

GREEN AND SOCIALLY RESPONSIBLE INVESTING

ANNOTATED BIBLIOGRAPHY

General Perspective

Robert J. Shiller, Irrational Exuberance (2nd ed '05)

Describes the psychology of speculation, herd behavior, “new era” theories, our misdirected attention to gyrations in the market, “celebrity” opinion, trivial factoids and compromised research analyses. Offers inflation-corrected statistics re market returns and housing prices, and charts stock prices relative to dividend current value.

Richard Bookstaber, A Demon of our own Design: Markets, Hedge Funds, and the Perils of Financial Innovation ('07)

Describes statistical arbitrage, the convergence spread trade, and other hedging techniques. Warns us of the dangers of borrowing short-term while investing long-term, extreme leverage, complexity, tight coupling, and the speed of the transactions.

Nassim Nicholas Taleb, The Black Swan: The Impact of the Highly Improbable ('07)

Describes our focus on minutiae, blindness to risk, our scorn for the abstract, retrospective distortions, our tendency to “tunnel” and focus on a small number of sources of uncertainty, and our deference to professionals, who are skilled at narrative, and smoke us with elegant and tight mathematical models based on erroneous premises.

www.hussmanfunds.com

John Hussman publishes a weekly commentary on market climate - valuations and the quality of market action. See his essays re risk assessments, defensive hedging techniques, futility of short-term forecasting, role of the Federal Reserve, and investing for the full market cycle.