

Title: **LOOKING TO THE FUTURE, PART II**

Speaker: **HARRY MARKOWITZ, BILL SHARPE**
Marty Liebowitz, Moderator

Marty Liebowitz conducted an open chat with our two favorite Nobel Laureates.

Here are some of the major points that were discussed:

- On the top of everyone's list was the worldwide dilemma of how to solve the problem of funding retirement for now and into the future. It was agreed that the problem will ultimately resolve itself in a few decades, but until then, it is a major problem. Harry suggested that there were two ways to solve the problem: change the allocation or increase the size of the pie.
- Sharpe suggested that whatever solution we undertook, there will be sets of people who bear a greater share of the burden. Following the concept of Pareto optimality, it may require the winners to compensate the losers. (Sharpe pointed out that these nuances are lost in political discourse.)
- Reverse mortgages could monetize an otherwise illiquid asset, but design of the system still needs adjustment.
- In answer to the question "what is the interesting unsolved problem in finance, Markowitz suggested "liquidity." Sharpe suggested that we haven't focused much on the problems of decumulation of assets by retirees.
- Health costs were raised as another problem, especially in the design of insurance to cover catastrophic loss. Sharpe suggested that better health statistics and diagnostics could lead to a better understanding and cost control.
- In answer to the question "what surprises you the most?" Markowitz replied "Moore's Law still works, and looks like it has a lot of years left."
- The final, and probably the most interesting, thought came from Markowitz: 50 years ago it was a set of largely undefined rules of thumb; since then it has become a process that is well understood in its objectives, discipline, and outcomes that satisfy the objectives.
- Sharpe added "Index funds."