

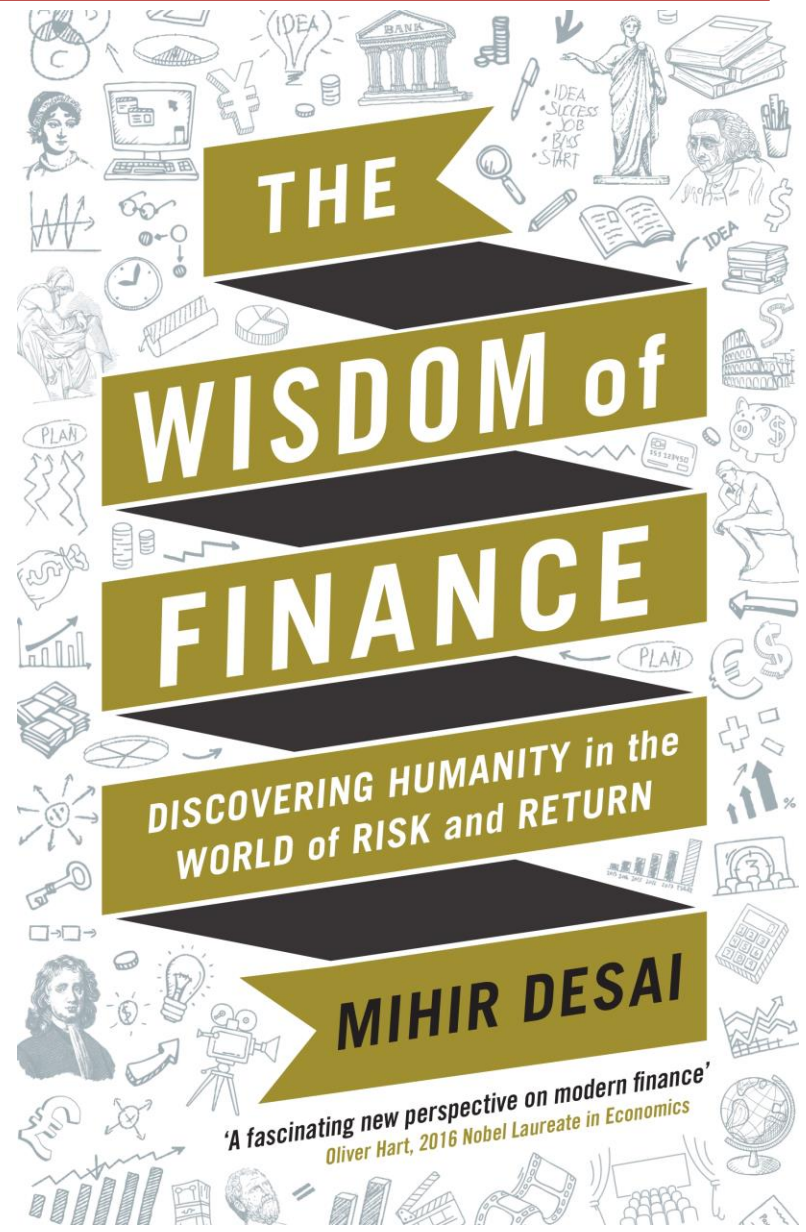
The Wisdom of Finance

Discovering Humanity in the World of Risk and Return

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The Origins (1)

- In May 2015, I gave a talk to graduating students– I had no idea what to do other than a title: “The Wisdom of Finance”
- Then, I had to figure out what that meant....
- It turned out to be remarkably clear...
- And, then I wrote a book about it – which was not so straightforward...



Motivation (1)

- This will not be about:
 - How to pick stocks or
 - how to nudge you into saving more
- This is about bridging finance and the humanities - a la C. P. Snow and Two Cultures
- The humanities can illuminate finance in a novel way...
- ...and the ideas of finance provide surprising insight on common aspects of our humanity

“Money is a kind of poetry.” - Wallace Stevens

Motivation (2)

In the process....

- Newcomers to finance can learn finance without an equation or graph – and only through stories...
- Finance professionals can think about these ideas in a totally new way
- Maybe, we can actually make finance better.
 - The practice of finance is broken...
 - Regulation and outrage only go so far...and can make things worse
 - Reanchoring the practice of finance in the ideas
 - and ideals – of finance may rehabilitate finance

Outline

1. Risk and Insurance
2. Risk Management – Options/Diversification
3. Value Creation and Valuation
4. Corporate Governance
5. Mergers
6. Leverage
7. Bankruptcy
8. Why Everyone Hates Finance

Risk and Insurance



Risk Management



Value Creation and Valuation



Corporate Governance



Mergers



Leverage



Bankruptcy



Why Everyone Hates Finance



Conclusion

- The gulf between finance and the humanities is a real loss
- Finance can use the humanization provided by humanities
- The humanities need to lose their caricature of finance – finance as a noble set of ideas, no matter current state of practice
- The ideas – and ideals – of finance might actually improve practice by making finance more aspirations

Thank you!