

The Ambachtsheer Letter

Research and Commentary on Pension Governance, Finance and Investments

Letter # 267

April 2008

TOWARDS SUSTAINABLE FINANCIAL MARKETS:

HOW AND WHAT CAN *EXPERT COALITIONS* CONTRIBUTE?

“Collaboration to promote change can be more efficient than acting individually....by engaging multiple participants in the change process, collaboration can mobilize ‘intrinsic motivation’ in a way that imposed rules/laws cannot...”

Quote from a
Rotman ICPM-sponsored research paper
by Danyelle Guyatt, 2007

From Words to Deeds

Our February *Letter* characterized the now 9-month old financial markets crisis as a ‘predictable surprise’, and extracted important ‘do’ and ‘don’t’ lessons from the resulting analytical framework. The follow-up March *Letter* applied the ‘do’ and ‘don’t’ lessons learned (or re-learned) specifically to the internal governance and management of pension fund organizations. This *Letter* looks beyond these internal challenges by addressing the broader question ‘what and how can motivated expert coalitions contribute to making financial markets less crisis-prone, and thus more robust and sustainable over the long term?’

We address this ‘what and how?’ question using a framework developed by Danyelle Guyatt in a study funded by the *Rotman International Centre for Pension Management* titled “Identifying and Mobilizing Win-Win Opportunities for Collaboration between Pension Fund Institutions and their Agents” (www.rotman.utoronto.ca/icpm). Based on evolutionary game theory and the theories of cooperation and conventions, as well as studying the outcomes of previous collaboration efforts, she proposes an 8-step framework for mounting successful collaboration efforts:

1. The Problem: specify the nature of the problem to be addressed.
2. The Conventions: specify the conventions (i.e., the underlying causes) that underpin the problem.
3. The Target Agents: identify the target agents for change.
4. The Power Agents: identify where the power relations lie between interacting agents.
5. Motives: assess if there are sufficiently strong motives for collaboration between power agents.
6. Design: plan and develop collaborative initiative.
7. Implementation: cost-effective implementation of the initiative.
8. Evaluation: evaluate the effectiveness of the initiative.

Let’s apply this framework to structuring a collaboration effort that addresses the current financial markets crisis, and see what happens.