Understanding the Financial Crisis: Did Mathematical Models Fail?

Conference Timetable:

9.30 – 10.00	Registration and Coffee
Chair:	*David Kingston (Acuvest)*
10.00 – 10.30	Patrick Honohan (TCD)
	"Systemic issues in financial regulation: a new generation of mathematical models or better understanding of what we've got?"

Abstract: Competing interpretations of risk management failures in the crisis assign blame alternatively to distorted incentive structures for financiers or flawed mathematical models of risk. A synthetic view recognizes both of these as endogenous. Improved systemic risk management for the future can benefit from a new generation of models of endogenous systemic risk, but needs to be based on a holistic view which encompasses bounded rationality and the political process as well as narrowly financial risk.

10.30 – 11.00	Gregory Connor (NUI Maynooth)
	"Portfolio Risk Analysis in the New, New Milennium"

***Abstract* :**The global credit-liquidity crisis of 2007-2008 can be traced in part to an appalling failure of financial risk management systems. This presentation will discuss the emerging research agenda in quantitative modelling for portfolio risk analysis, in response to this failure. <SPAN style="mso-spacerun: yes"". There will be an increased focus on liquidity risk modelling. a critical rethink of risk management reporting lines in the context of agency theory and corporate governance theory, growing importance for behavioural and game-theoretic analysis, and a precipitous decline in the use of econophysics.

Chair: Brian Coffey

11.00 – 11.30	Shane Whelan (UCD)
	"Modesty: The Missing Element of Mathematical Models of the Market"

Abstract: Two distinct cultures make a study of the capital markets as their common specialism, namely, market practitioners and academic financial economists. The cultures differ in all that defines a culture: their value system. Accordingly, each has a distinct body of knowledge that evolves by a different selection process. We ask: what is the markets valuation of the models proposed by financial economists? It is claimed that actuaries evaluation of such models, given their market consistent value system, can be identified with the markets valuation. The key insights of financial economics from 1900 are evaluated in this context. We conclude that if models in financial economics are to be judged solely by the accuracy of the predicted outcomes then the models developed to date are not fit-for-purpose. We conclude that academics should be more modest when it comes to claims about the utility of theirmodels.

11.30 – 12.00	Coffee Break
Moderator:	*Peter Richmond (TCD)*
12.00 – 12.50	Panel / Question & Answer Session
12.50 – 1.00	Closing remarks by Pramit Ghose (Bloxham)
1.00 pm	Light lunch