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Meet The Hedge Fund Historian

Lionel Laurent, 09.30.07, 12:00 PM ET

LONDON - *"The devastating nuclear exchange of August 2007 represented not only the failure of diplomacy, it marked the end of the oil age. Some even said it marked the twilight of the West."*

It may read like bad science-fiction, but the above scenario came from the pen of from Harvard professor and historian Niall Ferguson, whose prediction of a chaotic, war-torn future, published in the *London Telegraph* in 2006, has struck a chord with, of all places, British hedge fund **GLG Partners**.

As a result the firm appointed the controversial Ferguson as a consultant, in the hopes that he will help them better navigate today's turbulent financial markets. No doubt GLG believes his deep expertise regarding past eras of strife--like 19th-century imperialism and both world wars--will help guide them through today's roiling, if not yet apocalyptic, markets.

GLG Partners, which manages some \$21 billion in assets, hired the 43-year-old Scottish historian as a consultant in July, when trouble in the credit markets first began to [affect](#) notable private equity deals, such as Kohlberg Kravis Roberts' buyout of British retailer Alliance Boots and Cerberus Capital's purchase of Chrysler from DaimlerChrysler.

Since then, the lack of appetite for riskier debt related to the American mortgage market, and fears of a recession in the U.S., have spread through the global economy, from stock markets to inter-bank lending.

Ferguson is no stranger to the bond market and its role in international finance. One of the main points in his 2001 book, *The Cash Nexus: Money and Power in the Modern World*, was the importance of marketable national debt. Such debt, he argued, created an effective "square of power" linking parliament, a tax-collecting bureaucracy, a central bank and the national debt itself.

But he is more famous for his outspoken and revisionist views of 19th-century imperialism, particularly Britain's. In fact, during one 2003 lecture he argued: "The British empire from the 1850s onwards was an incredibly liberal one. For all the warts on its face it created a free enterprise global economy, protected women and stopped infanticide in India, and ultimately brought representative democracy."

This may seem to have little to do with hedge funds, where quantitative analysis usually proves more reliable than historical conjecture for trading huge amounts of money. But, according to one senior industry insider, that could very well be GLC's incentive for hiring Ferguson.

"He has a completely different perspective," the insider said, adding that a hedge fund might benefit from a historical perspective during times of great market uncertainty. "The basic rationale is that times change, but people don't."

And even the best quantitative analysis cannot outwit price volatility when investors rush for the exit doors, as witnessed in August when Goldman Sachs saw \$1 billion wiped off the value of one of its [funds](#).

Ferguson's fellow consultant to GLG is Campbell Harvey, professor at Duke University's Fuqua School of Business and author of papers including "Political Risk, Financial Risk and Economic Risk" and "Emerging Equity Market Volatility." Between the historian and the economist, GLG just might have the right intellectual capital on which to bank its financial capital as it attempts to navigate the crises to come.