Why Is There Silence?

The silence about the Three-Factor-Model hoax is pervasive. A cover-up can take different forms, both positive and negative. To conceal, to mask, to camouflage, to hide, to bury, to mislabel, to publish uncritically, to stonewall, to misrepresent, to tell falsehoods, to tell half-truths, is to positively cover up. To not reveal, to not label clearly, to not disclose, to not discuss, to not allow open discussion, to not tell only the truth, to not tell the whole truth, to not openly discuss, is to negatively cover up.

The grand design that ends in the Fama-French Three-Factor Model of return has been covered up since its inception in February, 1969, in an article by Eugene F. Fama, Lawrence Fisher, Michael C. Jensen and Richard Roll, in the *International Economic Review*, which included a causal, inferential, econometric model of return with indirect circular simultaneity. The authors never disclosed the circular simultaneities that existed in their published articles. Subsequent articles in peer-reviewed scientific journals included direct circular simultaneities and indirect circular simultaneities, none of which were explicitly disclosed as such. In addition, the multiple, major financial conflicts of interest of Messrs. Fama and French, and their bias-inducing ties with the Center for Research in Securities Prices, were never disclosed in their published articles.

From 1969 to May 2006, there has never been a fair, open discussion about the Three-Factor Model of expected total return for stock-portfolio pricing, which is a fatal fallacy due to vicious circular reasoning. It is an irremediable, material, harmful, costly, vast, long-running, wide-ranging hoax and contagion spreading worldwide, as demonstrated in Robert D. Coleman in two articles (June, 2005, *Indian Journal of Economics and Business*; and May, 2006, *Annals of Economics and Finance*).

Attempted discussions by Mr. Coleman about the Three-Factor Model of return typically ended abruptly by the other discussant with self-imposed silence as soon as the question of its scientific validity is mentioned. A dozen or more notable examples of personal correspondence reveal this pattern. Three letters sent jointly to Messrs. Fama and French in February, March and April, 2002, were never answered, except for a handwritten note from Mr. French in reply to the first letter. The note contains a false statement, and the note is confused and confusing. Mr. Fama is the designated correspondence author for the relevant published articles by Messrs. Fama and French. On the recommendation of the editor of the *American Economic Review*, Mr. Fama was telephoned at his university office. The call was abruptly terminated by Mr. Fama when he learned that the purpose of the call was to clarify some detailed, technical information about the 1993 article in the *Journal of Financial Economics* by him and Mr. French.

If someone knows or has reason to know that the Three-Factor Model of return is neither logically valid nor scientifically valid, then he or she is duplicitous, duped, or inattentive to a major topic in economics, i.e., the cost of capital.

If someone is duplicitous in this hoax, e.g., bias-inducing ties or conflicts of interest, then he or she may be silent to avoid self-incrimination and to protect self-interest. If someone has been duped by this hoax, then he or she may be silent to avoid self-humiliation and to protect pride.

If someone is neither duplicitous nor duped, but merely distracted from this topic up to now, then he or she may remain silent to avoid retaliation and self-extinction. An effective code of silence serves the interests of careerism, and he or she may want to ensure self-preservation.

Who will join in fair, open discussion of asset pricing simultaneity? Any takers?