

THE TROUBLE WITH HEDGE FUNDS

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First published: 24 June 2005

<https://doi.org/10.1111/j.1541-1338.2002.tb00233.x>

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ABSTRACT

This article examines the impact of hedge funds on the workings of international financial markets and their implications for public policy. In contrast to the neoclassical view of hedge funds, which views them as being 'too-small-to-matter', this article argues that the activities of hedge funds are significant for policymakers because of their ability to become extensively overleveraged and to act as market leaders. I consider the role played by hedge funds in financial crises, market volatility, market manipulation and systemic risk. The article concludes with a critical review of recent proposals for dealing with the public policy issues raised by hedge funds.

Citing Literature



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