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Cutting Edge Academics:The smart money

The importance of academic research in money management is growing by leaps and bounds, spurred by use of more complex strategies

Ever since Harry Markowitz related the risk of an individual security to the entire portfolio in 1952, academics have played a growing role in how money is managed.

Sure, it took a long time for the early academic work to catch on. The ideas of Mr. Markowitz — who shared the 1990 Nobel Memorial Prize in Economic Sciences with William F. Sharpe and Merton Miller — weren't put into practice until the early 1970s.

Now, managers — particularly those with a quantitative bent — often glom onto new academic ideas before they're published.

Sometimes, an idea's application to money management is not apparent.