Abstract

2018 marks the 10-year anniversary of the worst financial crisis that we have experienced in our lifetimes. What have we learned? How likely are we to see another crisis? And what can we do to prevent it from happening again? To answer these questions, we need to develop a deeper understanding of the origin of financial crises and this can best be done through the perspective of evolutionary models of human behavior. This perspective points to a critical mismatch between the increasing speed of technological innovation and the much slower pace of human adaptation to such innovation, leading to oscillations between states of financial excess and regulatory over-reach. By recognizing this dynamic and measuring its drivers, we might one day be able to break free from its never-ending cycles to reach a more stable equilibrium.

Fear, Greed, and Financial Crisis 10 Years Later

Oct 1st, 2018

Pre-lecture Reception: 4:30pm
Lecture: 5:00pm
Building 1-190

Faculty Hosts:
Serguei Saavedra + Lydia Bourouiba

Biography

Andrew W. Lo is the Charles E. and Susan T. Harris Professor at the MIT Sloan School of Management, the director of MIT’s Laboratory for Financial Engineering, a principal investigator at MIT’s Computer Science and Artificial Intelligence Lab, a research associate of the NBER, and an external faculty member of the Santa Fe Institute. He received a B.A. in economics from Yale University and an A.M. and Ph.D. in economics from Harvard University. His most recent research focuses on systemic risk in the financial system, evolutionary models of investor behavior, and applying financial engineering to develop new funding models for biomedical innovation. He has published extensively in academic journals (see http://alo.mit.edu) and his most recent book is Adaptive Markets: Financial Evolution at the Speed of Thought. His awards include Sloan and Guggenheim Fellowships, the Paul A. Samuelson Award, the Harry M. Markowitz Award, the Eugene F. Fama Prize, teaching awards from Wharton and MIT, and election to Academia Sinica, the American Academy of Arts and Sciences, the Econometric Society, and the Society for Financial Econometrics.