

THE FISHER INVESTMENT SERIES

100 MINDS

THAT MADE

THE MARKET

KEN FISHER

New York Times bestselling author of *The Only Three Questions That Count*
CEO of Fisher Investments and *Forbes* columnist

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The Fisher Investment Series

The Only Three Questions That Count



100 Minds That Made the Market



The Wall Street Waltz

100 MINDS THAT MADE THE MARKET

KENNETH L. FISHER



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This book is dedicated to anyone pursuing serious, complex concepts that are inherently new and different from those already known.

PREFACE

This book was first completed in 1993. The standard I used was to include only people who had somehow, in some way, had some material impact on finance—and who were dead—under the assumptions I could be completely critical and that dead folk don't sue. Partly, as I said in the original introduction, that also helped me avoid writing about my own father, who I felt uncomfortable about discussing in his lifetime.

In the original introduction I cited interesting people who were living, including Warren Buffett, John Templeton, Ivan Boesky, and Michael Milken. They are still alive today. But, as I mentioned then, these more modern names have a great deal of media about them readily available, so I don't feel their exclusion from this book, alive or deceased, is a major disadvantage to readers.

As for my father, who passed away in 2004, I covered him then at some length and detail in the Wiley Investment Classics edition of *Common Stocks and Uncommon Profits and Other Writings*. And you can certainly find all you need about him there. By comparison, most of the folks covered in this book are vastly harder to learn about without a great deal of effort. These cameo biographies allow you to learn a great deal of overview in a few minutes, and the appendix materials allow you to dig further if you want to really delve into these fascinating minds.

So, the list of 100 names is essentially as valid today as it was in 1993. While reviewing the book, I discovered that I would change little, if anything at all.

I have changed my mind materially about Gerald Loeb. I regret I was much too critical of him when I wrote his section. As I've aged I've come to appreciate him more and more. In my mind at the time I had been comparing him to influential shapers of market thought like Ben Graham, Harry Markowitz, or my father—and he came up short. What I didn't appreciate about him at the time was how powerfully he motivated young and new investors to get involved with the markets for the first time. He brought, arguably, hundreds of thousands to the world of stock investing at a time when there were few others to encourage them—and over decades when they succeeded. I tried to make it up to him by recently writing a new, more laudatory introduction for his updated Wiley Investment Classic, *The Battle for Investment Survival*. In some ways, as I said there, he reminds me a little of the Jim Cramer of his day: Flamboyant, seen everywhere, endlessly energetic, for the little guy, quick with a word, and encouraging everyone that they could do it themselves. He had a tremendous amount to do with moving people toward stocks from 1935, when his book came out in a bleak world into and through the 1960s when common stock investing for the little guy had become much more common. I encourage you to read his book almost as a 35 year history of the evolution of American stock markets.

After writing this book, I met Ben “Sell ‘em” Smith’s son who impressed upon me that how despite his father’s tough and boisterous attitude in business, he was consistently a soft and gentle father. That made me realize how little I may actually have captured about any of these people’s real private lives. As a student of their lives, I wrote mostly about their reputations and legends, as had been captured in books and articles. It is impossible to know the secrets people chose to keep private—these matters are often never known. But Smith’s son made me realize that all

these people, as exceptional as they were, were also probably more complex than I gave them credit for.

There is one point I didn't cover in the book that is clear to me now as the years have rolled by: With very few exceptions like John Law and the Rothschilds, these *100 Minds* were Americans. Finance and capitalism have been infinitely more impacted than the rest of the world. It may be a deficiency that I didn't include that great Scotsman, Adam Smith, whose book from the year of our nation's birth is still a beacon of influence, hope, and direction, and almost divinely inspired as if by his own infamous "invisible hand." But like many of the living modern names, a quick internet search for this famous man will render a large collection of material. If you haven't studied Smith, I encourage you to do so, as he is one of the most influential forces on the creation and evolution of capitalism.

Most of the people in this book are harder to learn about. And an overwhelming number are Americans. It is irrefutable that most of the big forces on capitalism and capital markets have been American. The more I think, the more I see that there just aren't many from abroad. The people who had the impact and changed the way we thought came from America. That is still true today when we look at the living. The legends and the influencers come from America, few from elsewhere.

Why is this? Increasingly I've come to see it as a function of America being the "un-culture." In most countries it has always been true they have a monolithic or dualistic culture. One dominant culture and maybe one or a few lesser ones! France, for example, was always based primarily on a single nationality and Catholicism. While in various countries the Catholics and the Protestants squabbled, the culture was narrow at best. But in America more than anywhere and from its more recent beginning, everyone came from

different backgrounds, without a common culture, creating the un-culture that is America. And I submit that an un-culture is more fertile soil for capitalism and capital markets than any culture.

In America a product that may start out catering to a tiny minority can break out to the vast majority. The same goes for the bad as for the good. The Klu Klux Klan came from the Deep South and became long and strong regionally but didn't sweep the nation. But Coca-Cola and the blues also came from there and swept over the world. Just so, today someone might start a product, financial or not, aimed at some small subset of America that comprises a large number of consumers, for example, Chinese Americans—and have the product take off and cross over to the rest of America. Sound far-fetched? It happens all the time. The burrito, for example, is not really Mexican food. It was created in California for Mexican-Americans and is now eaten everywhere. Examples are endless. But this book is about finance and in finance the new ideas come from America. Whether modern finance from the mind of Harry Markowitz à la mean variance optimization, or original commingled mutual funds, or, more recently, exchange traded funds, the discount broker, collateral derivative obligations—the list is endless. The new ideas come from America.

In a strong monolithic or dualistic culture it is very difficult to establish new ideas, challenge old ones, and change the status quo because the dominant culture can suppress socially with impunity. It is, for example, how and why it was so easy to excommunicate Galileo. But capitalism draws its success from change, creative destruction, renewal, the young upstart wiping out the old guard, then becoming the new old guard about to be wiped out. This occurs best where cultural impediments are fewest, in an un-culture.

People from every country, national origin, religion, and race have succeeded here.

Look at the success of those of Jewish descent in American capital markets. Whereas Jews were discriminated against in most European nations, in the un-culture the Jews could have their most maximal impact and success in capital markets. As you go through the book notice how many Jewish Americans you see. To be clear and fully disclosed, I'm of Jewish descent so maybe my views are biased here. But my paternal family left the town of its origin, Buttenheim, Germany in the 1830s. By the 1880s all Jews had fled Buttenheim—all! And where did they flee to? America, of course! Why, because they faired better in the un-culture. But innovation by immigrants in America has been ubiquitous, and more so than in their native countries.

If I were writing this book over from scratch I'd put more emphasis on each participant's pre-American origins because they come from all over. I've become firmly convinced in the last 15 years that only in America could the nature of capital markets innovation flourish as it has—that it isn't just chance that the overwhelming bulk of those impacting thought, product, innovation, marketing, and the technology of capital markets came from America.

KEN FISHER
Woodside, CA
May 2007

ACKNOWLEDGMENTS

The acknowledgments sections in my first two books were quite lengthy because those were serious books including a lot of work by a lot of people. This one isn't and wasn't. This was a fun book—fun to create and I hope fun to read—so I kept more of it to myself than before. But certain key thank-you's are in order nonetheless.

First and foremost, this book never would have happened without Barbara DeLollis. I came up with the idea, the title, a list of names and a lot of my ever-eccentric views. Barbara then, under my guidance, set out to research each of these 100 fabulous financial figures, plus a good many we ended up deciding not to include in our final list of 100. She spent hours and hours on each one, and then, with my input, handed to me a first draft of each life story which I could massage into that which you now read. I'm too busy running a financial firm to do all that. I'd never be able to take the time. Was she a ghost writer? No. I've been writing for years—my books, my *Forbes* columns, and an occasional piece here and there—I love to write. So the writing is mine. The ideas are mine.

Barbara's contributions were considerable, but any shortcomings in the book are obviously my responsibility. The conclusions and views on each of the *100 Minds* and their roles in history were always mine. Where I felt uncomfortable from time to time with Barbara's research, I checked up on it and always found her digging to be more than adequate. She was dealing and redealing in detail, and I used her as a resource. She also indexed the book, got the photographs, and just kept moving forward toward the

book's completion until it was basically a finished draft. Thank you and good luck with your future in New York.

As each story was finished, Sally Allen, Marguerite Barragan, and Martha Post (all regulars in varying capacities at Fisher Investments) put in considerable time editing. Their contributions ranged from simple grammatical niceties to curbing me in when I would wander too far on tangents, as I sometimes am prone to do. My father, Phil Fisher, racked his brain for me remembering some of the people from his youth who otherwise might not have been included, and so you have names I might not have otherwise seen.

David Mueller, formerly of my firm, prettied up the book's appearance and format through computer graphics and guided its indexing. But it was really, and always is, my wife Sherri who took the bull by the horns, pulled in our first editor Barbara Noble, and drove the manuscript into book form so you now can read it. Without her push and guidance it would have died in a desk somewhere. To all of you I owe my thanks.

KEN FISHER

FOREWORD

The adventure of investing engages us intellectually and spiritually—often even more deeply than our obvious financial engagement—and through this engagement we almost inevitably become members of a community of similarly engaged colleagues.

At first, we may only recognize those we see and speak with daily as the other “players of the game,” but as we travel and meet more and more people in more and more organizations, over more and more years, we realize, with expanding interest and pleasure, that the investing “crowd” is very large.

We also learn how richly dynamic, creative, and powerful this, our crowd, truly is. It is a communications village and we are the better for being members of this very special community.

One dimension that enriches our own experiences is the challenge and the fulfillment of learning—partly by trial and error. (We err and err and err again. But less.)

Fortunately, we have many, many “instructors” with whom to learn. Our great teachers are often truly fascinating people whose lives and adventures enrich our own enjoyment and fascination with the adventure of investing. “The play’s the thing,” as Shakespeare put it. Or as ‘Adam Smith’ so aptly said, “It’s the money game!”

This easy reading introduction will enlighten and intrigue you—and introduce a splendid group of gamesmen who have played before us. Ken Fisher adds an important dimension by sharing his wise interpretations and perspectives on their experiences. As a result, he enables us

to learn much from the experiences of others—so much easier, faster, and painless than learning only from our own experiences.

In his engaging book, Ken Fisher tells the stories—in a breezy, irreverent, friendly way—of 100 remarkable people. Some you already know, some you will feel you almost know, and some you have not yet come upon. They have “made the market” what it is today. Some have played their role as heroes; others have been villains. We can learn life’s lessons from them—particularly with the thoughtful and thought-provoking insights and commentary Ken Fisher provides us on this guided tour.

Charles D. Ellis

Partner, Greenwich Associates

INTRODUCTION

Why should you read this book? To have fun. As its author, my highest hope is for it to be fun for you. The 100 subjects I've chosen are fascinating, wacky, wild, and often just weird—yet they are powerful and at times very funny. Their lives are as fun to read about as they were to write about. Depending on who you are and what you do, want, and like, you might also benefit from the professional and personal lessons of their lives and learning more about the American financial markets' evolution. If you are a market practitioner in any form, these lives are role models of what works and what doesn't, how far you can bend things and when they break down, and what human traits go with market success and failure. But, as I said, the main reason to read this book is to have fun.

DON'T TAKE IT FOR GRANTED

Wall Street is an institution that some, especially today, seem to take for granted. It didn't appear one day from some biblical fairy tale. Instead, Wall Street exists as it does because of nearly two centuries of pioneering, innovation, perspiration, mistakes, and scandals. Throughout Wall Street's evolution, survival of the fittest dictated which innovations would be incorporated and which mistakes would be corrected—and it was these improvements that made the market the wonderful institution so many now take for granted.

But it was the individuals behind the improvements who drove the making of the market. This book presents 100

such people, each of whom contributed something—a lesson, an innovation, or a scam. Their minds made the innovations and their impact made the market what it is, so ultimately and simply, it was their minds that made the market—hence the book’s title.

Looking back on their lives is invaluable for anyone who never stopped to think how the market came about and essential for everyone connected with today’s market and tomorrow’s future. As the saying goes, “Those who do not learn the lessons of the past are doomed to repeat them.” Here you have 100 of the best teachers available to save you from learning the hard way the lessons their lives so vividly portray. In reading *100 Minds That Made The Market*, you will find the story behind Wall Street’s gradual formation as fascinating and engrossing as the market itself.

HOW TO READ THIS BOOK

100 Minds is presented in a form that chronicles Wall Street's evolution. Eleven categories (chapters) describe people who laid the basis for the institution; those who chronicled its growth and the deal-makers who financed it; those who innovated it; and those who assimilated it into the American economy. Then came those who reformed it, systematized it, scandalized it, and those who made and lost money in it; plus a few miscellaneous others. Within each category, the stories are presented in chronological order so you can follow the flow of time.

It's important to remember that the categories aren't as important as the people themselves. In writing the book, the people were chosen first and categorized later. The descriptions of each of them needed to stand on their own as cameo biographies before being fitted into any particular framework. Only after the 100 were written were they placed into groups that logically flowed from the stories themselves; then chapter summaries were written to bring the 100 together with overarching themes and lessons.

As important, I wanted you to be able to choose between reading the book cover-to-cover and just picking it up from time to time for a quickie on a single person whenever someone becomes of interest to you. As a writer of two previous books, a columnist in *Forbes* for eight years, and an author of a lot of other material, I hope *100 Minds* is entertaining and educating enough to be worthwhile to many of you in a cover-to-cover format. But I am also mindful of how many more things I would like to do than I ever have time for and presume the same is true for you. By putting it in a format where you need not read it cover-to-cover, I am freeing you to use whatever bits of the book

benefit you most. If one day someone mentions Lucky Baldwin and you haven't the foggiest as to who he was, you can save yourself the embarrassment of asking or doing a lot of library legwork by simply flipping to the index and reading a four-minute cameo story. If you want to read further about Baldwin, just flip to the appendix where there's a bibliography for each story that shows you where to go next. And if you want to find more subjects like Baldwin, just browse around his chapter.

Many of these fascinating folks can actually be placed into several different categories. How can you put J.P. Morgan into one box? And Ben Graham was an author, but he was much more, as were so many of these great pioneers. Yet I had to categorize them somewhere and did so where they made most sense to me. If you see it differently, I beg for your patience. Also note that many of these lives are interrelated, so when one subject is mentioned in another's story, he or she is cross-referenced by boldfacing their name upon first reference, so you can quickly flip to that story for more.

WHY 100 INSTEAD OF 103?

I had to stop somewhere! And *100 Minds* sounded good to me. Admittedly, this isn't the perfect list of *100 Minds That Made The Market*; that would be impossible to compile—no one could ever track every single contributor. It is almost certain that many material but quiet contributors were simply lost to history because, while their contributions may have been significant, they as people weren't noted by society.

These 100 are my 100—based on what I've learned from 20 years as an investment professional and prior schooling in finance and history. They were chosen as my

interpretation of the big contributors as opposed to finding people somewhere to fill certain slots (“Oh, I’d better find five more chartists and two more bankers!”). Yes, this is my list of *100 Minds*. If you shuffled history you might come out with a few different names, but I’d bet most would be the same. We might disagree on a few, but it would be fun debating why some folks deserved to be included while others didn’t. So hopefully you will enjoy reading about my choices even if you disagree.

MADE IN AMERICA—AND OTHER EXCLUSIONS

Most of these *100 Minds* are Americans. There were only a few foreigners I could envision whose contributions to the evolution of American financial markets were so great that they couldn’t be excluded. This isn’t an attempt to chronicle those who made hay in the evolution of European markets or markets as a whole. This simply details who made our market “the” market, for despite all the current fascination with global investing and overseas diversification, the American stock market is still the bellwether market of the world; the one on which everyone around the world focuses.

Some notable American financiers didn’t make it on the list for reasons such as being too industry-oriented or being too obscure in the history books. Automobile empire builder E.L. Cord, railroaders Collis P. Huntington and Leland Stanford, and investment banker August Belmont, Jr., were among those too industry-oriented to have made any significant contribution to our market system. This doesn’t discount their own unique contributions in their respective industries, but it puts them behind others who significantly affected our markets in a direct way.

Those who were too obscure in history were sadly left out because adequate biographical material was not available.

Kuhn, Loeb partner Otto Kahn, technical analyst (and John Magee's inspiration) Richard Schabacker, and even E.F. Hutton were all quite famous on Wall Street, yet surprisingly little was written about them, so I couldn't really penetrate their lives or their minds. In Kahn's case, there was plenty written about his wardrobe and love of opera, but the heart of the matter—his deal-making—was too inadequately described to get a good enough handle on him. I really wanted to cover him because I've always sensed his importance, but he seems beyond my grasp.

Richard Wyckoff, who pioneered ticker tape reading with his book *Studies in Tape Reading*, also falls into the too-obscure category, as does Addison Cammack and the Claflin sisters. Cammack was credited with coining the warning, "Don't sell stocks when the sap is running up the trees!" He was described as the consummate trader in Edwin Lefevre's *Reminiscences of a Stock Operator*, but I've never found anything in-depth on him . . . If you ever do, I'd love to hear from you.

The Claflin sisters—possibly the first female stockbrokers—rate mention in this introduction, if only because their story is so sensational. Outlined in Dana L. Thomas' *The Plungers and the Peacocks*, the flighty, calculating pair—Victoria and Tennessee—went to New York in 1869 to court one of my *100 Minds*, Cornie Vanderbilt, a genuine dirty old man. In 1870, he set them up in their own brokerage firm, feeding them lucrative tips and loving the commotion they stirred! While Tennessee presumably minded the mysterious business, Vicky advocated free love, women's freedom, and a host of other then-radical ideas, and became the first woman to be nominated for the U.S. Presidency! After Vanderbilt died, his son and main heir, William H. Vanderbilt (who you can also read about here), bought the Claflins' silence regarding their escapades with the old man. Both sisters eventually left New York and married British

aristocrats. While interesting, the Claflins didn't really make the market; a true contribution is hard to define. But they are a nice complement to Vanderbilt, who actually was a major contributor, which leads to another point.

This book is primarily about men, and in this day and age women may take offense at that. I beg your pardon, but Wall Street's early years were almost exclusively a man's world. The role of women in this book is almost totally confined to aspects that today would be thought of as stereotypically sexist: housewives, bimbo-mistresses and supportive seconds to the men who are featured. In terms of women who independently affected the market, I am sadly able to feature only three: Evangeline Adams, Natalie Laimbeer, and Hetty Green. But even among them there is some taint of oddballism that modern woman may find offensive. Adams was too astrology-oriented to be taken seriously, and Green was fabulously chintzy. If women are poorly represented in this book, I apologize and defer to the simple fact that the book is an accurate portrayal of the historical information available. Despite modern day desires for coverage of women in history, you can't do that in this case and be historically accurate.

TRYING TO BRING THE DEAD TO LIFE

Note that everybody in the book is dead: This is not a scorecard of today's players. (Four of the *100 Minds* I can't actually say are dead, but they have dropped from public view long enough to be presumed dead. When out of public view, it is virtually impossible to find obituaries.) Why dead heads instead of current market moguls? Clearly some of the living have made huge contributions—measurably bigger contributions, for good or for bad, than some of my *100 Minds*. But, with no disrespect to folks like Warren