Investment Industry Experts Address Challenges Confronting the Global Economy In New CFA Institute Research Foundation Book

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New York, NY (Vocus) February 4, 2010 -- The Research Foundation of CFA Institute announced today that it has published Insights into the Global Financial Crisis, a series of independent viewpoints from top investment professionals on the global economic issues of today and the future. (Read the book.)

First thoughts are contributed by Laurence B. Siegel, who edited the book. He is research director for the Research Foundation of CFA Institute and was previously director of research in the investment division of the Ford Foundation. His article, “A Riskless Society is ‘Unattainable and Infinitely Expensive’,” explores “how ordinary people – the electoral constituencies of democracies around the world – came to believe that their governments could protect them from all macroeconomic risk.” In particular, Siegel suggests “the problem lies with governments around the world, and in particular the U.S. government, have tried to use macro-economic policy to achieve a riskless society.” However, as Siegel discusses, a riskless society is neither possible nor desirable.

Jeremy Grantham, co-founder and chief strategist at GMO, also contributed to this publication with “The Seven Lean Years.” Grantham forecasts that the U.S. economy will face a period of several lean years and that a large drop in perceived wealth will continue to be a drag on the economy during this time. Grantham also provides his opinion on the Obama administration’s stimulus program. “The situation today is that an unprecedented amount of stimulus is being thrown at our problems, and it is being thrown on a global basis,” writes Grantham. “The bad news comes in two bits: First, no one really knows if generous bailouts are a good idea in the long run; and second, no one really knows that even if they are indeed a good idea, whether this current stimulus is enough. What most people, including me, agree on is that the problems we face are unprecedented both in global reach and in the breadth of financial assets that are affected, which is to say everything.”

Insights offers four articles about governance and behavior, one that was written by Peter Wallison of the American Enterprise Institute. In his “Not a Failure of Capitalism – A Failure of Government,” Wallison writes, “Explanations for the current financial crisis range widely: Some see it as a crisis or failure of capitalism; others see it as a case of excessive deregulation or just not enough regulation. The most plausible explanation for the extraordinary losses associated with the collapse of this bubble is the unprecedented growth of subprime and Alt-A mortgages in the United States.” Wallison concludes that “the usual mortgage standards that prevailed in the private housing finance market were eroded, and the housing bubble was gradually engorged with poor-quality mortgages. Without this factor – the element of government policy – the collapse of the great housing bubble of the early 21st century would not have been nearly as calamitous.”

Other essays include:

• “A Template for Understanding What is Going On,” by Ray Dalio, founder, president, and CIO of Bridgewater Associates;
• “The Limits of Convertible Bond Arbitrage: Evidence from the Recent Crash,” by Clifford Asness, managing and founding principal, Adam Berger, CFA, head of portfolio solutions, and Christopher Palazzolo, associate of
AQR Capital Management;
• “Of Candor and Conflicts: What Were We Thinking?,” by Marianne Jennings, professor of legal and ethical studies at Arizona State University;
• “How Psychological Pitfalls Generated the Global Financial Crisis,” by Hersh Shefrin, Mario L. Belotti professor of finance at Santa Clara University; and
• “What Can We Really Know about Economics?,” by Frank Fabozzi, CFA, professor in the practice of finance at Yale School of Management, and Sergio Focardi, professor of finance at EDHEC Business School.

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The Research Foundation encourages education for investment practitioners worldwide and funds, publishes, and distributes relevant research. The Foundation emphasizes research of practical value to investment professionals, while exploring new and challenging topics that provide a unique perspective in the rapidly evolving profession of investment management.

About CFA Institute
CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has nearly 100,000 members, who include the world’s 86,400 CFA charterholders, in 133 countries and territories, as well as 136 affiliated professional societies in 57 countries and territories. More information may be found at www.cfainstitute.org.

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