

# Knowledge Exchange Event – Aarhus University 14 November 2013

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**The Danish journal Finans/Invest as  
a link between theory and practice**

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# History of Finans/Invest

- Finans/Invest founded in 1972
- Knowledge exchange has been the basis for the journal since it was founded in the private sector
- Based at the university since 1984



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AARHUS  
UNIVERSITY

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synergy

# A link between theory and practice

- **Within finance there is a close connection between university “laboratories” developing theories and models and the real world putting them into practice**
- **In this process the journal *Finans/Invest* acts as catalyst and bridge-builder between theory and practice**

# Knowledge exchange by

- A paper-based version
- An electronic database containing all articles since 1990
- **Subscribers**
  - Financial institutions, consultancy companies, law firms, large non-financial companies, ministries, public libraries, universities etc.

## Paper versions of Finans/Invest



## Extract from the home page of Finans/Invest - www.finansinvest.dk



# Impact on society

- Part of the financial infrastructure in Denmark
- Great impact on practice and the financial law process, illustrated by the financial crisis on the next slide
  - App. 100 articles on the financial crisis and the run-up to the crisis in Finans/Invest over the last 8-9 years
  - 150 references in the report from the official Danish Committee on the causes of the financial crisis
  - 24 or nearly 20% of all references are from Finans/Invest



# Get some of the answers in Finans/Invest!

## Financial crisis:

### WHY???

#### External factors

- Mistaken economic policy 2003-07 due to long period of stability ("New Economics")
  - Too easy MP (US)
  - Too easy FP (DK)
  - Unsustainable sovereign debt policy (EU)
- Global imbalances
- Too much deregulation
- Result
  - Too much liquidity
  - Low pricing of risks
  - Formation of asset bubbles

Series of simultaneously wrong decisions

Investors misjudge the risk/return characteristics of their projects

Banks misjudge loan applications (bad credit culture)

Funding sources do not discipline bank management

FSA, CB and government remain unwilling or unable to prevent excessive risks in banking

#### Internal factors

- Misjudged projects due to asset bubbles
- Aggressive risk management in banks
  - Wrong incentives (TBTF)
  - Ineffective risk management practice
  - Risk and liquidity measurement failed
- Shadow management
- Weak boards
- FSA, CB and government believed in a soft landing

Herding and groupthink have aggravated the development of the crisis

# Definition of knowledge exchange

- The leading article in Finans/Invest often challenges the views and procedures of the financial sector
- My definition of knowledge exchange:  
**Theory as the basis for practice and the freedom to express views are the cornerstones of fruitful knowledge exchange**