Random Walk: Memoir of an Itinerant – review

In **Random Walk: Memoir of an Itinerant**, *economist* **Richard Dale** *reflects on his life and career, tracking his intellectual shift from a believer in free-market economics to a proponent of more stringent regulation. An accessible and engaging read, Dale's autobiography shares significant insights for those interested in the complexities of financial markets, writes* **Nicholas Barr.**

***Random Walk: Memoir of an Itinerant*. Richard Dale. Tricorn Books. 2023.**

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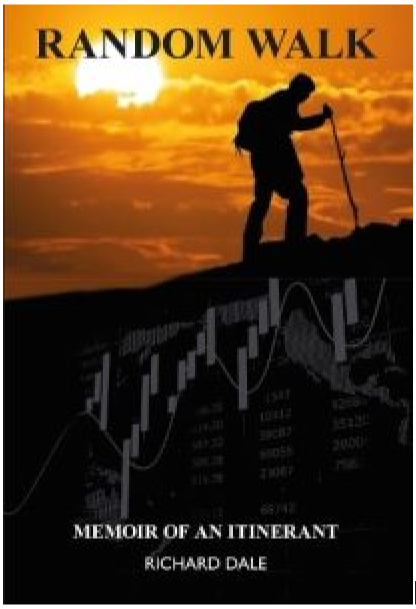

Richard Dale's autobiography raises an interesting conundrum. He describes jobs in financial markets and academia (many, often multiple), homes (I lost count), properties contemplated (uncountable), academic disciplines explored (economics, law, finance), books authored (nine, including law and finance, and in retirement history and fiction).

The conundrum is whether the story is the "random walk" of the book's title or something more deliberate. An early chapter describes Dale's undergraduate days at LSE. Then, as now, LSE was about analytical training, aiming to give students broad, flexible skills applicable to problem solving in whichever areas they ended up. At the time, unlike now, there was relatively little teaching support – in some courses students were given a book list, ie, a list of books, in which they were encouraged to forage to complement lectures.

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Dale used the resulting analytical self-sufficiency to qualify as a barrister via self-study, posing the question of whether his account is less random than an early example of a portfolio career. His early career was in financial markets, including working for the Moscow Narodny Bank, Cripps Warburg, and Rothschild's, a combination of hard work and high living. Partly for health reasons, the second part was primarily academic, initially at the University of Kent, later at the University of Southampton. And threading throughout were entrepreneurial activities such as establishing the *International Currency Review,* setting up a credit rating service sponsored by the *Financial Times*, and suggesting and then editing the *FT Financial Regulation Report* – a life of career success and latterly of financial comfort.

That said, Dale is open about the role of luck (on which see Robert Frank's excellent book). He describes a childhood heavily financially constrained, but as the book makes clear, the family had solid social capital, so his early life was eased by advice from family contacts and financial help from relatives for school fees (like his father, he went to Marlborough College). Luck also included legendary teachers at LSE, notably the economist Richard Lipsey and political philosopher Michael Oakeshott. As it turned out, a further piece of luck was the departure of his sponsor at Kent University just after Dale arrived, leaving him with an unstructured two years of funding, which he used to write his first well-received book (a reminder of the famous golfer Gary Player's dictum that "he harder you work, the luckier you get"). Also lucky was the new appointment at Kent University of the eminent lawyer, Rosalyn Higgins, who supported Dale's attempt to start an academic career, and sponsored him for a two-year Rockefeller Foundation Fellowship. A third view of Dale's journey, therefore, is as a rolling stone (Mick Jagger was one of his fellow students).

Given my own work on the role of markets – when they work well, and when they don't – I was particularly interested in Dale's intellectual journey. In his words,

"Since LSE days I had always had a great admiration for Milton Friedman and the free-market economics of the Chicago School. However, over the years I became increasingly sceptical about the periodic boom-bust cycles of financial markets and the propensity of both equity and credit markets to succumb to bouts of euphoria and panic… I experienced for myself as a fund manager the mad boom-bust years of 1973/76 and I observed the absurd stock market valuations of dot.com and technology companies in the late 1990s which was followed by a spectacular collapse" (200).

That change of view, based on practical experience, was supported by academic research on market failures – imperfect information, behaviour different from narrow economic rationality, search frictions (eg, the fact that it takes time to find a new job) and incomplete contracts – recognised by multiple Nobel prizes this century. Thus, over time Dale moved from a view based on what economists call a rational expectations model, to the more recent emphasis on behavioural finance.

> A further reinforcement of Dale's views is the distinction between risk (where the likelihood of different outcomes is well known, eg, the probability of breaking a leg during a skiing holiday) and uncertainty (where there is a clear risk but little knowledge of its likelihood, eg, future rates of inflation) or whether, when and how artificial intelligence will be beneficial or harmful.

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Thus, Dale became convinced of the need for more stringent regulation, and was prescient in predicting the 2008 financial and economic crisis. In doing so, as one of very few experts to sound a warning, he faced considerable – at times personal – pushback, both from finance academics and from practitioners.

During his academic career, Dale straddled the worlds of scholarship and practice. He established a successful MSc in International Banking and Financial Studies at Southampton. In parallel was policy work, including talks at the World Bank and International Monetary Fund, testifying before US Congressional Committees, membership of the European Shadow Financial Regulatory Committee, specialist adviser to the Treasury and Civil Service Committee, and writing books and policy papers (on the last – to my great envy – he developed an ability to write fast with no need for drafts, a skill he shared with his LSE mentor Alan Day who was his tutor and subsequently supported some of his policy activities).

Which brings the story to the third part of Dale's career, so-called retirement, giving him freedom to pursue a long-standing interest in history, writing a series of books, including on Walter Raleigh, those writings being sufficiently acclaimed to bring him election to a Fellowship of the Royal Historical Society.

Running through the career narrative is Dale's personal life: a pre-university spell on a kibbutz, influenced by his father, a man with strong socialist views (which made for interesting subsequent conversations with a son working in finance); a long first marriage with children, including "too many jobs [and] too many house moves" and a long, happy second marriage in which he had, "only one employer … and owned only one house (plus a share in another)" (246). He had a very active social life, including meeting friends abroad, sometimes for shared holidays, often with lifelong friends from his student days and early career.

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So, a career straddling economics, law and finance, retirement as historian with considerable holiday travel, and a full personal and social life – what, if anything, might be missing? Some readers might wish to see more context around external events. Dale recounts childhood memories of the 1952 Great London Fog and 1953 coronation of Queen Elizabeth II, but makes little mention of other events relevant to the economy and financial markets such as the collapse of the communist economic system in the USSR and Central and Eastern Europe and the highly consequential Deng Xiaoping economic reforms in the 1970s that underpinned the economic rise of China.

Also relevant are the dramatic changes in technology. Around the time Dale was an undergraduate, LSE installed a new machine; it was called a photocopier. Staff were sent on training courses on how to use and maintain it; students were not allowed anywhere near it. The timeline from there to Facetime (or listening to *Test Match Special* on a transatlantic flight) is also directly relevant to the operation of financial markets, for example the possibility of high-speed trading.

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All in all, this is an engaging and non-technical read, accessible to anyone with an interest in financial markets. For me, the core message of the book, which comes through loud and clear, is that financial market regulation matters big time. With complex products, sellers are often better-informed than buyers, creating space for misselling (think 19th century snake-oil salesmen). Precisely for that reason, products like pharmaceutical drugs are heavily regulated. With analogous complexities, the case for regulating financial products is equally compelling.
