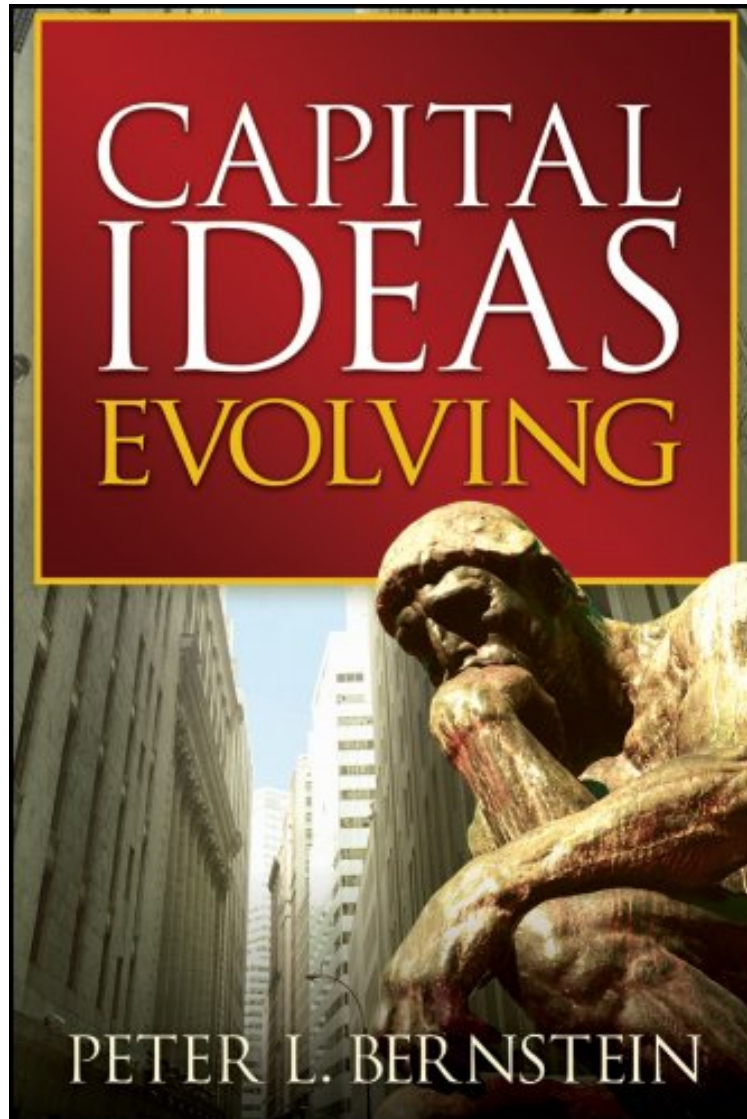


(Download) Capital Ideas Evolving

## Capital Ideas Evolving

*Peter L. Bernstein*

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**Peter L. Bernstein : Capital Ideas Evolving** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Capital Ideas Evolving:

1 of 1 people found the following review helpful. A Classic: Required reading for Financialization 101 students and members of the informed public. By James Eldredge For those interested in the Financial Crisis of 2008 Peter Bernstein's "Capital Ideas" and "Capital Ideas Evolving" should be required reading. They describe the transformation, i.e. mathematicization, of financial economics over the 2nd half of the 20th century, frequently described as Financialization, generally recognized as a central feature in the evolution of the economy. That all economic systems evolve, for better or for worse, is an indisputable fact of economic life. Whether such evolution is stable or inherently

unstable and whether governmental attempts to successfully manage economic evolution have desirable outcomes are questions whose answers are only tentative and fraught with political and technical ambiguity. Advocates for and against governmental intervention are agreed on at least one point: "One of the [competing narratives] will eventually be [publically] accepted, and will determine how the great financial crisis of 2008 is interpreted, and thus how it affects public policy in the future." Financialization and Globalization are the two structural changes in the economy that capture the essential features of the evolution of capitalist economies over the past half century. Bernstein's books, while suitable for academic purposes, are not beyond lay readers comprehension. Both books make an important contribution to informing the citizenry that an effective democracy must rely on. Donald MacKenzie's "An Engine Not a Camera" compliments Bernstein's books. MacKenzie argues that in the hands of market participants the technical innovations described by Bernstein became more than realistic models of Capital Markets, they actually caused the shaping of the markets they describe. For those interested in a popular and shorter exposition I would recommend Yves Smith's "Econed." 1 of 1 people found the following review helpful. Mr. Bernstein's Capital Ideas Evolving is the first and ... By Yun-chiang Tai Mr. Bernstein's Capital Ideas Evolving is the first and the foremost book everyone in the field of finance should read carefully. Inside the yeild book is the other one people in the field of finance should read thoroughly. 0 of 0 people found the following review helpful. Good Concepts, a good explanation of History By James D Good Concepts, a good explanation of History. But like most of his books he can get a little long-winded and belabor certain points and stories

"A lot has happened in the financial markets since 1992, when Peter Bernstein wrote his seminal Capital Ideas. Happily, Peter has taken up his facile pen again to describe these changes, a virtual revolution in the practice of investing that relies heavily on complex mathematics, derivatives, hedging, and hyperactive trading. This fine and eminently readable book is unlikely to be surpassed as the definitive chronicle of a truly historic era." mdash; John C. Bogle, founder of The Vanguard Group and author, The Little Book of Common Sense Investing "Just as Dante could not have understood or survived the perils of the Inferno without Virgil to guide him, investors today need Peter Bernstein to help find their way across dark and shifting ground. No one alive understands Wall Street's intellectual history better, and that makes Bernstein our best and wisest guide to the future. He is the only person who could have written this book; thank goodness he did." mdash; Jason Zweig, Investing Columnist, Money magazine "Another must-read from Peter Bernstein! This well-written and thought-provoking book provides valuable insights on how key finance theories have evolved from their ivory tower formulation to profitable application by portfolio managers. This book will certainly be read with keen interest by, and undoubtedly influence, a wide range of participants in international finance." mdash; Dr. Mohamed A. El-Erian, President and CEO of Harvard Management Company, Deputy Treasurer of Harvard University, and member of the faculty of the Harvard Business School "Reading Capital Ideas Evolving is an experience not to be missed. Peter Bernstein's knowledge of the principal characters-the giants in the development of investment theory and practice-brings this subject to life." mdash; Linda B. Strumpf, Vice President and Chief Investment Officer, The Ford Foundation "With great clarity, Peter Bernstein introduces us to the insights of investment giants, and explains how they transformed financial theory into portfolio practice. This is not just a tale of money and models; it is a fascinating and contemporary story about people and the power of their ideas." mdash; Elroy Dimson, BGI Professor of Investment Management, London Business School "Capital Ideas Evolving provides us with a unique appreciation for the pervasive impact that the theory of modern finance has had on the development of our capital markets. Peter Bernstein once again has produced a masterpiece that is must reading for practitioners, educators and students of finance." mdash; Andreaacute; F. Perold, Professor of Finance, Harvard Business School

"In both its sweeping account of investment ideas and the depth of the author's insights, Capital Ideas Evolving is unmatched." (Financial Analysts Journal, July/August 2008) FIFTY years ago, the business of managing other people's money was very much an art not a science, and was largely a matter of finding someone who was privy to inside information. But during the 1950s, 1960s and 1970s, academics changed the study of what became known as portfolio management. They did so in the face of much initial resistance and scepticism from the industry. In his 1992 book, "Capital Ideas", Peter Bernstein gave a magisterial account of the academics' thinking. The likes of Harry Markowitz, Bill Sharpe and Myron Scholes developed theories to explain the link between risk and reward, the gains to be made through diversification and the framework for valuing financial options. In recent years, however, some of these concepts have come under attack. Critics have argued that the academics used too many simplifying assumptions, such as ignoring trading costs. A school of thought, known as behavioural finance, has proposed that investors are not as rational as the models assume and are subject to psychological biases, such as a reluctance to cut their losses. Now Mr Bernstein has returned to the fray with a new volume in defence of his academic heroes. Although he accepts some of the theories' limitations, he argues that the professors built the structure for today's capital markets. Modern investors are much more sophisticated in the way they think about risk, in particular separating the returns available from market movements (beta in the jargon) and managerial skill (alpha). The academic concept of efficient market theorymdash;that prices already reflect all available informationmdash;has led to

the creation of index-tracking funds that allow investors to own a diversified portfolio at very low cost. Although behavioural financiers have spotted market anomalies, they have not shown that these can be systematically exploited: the average fund manager still struggles to produce a return that matches the index. Indeed, Mr Bernstein seeks to show how financial giants such as Barclays Global Investors and Goldman Sachs Asset Management have built on the insights developed by the academics. If there are ways systematically to beat the markets these days, they probably require men with physics doctorates and massive computer power rather than a smooth manner and the right contact book. There is the equivalent of a technological arms race as modern fund managers vie to find the best computer models and to trade quickly before their competitors spot the same opportunities. This race is making the markets more efficient, and so making the academics' models look more realistic than before. As Mr Bernstein recognises, this frantic activity is something of a paradox. The academics have taught us to be suspicious of the claims of the investment industry. But if the fund managers were not beavering away trying to pick stocks, prices would not be set efficiently and the academics would be proved wrong. Lacking its predecessor's historical sweep, this book is not quite as impressive a feat of scholarship. But Mr Bernstein has yet again produced a book that is insightful and thought-provoking. (The Economist, June 15, 2007) "hellip;a challenging sequel to (and spirited defense of) his 1992 classic" (Bloomberg, Friday 8th June) "Mr Bernstein has returned to the fray with a new volume in defence of his academic heroes. Although he accepts some of the theories' limitations, he argues that the professors built the structure for today's capital markets...a book that is insightful and thought-provoking." (The Economist) "Mr Bernstein has yet again produced a book that is insightful and thought-provoking." (The Economist, 15th June 2007) "hellip;an enthusiastic study of the academics whose theories have revolutionised global marketshellip;also a great primer in the ideas that currently govern the way the world's money is invested." (Financial Times) "Brilliant...This book should be in your library" (MarketWatch) "hellip;an enthusiastic study of the academics whose theories have revolutionised global marketshellip;also a great primer in the ideas that currently govern the way the world's money is invested." (Financial Times,nbsp; Mon 2ndnbsp;July)nbsp; "satisfying read" (Capital Ideas Evolving, Monday 6th August) "a clear and elegant introduction to the debate, including vignettes of all the main intellectual figures"nbsp; (Financial Times, Saturday 15th Decemberrnbsp;2007)nbsp; "hellip; an excellent introduction tohellip;modern portfolio theory and will appeal to academics, practitioners, and to others who study financial markets." (Pension, Economics and Finance Journal (PEF), Vol. 7/2 08)From the Inside FlapIn all of history and in all fields of intellectual endeavor, a tension has existed between theory and practice. Those of us who earn a living in the real world seldom want to appear as slaves to some set of abstract ideas. It was no surprise, therefore, that the word "baloney" was Wall Street's greeting to the pioneering theories of finance developed by a small group of academics in their ivory towers during the years from 1954 to 1972. Yet those breakthrough theories would in time earn five Nobel Prizes in Economic Science. Baloney they were not. In Capital Ideas Evolving, today's foremost financial historian expands upon his groundbreaking book of 1992, Capital Ideas: The Improbable Origins of Modern Wall Street, to recount how these financial theories finally migrated from the towers of ivory to the towers of glass on Wall Street and other financial centers around the world. The result has been a global revolution in the nature of financial markets, the menu of investment strategies, the development of exotic financial instruments, and the role of an uncertain future in all investment decisions. Even the academics who originally developed these theories are active today in the markets and in the creation of new financial structures and strategies. The opening pages of Capital Ideas Evolving confront the attack on these theories from researchers in Behavioral Finance, who argue that the theoretical assumptions of fully rational investors are a far cry from reality. Bernstein finds strong positive consequences in the daily interaction between these critics and the impact of financial theory. Based on personal interviews with leading practitioners and theoristsmdash;including five of those who played a prominent role in Capital Ideasmdash;this book also describes how today's key practical applications developed from the core ideas of finance theory into the new and exciting formats of the investment process found in today's environment. This story includes the startling success of a group of leading institutional investors, all of whom developed their strategies from a base composed of the principles once categorized as "baloney." As Bernstein traverses between financial theory and a history of modern financial innovation, he gives us a vivid and enlightening view of today's investment world. This engaging and insightful book brings to life the individuals, ideas, and issues that are transforming the financial landscape.From the Back Cover"A lot has happened in the financial markets since 1992, when Peter Bernstein wrote his seminal Capital Ideas. Happily, Peter has taken up his facile pen again to describe these changes, a virtual revolution in the practice of investing that relies heavily on complex mathematics, derivatives, hedging, and hyperactive trading. This fine and eminently readable book is unlikely to be surpassed as the definitive chronicle of a truly historic era." mdash; John C. 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theories have evolved from their ivory tower formulation to profitable application by portfolio managers. This book will certainly be read with keen interest by, and undoubtedly influence, a wide range of participants in international finance." — Dr. Mohamed A. El-Erian, President and CEO of Harvard Management Company, Deputy Treasurer of Harvard University, and member of the faculty of the Harvard Business School "Reading Capital Ideas Evolving is an experience not to be missed. Peter Bernstein's knowledge of the principal characters—the giants in the development of investment theory and practice—brings this subject to life." — Linda B. Strumpf, Vice President and Chief Investment Officer, The Ford Foundation "With great clarity, Peter Bernstein introduces us to the insights of investment giants, and explains how they transformed financial theory into portfolio practice. This is not just a tale of money and models; it is a fascinating and contemporary story about people and the power of their ideas." — Elroy Dimson, BGI Professor of Investment Management, London Business School "Capital Ideas Evolving provides us with a unique appreciation for the pervasive impact that the theory of modern finance has had on the development of our capital markets. Peter Bernstein once again has produced a masterpiece that is must reading for practitioners, educators and students of finance." — Andreacut; F. Perold, Professor of Finance, Harvard Business School