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*A MUST-HAVE TOOL FOR
ALL FINANCIAL PROFESSIONALS*

Triumph of the Optimists

101 Years of Global Investment Returns

Elroy Dimson, Paul Marsh, and Mike Staunton

- What returns can be expected from equities, bonds and bills in different markets around the world?
- What are the risks of stock and bond market investment for domestic and international investors?
- What are the likely long-term rewards from these investments?
- What is the equity risk premium ?

“No investor can afford to risk a penny in the markets without studying this book and absorbing its fascinating lessons. That advice applies whether you are professional or amateur, a youngster or hardened from experience, bold or conservative. This book is history at its most challenging and illuminating. The facts are astonishing, the presentation dazzling, the analysis brilliant, and the lessons profound.”

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“Recent years have seen unprecedented public interest in the stock market, but there is a tendency for investors to concentrate on recent U.S. stock market performance. Progress in understanding financial markets requires a much longer time-frame and a global perspective. This book presents and analyzes data from many countries in a simple, standardized way that makes comparisons easy. It makes a number of extremely important points and goes well beyond simple summaries of average returns and historical volatilities to look at such issues as seasonality and industrial structure.”

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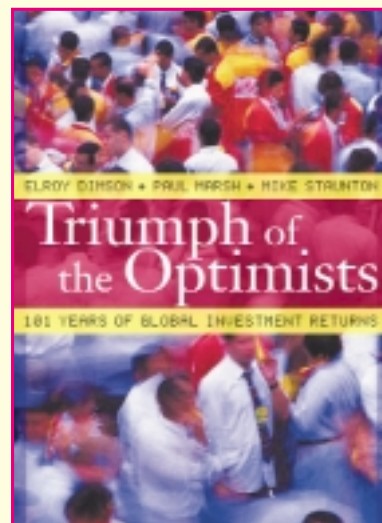
“This will become the definitive empirical basis for analysis of the world’s capital markets over the twentieth century. It is an important work of scholarship; no one else has calculated the equity premium of a large number of countries over the long term. In doing so, the book contributes to the very lively debate on the magnitude of the equity premium and will make a splash.”

—William Goetzmann, Yale University

All three authors are at London Business School.

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Hardcover \$99.50/£69.00 ISBN: 0-691-09194-3
320 pages. 131 color charts. 8 x 11. (2002)



There has, until now, been a dearth of evidence on the long-term performance of global capital markets. *Triumph of the Optimists* fills this gap.

Investors have too often extrapolated from recent experience. In the middle of the twentieth century, who but the most rampant optimist would have dreamed that over the next fifty years the real return on equities would be 9 percent per year? Yet this is what happened in the U.S. stock market. Common stocks performed exceptionally well, and the optimists triumphed. But will the optimists triumph again?

An optimist, observed Archie the cockroach, is someone who never had much experience. The authors extend our experience across regions and across time. They present a comprehensive analysis of investment returns for the five main asset categories spanning four continents and sixteen countries from the end of the nineteenth century to the beginning of the twenty-first. They provide the first complete record of the total returns on equities, bonds, bills, currencies, and inflation, estimated on a consistent basis for all markets.

Crucially, the authors analyze total returns, including reinvested income. Because the level of dividend income differs across markets, this is the only way to make meaningful comparisons across countries. The authors show that some historical indices overstate long-term performance because they are contaminated by survivorship bias. Where necessary, they assemble new, authoritative stock market indices. They find that long-term stock returns are in most countries seriously overestimated because of a focus on periods that with hindsight are known to have been successful. They overcome this bias by using over a century of data for every country.

This book provides the first comprehensive evidence, from around the world, on the long-term equity risk premium—the reward for bearing the risk of common stocks. The authors reveal whether the United States and United Kingdom have had unusually high stock market returns compared to other countries, and they present a wealth of rich empirical data for all countries in a simple, standardized way that makes comparison easy.

Triumph of the Optimists is required reading for investment professionals and serious private investors as well as anyone with an interest in finance, economics, or business. It will be the definitive reference in the field and consulted for years to come.

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