

Study Questions—Stulz—“Risk Management Failures: What Are They and When Do they Happen?”

1. What is the role of risk management?
2. Explain the idea of deadweight costs within the context of risk management.
3. What are the five types of risk management failure?
4. Stulz says that “...correlations increase in a period of crisis.” (p. 43) What does he mean and how does that matter to risk management?
5. How can one manage risk that are truly unknown (e.g., the attack of September 11)?
6. What are some of the conceptual problems with VaR and such similar methods of risk management?
7. What kind of techniques does Stulz recommend for dealing with entirely unanticipated risks?