Nobel Laureate Myron S. Scholes, PhD Shares Insight with IMCA

Primary architect of the influential Black-Scholes model speaks with Journal of Investment Consulting about market regulation and the role of advisors in the future

Denver (Vocus) November 15, 2010 -- The latest edition of The Journal of Investment Consulting features an interview with Nobel Laureate Myron S. Scholes, PhD, known for his work on option pricing theory. Dr. Scholes helped develop the influential Black-Scholes model, a valuation tool that expanded economic valuation and influenced the creation of new financial investments and research areas. In the Journal, Dr. Scholes reflects on his lifetime passion for economics and comments on the state of the market and implications for the future.

Commenting on the 2008 economic crisis, Dr. Scholes offers the surprising notion that “volatility in the markets” can be a good thing. “Small shocks remind us that a bigger shock might occur,” he explains, “And, we protect ourselves to some extent.” He also believes that bail-outs for banks should be prohibited. Banks “have to bear the risks,” but it is up to society to “find the proper balance” of constraints to impose on bank activities and capital without harming society’s productivity. It is a “societal decision,” Dr. Scholes says, “whether to be proactive or just reactive to each crisis.”

Discussing the evolution in finance over the last forty years, Dr. Scholes notes that consultants and intermediaries are becoming increasingly important as the number and complexity of investment options continue to increase. To succeed, advisors must move past the “one size fits all” approach and instead analyze their clients’ needs and design unique, custom investment solutions to fit them. “It takes technology, know-how, experience, and methods to understand client needs and how those needs can be satisfied,” says Dr. Scholes. “Clients don’t have the ability to do so on their own.”

Dr. Scholes’ interview is the ninth in the Journal’s Masters Series, which presents in-depth discussions with experts in finance, economics, and investments. The Journal is available from Investment Management Consultants Association (IMCA®), the premier membership organization for investment consultants and wealth management professionals.

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