



‘INFORMATION IN ECONOMICS & FINANCE’

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What I Do (1)

- ▶ Economic consultant to Friends First Group, a subsidiary of Dutch company Eureka
 - ▶ Friends First does Life Insurance/Income Protection/Pensions & Investments
 - ▶ Deal with internal & external clients
 - ▶ Clients not interested in theoretical economic disputes
 - ▶ What will happen Economy, Investments, the Industry & the Company
 - ▶ Information is the 'Empowerer'
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What I Do (2)

- ▶ Internal and external focus
 - ▶ Analysis of Global and Local Economy
 - ▶ Environment in which the company operates – Macro/Competitors/Legislative & Political
 - ▶ Analysis of investment performance & opportunities
 - ▶ Flow of information crucial
 - ▶ Quality rather than Quantity
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The Big Issues Today

- ▶ Global economic and financial system on edge of a precipice
 - ▶ Sub-Prime madness has left a very dangerous legacy
 - ▶ The demise of the Irish economy & its banking system
 - ▶ Incessant march of globalisation
 - ▶ Innovation has pushed risk parameters out of control
 - ▶ Role of information questioned
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How do I do my Job?


- ▶ Analysis of information
 - ▶ Official statistical agencies
 - ▶ Political system
 - ▶ Published company information
 - ▶ Market sources eg: IAIM, LIA, IAPF, III etc
 - ▶ Primary research
 - ▶ Internet has changed dynamics in dramatic fashion, but has created its own problems
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The Information Problems


Information matters, but what does price tell us?

- ▶ Is it trustworthy?
- ▶ Is it accurate?
- ▶ Is it comprehensive – Market Share v Profitability etc
- ▶ Issues of Competition v Accuracy
- ▶ Policy makers need comprehensive information to make informed decisions
- ▶ Policy often set in a vacuum
- ▶ Leads to market failure


The Role of Financial System

- ▶ Reduces information costs
 - ▶ Reduce Information asymmetries
 - ▶ Provides information about creditworthiness of borrowers
 - ▶ Prices of securities/risk premia
 - ▶ Assist in decision making & efficient allocation of funds
 - ▶ Are markets good at processing information?
 - ▶ Herd behaviour & bubbles
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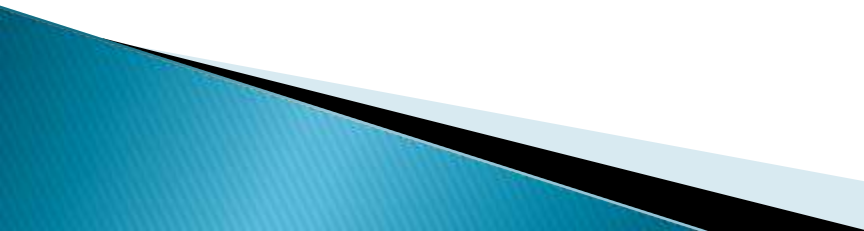
Alan Greenspan

- ▶ Inductive method of analysis – ingest as much information from as many sources as possible & put it together in coherent picture
 - ▶ Fervent belief in efficiency & morality of free market system
 - ▶ ‘Markets foster trustworthiness, integrity & personal freedom’
 - ▶ This ethos has blown up in his face
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Failures of Information

- ▶ LTCM
 - ▶ Sub-Prime crisis
 - ▶ Irish banking collapse and investor wipeout
 - ▶ In a world of hidden information, there is often no way of knowing what risks counter-parties have taken on
 - ▶ Failure of counter-party surveillance
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What is Required

- ▶ Timely, comprehensive & quality information
 - ▶ Information essential for proper regulation
 - ▶ Legal obligation to provide true & comprehensive information
 - ▶ Standardised formats
 - ▶ Companies must have greater disclosure
 - ▶ Sanctions to comply
 - ▶ Globalisation will complicate information flows, but increases need for such flows
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THANK YOU!

