

What are the merits of active and passive investing, respectively – for investors, financial markets, and the economy as a whole? Does skill exist among the best active managers and how will market efficiency change as passive investing gains popularity? While passive investors rely on broad market indices, active investors instead seek to select the best securities, but what are the merits of these types of investment? Passive investment has the benefit of minimizing cost and diversifying well across many securities. Active investment can potentially deliver higher returns if you can find a successful manager. But does skill exist among the best active managers and overall among the entire active management industry and, if so, what is the economic source of these profits? Further, active managers' effort to buy low and sell high tends to make market prices more informative, which may help the allocation of capital in the economy, but how will market efficiency change as passive investing gains popularity, and what is the future of asset management? Professor Pedersen will provide answers to these questions.