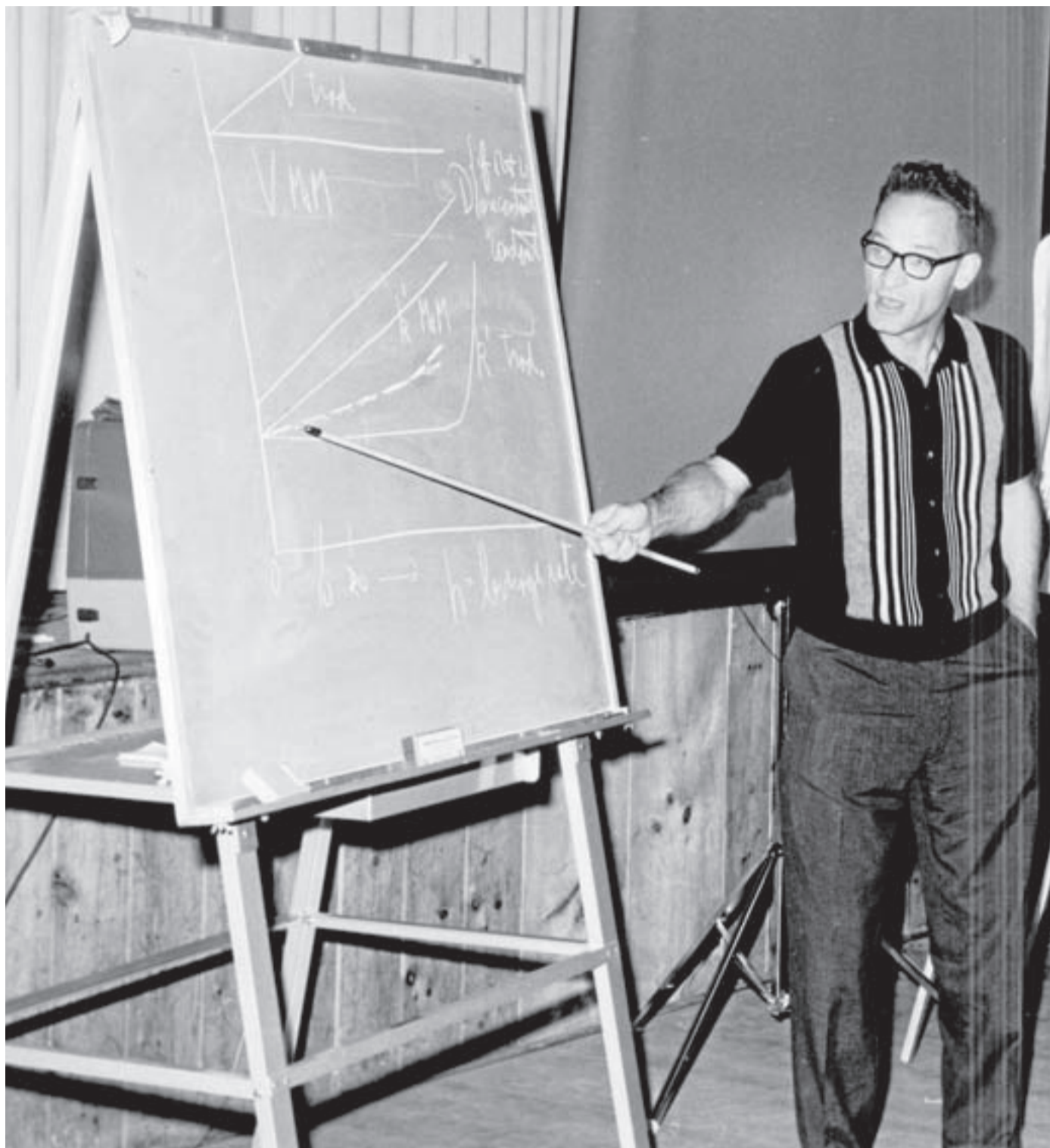
"He was as much a social theorist and a social activist as he was a finance specialist," says his long-time friend Abraham Rotstein, emeritus professor of economics and political science at U of T. "You don't usually get people proficient at analyzing finance taking much interest in broader social issues. But he was always interested in where societies were going..."

Myron Jules Gordon, economist, financial theorist and consumer activist, died on July 5 in Summit, N.J., at the age of 89 after several years of ill health and a series of strokes.

He was born on Oct. 15, 1920, the son of Jewish immigrants who had arrived separately from Odessa, Ukraine, as children and then met and married in New York. Gordon grew up an only child in Brooklyn and Washington Heights. His father, Jack, was an entrepreneur and salesman who lived by his wits; his mother, Eva, played piano and shared her love of books with her son.

At 16, Gordon enrolled in journalism at the University of Wisconsin but soon switched faculties after developing a passion for economics. He graduated in 1941, the year Japan bombed Pearl Harbor, and worked in Washington, D.C., for a few months before joining the U.S. Army as a 2nd lieutenant. While posted to an artillery unit in Hawaii, he took on the name Mike. It was there that he met a young YM-CA worker, Helen Elizabeth (Betty) Taylor, the daughter of Baptist missionaries who worked in China and Ohio.

After being transferred to Oklahoma in 1945, Gordon proposed by mail. His bride's journey to the army base took so long, she missed the wed-



Myron Gordon, seen in 1964, provided a bridge between the worlds of business and academe.



Gordon at the University of Toronto in 1982.

ding date by two days so Gordon went AWOL in the middle of the week to marry her.

After his military discharge in 1946, he pursued a doctorate at Harvard University while teaching in Pittsburgh at what is now Carnegie Mellon University. He later taught at Massachusetts Institute of Technology for 10 years, which was where he developed his revolutionary investment equation.

He then taught at the University of Rochester for eight years, moving his wife and their two sons, Joe and David, in 1962. He and his wife became involved in the anti-war and civil-rights movements. They also became active in the Unitarian Church.

In 1968, Gordon served as local campaign manager for Democratic presidential hopeful Eugene McCarthy. Well-known activists such as comedian Dick Gregory were frequent visitors to the Gordon home. Son David Gordon, a New York derivatives trader for HSBC, remembers carrying a peace sign with his parents at campus rallies.

"By 1970, they were ready to move," he recalls. "And they fell in love with Canada right away. It was a kinder, gentler version of the United States. ... They soon became active in Canadian politics and worked with the NDP." His parents eventually became Canadian citizens.

Gordon's arrival at U of T brought international attention to the Faculty of Manage-

ment, which had just started a doctoral program. One of his new colleagues was Paul Halpern, now a professor emeritus at Rotman.

"He was a big name, a well-known person internationally," he recalls. "He was a very interesting man with strong opinions and great intuition. Most financial professors were on the right of the political spectrum, but you couldn't say that about Mike. He didn't believe that markets alone can solve all the problems."

The school gained additional status when Gordon was elected president of the American Finance Association in 1975, an honour that goes to leading business scholars. He also edited several financial journals through his career and was made a Fellow of the Royal Society of Canada in 1993. U of T awarded him an honorary doctorate in 2005.

Upon his arrival in Toronto, his first doctoral student was Lawrence Gould, now a finance professor at the University of Manitoba.

"He was working on his *Cost of Capital* book when we met, exploring different ways to measure risk," says Gould. "He was an extraordinary man who had a tireless energy for investigating economic issues. And he had tremendous insights ... and could deal with many complex issues at once."

Gould taught at McMaster University in Hamilton and would regularly drive to Toronto for conferences with his thesis adviser.

**He was as much a social theorist and a social activist as he was a finance specialist.**

Abraham Rotstein

"His office was filled with neatly stacked papers and he would take my work and add it to a pile, promising to get to it soon. And an hour and a half later when I got home to Hamilton, he would be on the phone ready to discuss the problem. He took a real interest in his PhD students."

Academically famous, Gordon was soft spoken, modest and insatiably curious, with interests far beyond finance. Says Halpern: "He was publishing in a lot of different areas and that was unusual. ... He was an excellent co-author. When I was young and innocent, he would tell me, 'There's too much math! Nah, you don't need that stuff.'"

At home, David Gordon says his father was "just a regular guy" who loved theatre, the Blue Jays, and board games. "My friends never knew he was famous."

A few years after Gordon's mandatory retirement in 1985, Gould organized a conference in the wilderness splendour of Northern Ontario's Minaki Lodge. Colleagues and doctoral graduates arrived from across the continent to present papers and honour their mentor.

"It was a love-in," says Halpern. "It was so enjoyable to be with him in that setting. Those tributes don't happen for a lot of people."

Upon retirement, Gordon and his wife threw their efforts into an exchange program between Canadian and Chinese universities. They helped visiting students settle in Toronto and travelled to China frequently to teach and attend conferences. Gordon was fascinated by China's economy and wrote many papers on it.

In Canada, he blended his views on the need for profitability with demands for corporate responsibility and government regulation. He called for legislation requiring

all corporations worth \$1-million to file public financial statements. He spoke out against foreign ownership, complaining that pharmaceutical branch plants did little more than marketing and lobbying.

When the Conservative government in Ontario tried to sell Hydro One in Canada's largest public share offering, Gordon joined forces with the Canadian Union of Public Employees as a strategist to prove that the sale would be disastrous. In 2002, a lower court blocked the IPO and by the time it was overruled, the government had changed its mind.

It was a long fight but Gordon never missed an opportunity to make his argument.

In the 1990s, he and energy consultant John Wilson happened upon a Law Society forum on the privatization of Hydro One. When they realized that no one was speaking against the plan, Wilson suggested they voice their opposition during the question and answer session. But Gordon took another tack.

"Myron wasn't on the agenda. They hadn't bothered to ask him," says Wilson. "I watched him stand up and he worked his way from the floor up to the speaker's podium. Usually professors at U of T are pretty reserved in public, but he knew just how far to go to provide the other side of the argument."

"He wasn't a timid fellow, but he didn't insult people. There were no *ad hominem* attacks. Everything was about the issue."

Recalling their years working together at Gordon's kitchen table to prevent the brownouts and skyrocketing energy costs plaguing California, Wilson expressed admiration for Gordon's political astuteness and drive. But he's worried now about who will take up the fight.

"He loved his work and he did it full tilt. ... He's not replaceable. We don't have anyone of that calibre anymore."

Gordon moved back to the United States in 2004, a few years after Betty died.

He leaves his two sons, Joe and David, and three granddaughters.

» Special to The Globe and Mail

MAURY CHAYKIN, 61



Maury Chaykin in a scene from the HBO series *Entourage*.  
CLAUDETTE BARIUS/HBO/AP

**CANADIAN ACTOR'S CAREER SPANNED 35 YEARS**

Maury Chaykin, one of Canada's most versatile and beloved character actors, has died at 61 in Toronto.

Chaykin was most recently seen in the hit TV comedy *Less Than Kind*.

Film director Atom Egoyan, in five of whose films Chaykin appeared, said he was "devastated" by the news of his passing. "He was an incredible privilege to work with – so full of possibilities, anger, range, humour, life, contradiction."

Indeed, what often made Chaykin's acting so interesting to watch was a sense of unpredictability about how his character would respond in any situation. He always seemed to be able to find a novel twist – with a look, or body language or a line reading.

Born in Brooklyn, N.Y., to an American father and Canadian mother, Chaykin studied drama in New York and Buffalo and moved to Toronto in the mid-1970s. His résumé references more than 150 roles in film and television, testimony to his ability to create memorable, idiosyncratic characters even in the smallest of parts.

Among his more memorable creations were detective Nero Wolfe in the TV series of the same name; the mad Major Farnbrough in Kevin Costner's *Dances With Wolves*; the rock musician Desmond Howl in *Whale Music*, for which he won a Genie award; and as union boss Hal Banks in the TV film *Canada's Sweetheart: The Saga of Hal C. Banks*.

More recently, Chaykin appeared in the hit HBO series *Entourage* as Harvey Weingard, a character based on film mogul Harvey Weinstein; and as Sam Blecher, a driving instructor in Mark McKinney's *Less Than Kind*.

Chaykin leaves his wife, actress Susannah Hoffmann, and their daughter, Rose.

A full obituary will follow.  
» Michael Posner

**I REMEMBER » GEORGE STEINBRENNER**

John Uren of Powell River, B.C., remembers George Steinbrenner, who died on July 13.

Being a long-time Boston Red Sox fan, I wasn't a big fan of the Yankees or Mr. Steinbrenner. But also as a thoroughbred horse racing fan I was aware of his successful Kinsmen Stable and of his attempt in the mid-1980s to revive horse racing and Tampa Bay Downs racetrack in his own backyard. He spent a lot of money refurbishing the facility.

Each winter I left my South Carolina base to meet up with Canadian friends in Florida to attend some spring-training games. One year on my way down I stopped by Tampa Bay Downs to see the changes.

By accident I ran into Mr. Steinbrenner walking through the stands. I introduced myself and told him what a great job he was doing. He was, as always, smartly dressed and very genial to a total stranger.

Next day it happened that the game my friends and I attended was the Boston Red Sox and New York Yankee clash, in Lakeland. We had box seats. Early in the game, Mr. Steinbrenner walked by and said, "Hello John." Imagine my surprise and that of my friends.

Suddenly George wasn't such a villain after all.