

## 2009 Summer Reading List



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Summer will soon be upon us, which may provide some of us the opportunity of a good read. Given the new economic realities, I may not be buying my favorite books this year; a Kindle is only wishful thinking but the local public library beckons. I have to confess that my means for coping with the capital markets turmoil of late have involved discount Argentine reds and "Seinfeld" re-runs. Perhaps, this summer I will tackle a couple of books instead. Besides, modern day air travel provides more than enough opportunity to crack open a good book while awaiting delayed departures.

Many of us have had the dubious pleasure of contacting the call center of a major airline to deal with some travel nightmare. Recently my co-workers listened as I shouted into my phone: "what is it you don't understand about the word, NO!" I quickly reacted to my colleagues alarmed looks; "I am bellowing at the airline's voice recognition system, not a real person."

My descent into a level of hell that Dante could not foresee continued until I found a human at the other end of the line. Therefore, I look forward to reading "Your Call Is (not that) Important to Us" by Emily Yellin, in which Ms. Yellin promises to "seek out the humanity and reason behind the customer service experiences that many people find to be inhuman and nonsensical." To continue this review in English, press 1 now.

One of the benefits of composing these annual reading lists is that my audience is left with the (false) impression that I am well-read and clever. This year I have the pleasure of introducing a book that I have actually read, as opposed to one I plan to read. I could not put down "Sea of Poppies" by Amitav Ghosh. Set in India in 1838, the novel is slated to be the first in a trilogy. Spiced with vibrant characters of differing nationalities, charms, and foibles, the recipe for this fine work of fiction seems one part Rudyard Kipling, one part Salman Rushdie, and one part Patrick O'Brian. The lavish use of dialect coupled with themes of caste, religion, indentured servitude, dreams, and the supernatural all wrap up into a tasty *vindaloo*. The author captures the trials and tribulations of lascars, Bengalis, British merchants, a dispossessed Indian noble, and an American sailor (to name just a few) in this tale of love, hypocrisy, greed, loyalty, and addiction. Moreover, this tale of

unfettered capitalism, in the form of the early opium trade, makes sub-prime lending look benign.

The trials and tribulations of 19th century residents of Calcutta may seem like a welcome diversion for those of us working in financial services for the last two years. Nevertheless, I would like to highlight a few new books on finance and economics. "Animal Spirits," by George Akerlof and Robert Shiller, is cited as a fresh look into the burgeoning field of behavioral economics. Apparently the authors make a case that our "ideas and feelings" about the economy are not limited by rational interpretation of data. Sentiment, itself, is a key driver of growth. Professor Shiller recently argued in an op-ed piece in the *Financial Times* that "people's economic moods are largely based on stories that people tell themselves and tell each other that are related to the economy." He has also lately been making the case that better regulation of Wall Street is analogous to government-mandated food safety standards. I expect that this book will delve deeper into both issues.

Since there is an abundance of books this year detailing, *ex post facto*, the financial meltdown of 2008, I thought that it might be useful to plug a book whose author can credibly claim to have forewarned of capital market problems. "Mr. Market Miscalculates" is a collection of essays, speeches, and editorials by James Grant that pointed to the troubles in our financial system well before the mortgage market bubble burst, felling banks, brokers, and capital markets. A disciple of Benjamin Graham, Mr. Grant is one of our era's most astute observers of irrational investor behavior, coupling his knowledge of the history of markets with his skepticism about consensus investment assumptions. I can think of no other author who can quote Walter Bagehot, circa 1873, and then summarize sub-prime lending as "not one borrower left behind." The always insightful Mr. Grant reminds us that "as a rule, investors see what they want to see" and that central banks tend to debase their paper currency over the long-term.

Watch the news or turn on C-SPAN and sometimes it seems as if no one wants to hear these days that capitalism can be a good thing. Consequently, "The Ascent of Money," by Niall Ferguson, is high on my list this summer. Given the turmoil in banking of late,



it is useful to remember “just how far our financial system has ascended since its distant origins among the moneylenders of Mesopotamia.” This careful chronicling of the history of capital markets promises to remind today’s investors that “not even the worst has set us back” and that credit bubbles are as old as the practice of lending money. Moreover, the book makes the case that financial innovation is as critical to human progress as “the advance of science and the spread of law.”

Simon Schama is one of my favorite historians. His BBC specials and many books have whetted my appetite for years. His newest offering, “The American Future: A History,” is more an engaging narrative than a text book. Although he teaches at Columbia University currently, his writing talent and keen insight reveal his British heritage. As the book traces United States history from the earliest European arrivals up to Barack Obama, it searches for meaning in the American experience. For those of us numbed by Congressional earmarks, water boarding, bailouts, government deficits, and spendthrift consumption – indeed, all the bad news that 24/7 cable news can pour on us – it is helpful to be reminded by a foreign observer that “the American future, shaped by the epic of its past, will turn fair once again.” ■

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