



Ruminations by Other People

A dog with money is addressed as Mr. Dog. – Spanish Proverb

A good reputation is more valuable than money. – Publilius Syrus (1st century BC)

A man in debt is so far a slave. – Ralph Waldo Emerson

A man without money is like a wolf without teeth. – French proverb

A market is the combined behavior of thousands of people responding to information, misinformation, and whim. – Kenneth Chang

A miser grows rich by seeming poor; an extravagant man grows poor by seeming rich. – William Shenstone

A pin lies in wait for every bubble. And when the two eventually meet, a new wave of investors learns some very old lessons: First, many in Wall Street – a community in which quality control is not prized – will sell investors anything they will buy. Second, speculation is most dangerous when it looks easiest. – Warren Buffett

A safe investment is an investment whose dangers are not at that moment apparent. – Lord Bauer

A small debt produces a debtor; a large one, an enemy. – Publilius Syrus (1st century BC)

A study of economics usually reveals that the best time to buy anything is last year. – Marty Allen

Acknowledge the complexity of the world and resist the impression that you easily understand it. People are too quick to accept conventional wisdom, because it sounds basically true and it tends to be reinforced by both their peers and opinion leaders, many of whom have never looked at whether the facts support the received wisdom. It's a basic fact of life that many things "everybody knows" turn out to be wrong. – Jim Rogers

All I ask is the chance to prove that money can't make me happy. – Spike Milligan

Almost any man knows how to earn money, but not one in a million knows how to spend it. – Henry David Thoreau

Although it's easy to forget sometimes, a share is not a lottery ticket. It's part ownership of a business. – Peter Lynch

An education obtained with money is worse than no education at all. – Socrates (5th century BC)

Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery. – Charles Dickens

As far as I am concerned, the stock market doesn't exist. It is there only as a reference to see if anybody is offering to do anything foolish. – Warren Buffett

As in roulette, same is true of the stock trader, who will find that the expense of trading weights the dice heavily against him. – Benjamin Graham

Ask five economists and you'll get five different answers (six if one went to Harvard). – Edgar R. Fiedler

Bears don't live on Park Avenue. – Bernard Baruch

Buy not on optimism, but on arithmetic. – Benjamin Graham

Buy when everyone else is selling and hold when everyone else is buying. This is not merely a catchy slogan. It is the very essence of successful investments. – J. Paul Getty

By far the biggest problem for professionals in investing is dealing with career and business risk: protecting your own job as an agent. The second curse of professional investing is over-management caused by the need to be seen to be busy, to be earning your keep. The individual is far better-positioned to wait patiently for the right pitch while paying no regard to what others are doing, which is almost impossible for professionals. – Jeremy Grantham

Calling someone who trades actively in the market an investor is like calling someone who repeatedly engages in one-night stands a romantic. – Warren Buffett

Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed. – Mohandas K. Gandhi

Cash combined with courage in a time of crisis is priceless. – Warren Buffett

Clearly the price considered most likely by the market is the true current price: if the market judged otherwise, it would quote not this price, but another price higher or lower. – Louis Bachelier

Compound interest is the eighth natural wonder of the world and the most powerful thing I have ever encountered. – Albert Einstein

Confronted with a challenge to distill the secret of sound investment into three words, we venture the motto, Margin of Safety. – Ben Graham

Contentment is natural wealth; luxury is artificial poverty. – Socrates (5th century BC)

Debt is a prolific mother of folly and of crime. – Benjamin Disraeli

Debt is the slavery of the free. – Publilius Syrus (1st century BC)

Debt is the worst poverty. – Thomas Fuller

Do not accustom yourself to consider debt only as an inconvenience; you will find it a calamity. – Samuel Johnson

Do you know the only thing that gives me pleasure? It's to see my dividends coming in. – John D. Rockefeller

Even the blind can see money. – Chinese proverb

Every few seconds it changes, up an eighth, down an eighth. It's like playing a slot machine. I lose \$20 million, i gain \$20 million. – Ted Turner

Every man is rich or poor according to the proportion between his desires and his enjoyment. – Samuel Johnson (18th century)

Everyone has the brainpower to make money in stocks. Not everyone has the stomach. If you are susceptible to selling everything in a panic, you ought to avoid stocks and mutual funds altogether. – Peter Lynch

Extravagance is the luxury of the poor; penury is the luxury of the rich. – Oscar Wilde

Far more money has been lost by investors in preparing for corrections, or anticipating corrections, than has been lost in the corrections themselves. – Peter Lynch

Few rich men own their own property. The property owns them. – Robert G. Ingersoll

Finance is the art of passing currency from hand to hand until it finally disappears. – Robert W. Sarnoff

Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest. You can't win until you do this. – Dave Ramsey

For all long-term investors, there is only one objective – maximum total real return after taxes. – John Templeton

He that cannot abide a bad market deserves not a good one. – John Ray

He that is not handsome at twenty, nor strong at thirty, nor rich at forty, nor wise at fifty, will never be handsome, strong, rich, or wise. – George Herbert

He that is of the opinion money will do everything may well be suspected of doing everything for money. – Benjamin Franklin

He who is contented is rich. – Lao Tzu (5th century BC)

He who promises runs in debt. – The Talmud

He who wishes to be rich in a day will be hanged in a year. – Leonardo da Vinci

I can calculate the movement of stars, but not the madness of men. – Isaac Newton (1720, after losing a fortune in the South Sea bubble)

I don't like money, actually, but it quiets my nerves. – Joe Louis

I have enough money to last me the rest of my life, unless I buy something. – Jackie Mason

I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years. – Warren Buffett

I was part of that strange race of people aptly described as spending their lives doing things they detest to make money they don't want to buy things they don't need to impress people they dislike. – Emile Henry Gauvreau

I'd like to live like a poor man with lots of money. – Pablo Picasso

I've got all the money I'll ever need, if I die by four o'clock. – Henny Youngman

If a man empties his purse into his head, no man can take it away from him. An investment in knowledge always pays the best interest. – Benjamin Franklin

If a man has money, it is usually a sign, too, that he knows how to take care of it; don't imagine his money is easy to get simply because he has plenty of it. – Edgar Watson Howe

If a man runs after money, he's money-mad; if he keeps it, he's a capitalist; if he spends it, he's a playboy; if he doesn't get it, he's a ne'er-do-well; if he doesn't try to get it, he lacks ambition. If he gets it without working for it, he's a parasite; and if he accumulates it after a lifetime of hard work, people call him a fool who never got anything out of life. – Vic Oliver

If all else fails, immortality can always be assured by spectacular error. – John Kenneth Galbraith

If all the economists were laid end to end, they'd never reach a conclusion. – George Bernard Shaw

If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring. – George Soros

If money be not thy servant, it will be thy master. The covetous man cannot so properly be said to possess wealth, as that may be said to possess him. – Francis Bacon

If money is your hope for independence you will never have it. The only real security that a man can have in this world is a reserve of knowledge, experience and ability. – Henry Ford

If past history was all there was to the game, the richest people would be librarians. – Warren Buffett

If there is one thing that marks families with money over the long term it is this: delayed gratification. – Bill Bonner

If you are shopping for common stocks, choose them the way you would buy groceries, not the way you would buy perfume. – Benjamin Graham

If you can count your money, you don't have a billion dollars. – J. Paul Getty

If you don't want to work, you have to work to earn enough money so that you won't have to work. – Ogden Nash

If you have no money, be polite. – Danish proverb

If you have trouble imagining a 20% loss in the stock market, you shouldn't be in stocks. – John Bogle

If you make money your god, it will plague you like the devil. – Henry Fielding

If you owe the bank \$100, that's your problem. If you owe the bank \$100 million, that's the bank's problem." – J. Paul Getty

If you really want something in this life, you have to work for it. Now, quiet, they're about to announce the lottery numbers! – Homer Simpson

If you think education is expensive, try ignorance. – Derek Bok

If you want to feel rich, just count all of the things you have that money can't buy. – Unknown

In a country well-governed poverty is something to be ashamed of. In a country badly governed wealth is something to be ashamed of. – Confucius (5th century BC)

In investing, what is comfortable is rarely profitable. – Robert Arnott

In the business world, the rearview mirror is always clearer than the windshield. – Warren Buffett

In the end, how your investments behave is much less important than how you behave – Benjamin Graham

In the long run, it's not just how much money you make that will determine your future prosperity. It's how much of that money you put to work by saving it and investing it. – Peter Lynch

In the short run, the market is a voting machine, but in the long run it is a weighing machine. – Ben Graham

Index investing outperforms active management year after year. – Jim Rogers

Invest in yourself. Your career is the engine of your wealth. – Paul Clitheroe

Investing is not a game where the guy with the 160 IQ beats the guy with the 130 IQ. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people into trouble in investing. – Warren Buffett

Investing is the intersection of economics and psychology. – Seth Klarman

Investing should be dull. It shouldn't be exciting. Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas, although it is not easy to get rich in Las Vegas, at Churchill Downs or at the local Merrill Lynch office. – Paul Samuelson

Investors should remember that excitement and expenses are their enemies. – Warren Buffett

It amazes me how people are often more willing to act based on little or no data than to use data that is a challenge to assemble. – Robert Shiller

It's frightening to think that you might not know something, but more frightening to think that, by and large, the world is run by people who have faith that they know exactly what's going on. – Amos Tversky

It's nice to have a lot of money, but you know, you don't want to keep it around forever. I prefer buying things. Otherwise, it's a little like saving sex for your old age. – Warren Buffett

It's only when the tide goes out that you learn who's been swimming naked. – Warren Buffett

It ain't what you don't know that gets you in trouble. It's what you know for sure that just ain't so. – Mark Twain

It is absurd to think that the general public can ever make money out of market forecasts. – Ben Graham

It is better to have a permanent income than to be fascinating. – Oscar Wilde

It is better to live rich than to die rich. – Samuel Johnson

It is difficult to get a man to understand something when his salary depends upon his not understanding it. – Upton Sinclair

It is neither wealth nor splendor, but tranquility and occupation, which give happiness. – Thomas Jefferson

It is odd, is it not, that a person's worth to society by is measured by their wealth, when instead their wealth should be measured by their worth to society. – A. Cygni

It is pretty hard to tell what does bring happiness; poverty and wealth have both failed. – Kin Hubbard

It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent. – Charlie Munger

Lack of money is no obstacle. Lack of an idea is an obstacle. – Ken Hakuta

Let every man divide his money into three parts, and invest a third in land, a third in business, and a third let him keep in reserve. – Talmud

Let me tell you about the very rich. They are different from you and me. – F. Scott Fitzgerald
Yes, they have more money. – Ernest Hemingway

Let us keep a firm grip upon our money, for without it the whole assembly of virtues are but as blades of grass. – Bhartrihari (6th century)

Lethargy, bordering on sloth, should remain the cornerstone of an investment style. – Warren Buffett

Living well and beautifully and justly are all one thing. – Socrates (5th century BC)

Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it. – Warren Buffett

Love of money is the disease which makes men most groveling and pitiful. – Cassius Longinus (1st century BC)

Many a man has found the acquisition of wealth only a change, not an end of miseries. – Seneca (1st century)

Many people think that by hoarding money they are gaining safety for themselves. If money is your only hope for independence, you will never have it. The only real security that a person can have in this world is a reserve of knowledge, experience, and ability. Without these qualities, money is practically useless. – Henry Ford

Markets can remain irrational longer than you can remain solvent. – John Maynard Keynes (attributed)

Men are a thousand times more intent on becoming rich than on acquiring culture, though it is quite certain that what a man is contributes more to his happiness than what he has. – Arthur Schopenhauer

Mention money and the whole world is silent. – German proverb

Money alone sets the world in motion. – Publilius Syrus (1st century BC)

Money can't buy friends. But you can afford a better class of enemy. – Lord Mancroft

Money does all things for reward. Some are pious and honest as long as they thrive upon it, but if the devil himself gives better wages, they soon change their party. – Seneca (1st century)

Money has a power above / The stars and fate to manage love:
Whose arrows, learned poets hold, / That never miss, are tipped with gold. – Samuel Butler

Money has no ears, but it hears. Money has no legs, but it runs. – Japanese proverb

Money is a good servant but a bad master. – Henry George Bohn

Money is a new form of slavery, and distinguishable from the old simply by the fact that it is impersonal– that there is no human relation between master and slave. – Leo Tolstoy

Money is always on the brain so long as there is a brain in reasonable order. – Samuel Butler (17th century)

Money is better than poverty if only for financial reasons. – Woody Allen

Money is flat and meant to be piled up. – Scottish proverb

Money is indeed the most important thing in the world; and all sound and successful personal and national morality should have this fact for its basis. – George Bernard Shaw

Money is life to us wretched mortals. – Hesiod (8th century BC)

Money is like an arm or leg: use it or lose it. – Henry Ford

Money is like muck, not good except it be spread. – Francis Bacon

Money is more eloquent than a dozen members of parliament. – Danish proverb

Money is not required to buy one necessity of the soul. – Henry David Thoreau

Money is of a prolific generating nature. Money can beget money, and its offspring can beget more. – Benjamin Franklin

Money is the best messenger. – Yiddish proverb

Money is the man. – German proverb

Money is the representative of a certain quantity of corn or other commodity. It is so much warmth, so much bread. – Ralph Waldo Emerson

Money is the sinews of success. – Bion (5th century BC)

Money is time. With money I buy for cheerful use the hours which otherwise would not in any sense be mine; nay, which would make me their miserable bondsman. – George Gissing

Money is truthful. If a man speaks of his honor, make him pay cash. – Robert Heinlein

Money makes everything legitimate – even bastards. – Hebrew proverb

Money makes the mare go. – English proverb

Money makes up in a measure all other wants in men. – William Wycherley

Money may be the husk of many things, but not the kernel. It buys you food, but not appetite; medicine, but not health; acquaintances, but not friends; servants, but not loyalty; days of joy, but not peace or happiness. – Henrik Ibsen

Money never cometh out of season. – Thomas Drake

Money never starts an idea; it is the idea that starts the money. – W. J. Cameron

Money often costs too much. – Ralph Waldo Emerson

Money purifies all baseness. – Talmud

Money talks. – English proverb

Money, which represents the prose of life, and which is hardly spoken of in parlors without an apology, is, in its effects and laws, as beautiful as roses. – Ralph Waldo Emerson

Money will say more in one moment than the most eloquent lover in years. – Henry Fielding

Money, says the proverb, makes money. When you have got a little, it is often easy to get more. – Charles Dickens

Money, th' only power That all mankind falls down before. – Samuel Butler (17th century)

Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell. – Warren Buffett

My definition of a guru is someone who is lucky enough to be quoted in the right publication at the right time saying the right thing. – Herb Greenberg

Never forget the six-foot tall man who drowned crossing the river that was five feet deep on average. The important thing to remember about investing is that it is not sufficient to set up a portfolio that will survive on average. The key is to survive at the low ends. – Howard Marks

Never ask of money spent / Where the spender thinks it went.
Nobody was ever meant / To remember or invent / What he did with every cent. – Robert Frost

Never spend your money before you have it. – Thomas Jefferson

No man ever had enough money. – Gypsy proverb

No man is rich enough to buy back his past. – Oscar Wilde

Nothing stings more deeply than the loss of money. – Livy (1st century)

October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February. – Mark Twain

Of mortals there is no one who is happy. If wealth flows in upon one, one may be perhaps luckier than one's neighbor, but still not happy. – Euripedes (5th century BC)

Of the billionaires I have known, money just brings out the basic traits in them. If they were jerks before they had money, they are simply jerks with a billion dollars. – Warren Buffett

One bag of money is stronger than two bags of truth. – Danish proverb

One of the greatest disservices you can do a man is to lend him money that he can't pay back. – Jesse H. Jones

One of the greatest pieces of economic wisdom is to know what you do not know. – John Kenneth Galbraith

One must choose, in life, between making money and spending it. There's no time to do both. – Edouard Bourdet

Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years. – Warren Buffett

Our favorite holding period is forever. – Warren Buffett

I think everybody who predicts the future with a straight face should be required to change out of the business suit, wrap himself in a gypsy shawl, wear one of those pointed wizard's hats with a picture of a crescent moon on it, and make conjuring sounds over a crystal ball. That way, everybody would know exactly what's going on and how much credibility to give it. – Bob Veres

Property may be destroyed and money may lose its purchasing power; but, character, health, knowledge and good judgment will always be in demand under all conditions. – Roger Babson

Prosperity is a way of living and thinking, and not just money or things. Poverty is a way of living and thinking, and not just a lack of money or things. – Eric Butterworth

Public debt should be reduced. – Cicero (1st century BC)

Public money is like holy water; everyone helps himself. – Italian proverb

Put not your trust in money, but put your money in trust. – Oliver Wendell Holmes

Quantitatively based solutions and asset allocation equations invariably fail as they are designed to capture what would have worked in the previous cycle whereas the next one remains a riddle wrapped in an enigma. – Barton Biggs

Rather to go to bed supperless than rise in debt. – Benjamin Franklin

Ready money is Aladdin's lamp. – Lord Byron

Real poverty is less a state of income than a state of mind. – George Gilder

Remember that credit is money. – Benjamin Franklin

Risk comes from not knowing what you're doing. – Warren Buffett

Risk drives returns. – Charles Ellis

Risk means more things can happen than will happen. It is not standard deviation. It is not variability. It is this sense that future events are highly variable and unknowable that gives us the best sense for risk. – Elroy Dimson

Rule No.1: Never lose money. Rule No.2: Never forget rule No.1. – Warren Buffett

Say what you will against money– it is always a good Catholic. – Spanish proverb

Shareholders are impertinent and stupid – stupid because they trust other people with their money without having sufficient control; impertinent because they want dividends, that is, they also want to be rewarded for their stupidity. – Carl Fürstenberg

Send your grain across the seas, and in time, profits will flow back to you. But divide your investments among many places, for you do not know what risks might lie ahead ... Farmers who wait for perfect weather never plant. If they watch every cloud, they never harvest ... Plant your seed in the morning and keep busy all afternoon, for you don't know if profit will come from one activity or another– or maybe both. – Solomon

Simplicity is the ultimate sophistication. – Leonardo da Vinci

Some debts are fun when you are acquiring them, but none are fun when you set about retiring them. – Ogden Nash

Speculation is an effort, probably unsuccessful, to turn a little money into a lot. Investment is an effort, which should be successful, to prevent a lot of money from becoming a little. – Fred Schwed Jr.

Spend each day trying to be a little wiser than you were when you woke up. – Charlie Munger

Stocks have reached what looks like a permanently high plateau. – Irving Fisher (Professor of Economics at Yale University, in 1929)

The average long-term experience in investing is never surprising, but the short term experience is always surprising. We now know to focus not on rate of return, but on the informed management of risk. – Charles Ellis

The avoidance of taxes is the only intellectual pursuit that carries any reward. – John Maynard Keynes

The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go. – Benjamin Graham

The business schools reward difficult complex behavior more than simple behavior, but simple behavior is more effective. – Warren Buffett

The chief value of money lies in the fact that one lives in a world in which it is overestimated. – H. L. Mencken

The cost of a thing is the amount of what I will call life which is required to be exchanged for it, immediately or in the long run. – Henry David Thoreau

The darkest hour of any man's life is when he sits down to plan how to get money without earning it. – Horace Greely

The difference between a rich man and a poor man is this: the former eats when he pleases, the latter when he can get it. – Sir Walter Raleigh

The four most dangerous words in investing are: ‘this time it’s different.’ – John Templeton

The easiest job I have ever tackled in this world is that of making money. It is, in fact, almost as easy as losing it. Almost, but not quite. – H. L. Mencken

The evidence on investment managers’ success with market timing is impressive – and overwhelmingly negative. – Charles Ellis

The First Law of Economics: For every economist, there exists an equal and opposite economist. The Second Law of Economics: They’re both wrong. – Unknown

The first of all English games is making money. – John Ruskin

The first thing is character ... Because a man I do not trust could not get money from me on all the bonds in Christendom. – J. P. Morgan

The holy passion of friendship is of so sweet and steady and loyal and enduring a nature that it will last through a lifetime, if not asked to lend money. – Mark Twain

The individual investor should act consistently as an investor and not as a speculator. – Ben Graham

The investor of today does not profit from yesterday's growth. – Warren Buffett

The investor's chief problem – even his worst enemy – is likely to be himself. – Ben Graham

The key is not to predict the future, but to be prepared for it. – Pericles (5th century BC)

The man who has a million dollars is as well off as if he were rich. – John Jacob Astor III (attributed)

The markets generally are unpredictable, so that one has to have different scenarios. The idea that you can actually predict what’s going to happen contradicts my way of looking at the market. – George Soros

The most efficient labor-saving device is still money. – Franklin P. Jones

The most predictable thing about the stock market is the number of experts who take credit for predicting it. – Dave Weinbaum

The most treasured asset in investment management is a steady hand at the tiller. – Robert Arnott

The only thing that wealth does for some people is to make them worry about losing it. – Comte De Riverol (18th century)

The only way for a rich man to be healthy is by exercise and abstinence, to live as if he were poor. – William Temple

The poor wish to be rich, the rich wish to be happy, the single wish to be married, and the married wish to be dead. – Ann Landers

The public may boo me, but when I go home and think of my money I clap. – Horace (1st century BC)

The rich invest in time, the poor invest in money. – Warren Buffett

The safest way to double your money is to fold it over once and put it in your pocket. – Kin Hubbard

The stock market is filled with individuals who know the price of everything, but the value of nothing. – Philip Fisher

The things that will destroy America are prosperity at any price, peace at any price, safety first instead of duty first, and love of soft living, and the get-rich-quick theory of life. – Theodore Roosevelt

The value of a dollar is social, as it is created by society. – Ralph Waldo Emerson

There are few ways in which a man can be more innocently employed than in getting money. – Samuel Johnson

There are three faithful friends – an old wife, an old dog, and ready money. – Benjamin Franklin

There are two kinds of people who lose money: those who know nothing and those who know everything. – Henry Kaufman

There can be few fields of human endeavor in which history counts for so little as in the world of finance. Past experience, to the extent that it is part of memory at all, is dismissed as the primitive refuge of those who do not have the insight to appreciate the incredible wonders of the present. – John Kenneth Galbraith

Time is Archimedes' lever in investing. – Charles Ellis

To fulfill a dream, to be allowed to sweat over lonely labor, to be given a chance to create, is the meat and potatoes of life. The money is the gravy. – Bette Davis

To help your children turn out well, spend twice as much time with them and half as much money. – Abigail Van Buren

To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework. – Warren Buffett

Too much money is the worst of tribulations. – Moroccan proverb

Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market. – Warren Buffett

Unquestionably, there is progress. The average American now pays out twice as much in taxes as he formerly got in wages. – H. L. Mencken

Wall Street indexes predicted nine out of the last five recessions! And its mistakes were beauties. – Paul Samuelson

Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway. – Warren Buffett

We believe that according the name 'investors' to institutions that trade actively is like calling someone who repeatedly engages in one-night stands a 'romantic.' – Warren Buffett

We don't have to be smarter than the rest. We have to be more disciplined than the rest. – Warren Buffett

We have two classes of forecasters: Those who don't know – and those who don't know they don't know. – John Kenneth Galbraith

We ignore outlooks and forecasts... we're lousy at it and we admit it ... everyone else is lousy too, but most people won't admit it. – Martin Whitman

We often pay our debts not because it is only fair that we should, but to make future loans easier. – Francois de la Rochefoucauld (17th century)

We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful. – Warren Buffett

Wealth and poverty: the one is the parent of luxury and indolence, and the other of meanness and viciousness, and both of discontent. – Plato (4th century BC)

Wealth and want equally harden the human heart. – Theodore Parker

Wealth is the ability to fully experience life. – Henry David Thoreau (attributed)

Wealth unused might as well not exist. – Aesop

When a fellow says it ain't the money but the principle of the thing, it's the money. – Kin Hubbard

When a man says money can do anything, that settles it: he hasn't any. – Edgar Watson Howe

When all the experts and forecasts agree – something else is going to happen. – Bob Farrell

When I was young I thought that money was the most important thing in life; now that I am old I know that it is. – Oscar Wilde

When it is a question of money, everyone is of the same religion. – Voltaire

When money is not a servant it is a master. – Italian proverb

When money speaks the truth is silent. – Russian proverb

When reason rules, money is a blessing. – Publilius Syrus (1st century BC)

When wealth is lost, nothing is lost; when health is lost, something is lost; when character is lost, all is lost. – German proverb

When you combine ignorance and leverage, you get some pretty interesting results. – Warren Buffett

Who is rich? He that is content. Who is that? Nobody. – Benjamin Franklin

Why is the form of money round? Because it is to run from every man. – Anonymous (17th century)

Wilt thou seal up the avenues of ill? Pay every debt as if God wrote the bill. – Ralph Waldo Emerson

With an evening coat and a white tie, anybody, even a stockbroker, can gain a reputation for being civilized. – Oscar Wilde

With money one may command devils; without it, one cannot even summon a man. – Chinese proverb

Words are like money; there is nothing so useless, unless when in actual use. – Samuel Butler (17th century)

You can get in way more trouble with a good idea than a bad idea, because you forget that the good idea has limits. – Ben Graham

You cannot legislate the poor into independence by legislating the wealthy out of it. You cannot multiply wealth by dividing it. – Kenneth W. Sollitt

You have to decide what you are going to be worried about. Markets are volatile, but retirement is certain. – Nick Murray

You must spend money, if you wish to make money. – Plautus (3rd century BC)

Youth is the best time to be rich; and the best time to be poor. – Euripides (5th century BC)

John Maynard Keynes

from *The General Theory of Employment, Interest, and Money* (1936)

It might have been supposed that competition between expert professionals, possessing judgment and knowledge beyond that of the average private investor, would correct the vagaries of the ignorant individual left to himself. It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public. They are concerned, not with what an investment is really worth to a man who buys it “for keeps”, but with what the market will value it at, under the influence of mass psychology, three months or a year hence. Moreover, this behaviour is not the outcome of a wrong-headed propensity. It is an inevitable result of an investment market organised along the lines described. For it is not sensible to pay 25 for an investment of which you believe the prospective yield to justify a value of 30, if you also believe that the market will value it at 20 three months hence.

Thus the professional investor is forced to concern himself with the anticipation of impending changes, in the news or in the atmosphere, of the kind by which experience shows that the mass psychology of the market is most influenced. This is the inevitable result of investment markets organised with a view to so-called “liquidity”. Of the maxims of orthodox finance none, surely, is more anti-social than the fetish of liquidity, the doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of “liquid” securities. It forgets that there is no such thing as liquidity of investment for the community as a whole. The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object of the most skilled investment to-day is “to beat the gun”, as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, half-crown to the other fellow.

This battle of wits to anticipate the basis of conventional valuation a few months hence, rather than the prospective yield of an investment over a long term of years, does not even require gulls amongst the public to feed the maws of the professional;— it can be played by professionals amongst themselves. Nor is it necessary that anyone should keep his simple faith in the conventional basis of valuation having any genuine long-term validity. For it is, so to speak, a game of Snap, of Old Maid, of Musical Chairs— a pastime in which he is victor who says *Snap* neither too soon nor too late, who passes the Old Maid to his neighbour before the game is over, who secures a chair for himself when the music stops. These games can be played with zest and enjoyment, though all the players know that it is the Old Maid which is circulating, or that when the music stops some of the players will find themselves unseated.

Or, to change the metaphor slightly, professional investment may be likened to those newspaper competitions in which the competitors have to pick out the six prettiest faces from a hundred photographs, the prize being awarded to the competitor whose choice most nearly corresponds to the average preferences of the competitors as a whole; so that each competitor has to pick, not those faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view. It is not a case of choosing those which, to the best of one’s judgment, are really the prettiest, nor even those which average opinion genuinely thinks the prettiest. We have reached the third degree where we devote

our intelligences to anticipating what average opinion expects the average opinion to be. And there are some, I believe, who practise the fourth, fifth and higher degrees.

If the reader interjects that there must surely be large profits to be gained from the other players in the long run by a skilled individual who, unperturbed by the prevailing pastime, continues to purchase investments on the best genuine long-term expectations he can frame, he must be answered, first of all, that there are, indeed, such serious-minded individuals and that it makes a vast difference to an investment market whether or not they predominate in their influence over the game-players. But we must also add that there are several factors which jeopardise the predominance of such individuals in modern investment markets. Investment based on genuine long-term expectation is so difficult today as to be scarcely practicable. He who attempts it must surely lead much more laborious days and run greater risks than he who tries to guess better than the crowd how the crowd will behave; and, given equal intelligence, he may make more disastrous mistakes. There is no clear evidence from experience that the investment policy which is socially advantageous coincides with that which is most profitable. It needs more intelligence to defeat the forces of time and our ignorance of the future than to beat the gun. Moreover, life is not long enough;— human nature desires quick results, there is a peculiar zest in making money quickly, and remoter gains are discounted by the average man at a very high rate. The game of professional investment is intolerably boring and over-exacting to anyone who is entirely exempt from the gambling instinct; whilst he who has it must pay to this propensity the appropriate toll. Furthermore, an investor who proposes to ignore near-term market fluctuations needs greater resources for safety and must not operate on so large a scale, if at all, with borrowed money— a further reason for the higher return from the pastime to a given stock of intelligence and resources. Finally it is the long-term investor, he who most promotes the public interest, who will in practice come in for most criticism, wherever investment funds are managed by committees or boards or banks. For it is in the essence of his behaviour that he should be eccentric, unconventional and rash in the eyes of average opinion. If he is successful, that will only confirm the general belief in his rashness; and if in the short run he is unsuccessful, which is very likely, he will not receive much mercy. Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally.

Paul Volcker

from *The Rediscovery of the Business Cycle* (1978)

Mood is too intangible to be accurately measured directly. However a gradual increase in confidence and increasing willingness to take risks does seem a natural consequence of a period of general prosperity. Conversely, the experience of a major recession is a chastening experience. Households, businesses, and other economic units have witnessed bankruptcies, unemployment and loss of income. Earlier plans are disrupted. Those taking the largest risks and without financial reserves tend to be hit the hardest. So, at first, caution prevails, even as recovery unfolds. But if the recovery is sustained and downturns are minor, the new surprises are likely to be favorable: productivity typically rises rapidly as capacity is more fully utilized; profits exceed expectations; jobs are easier to find; and real incomes rise. The aggressive risk-taker profits handsomely; the rewards of caution seem less evident as memories of hard times recede.

As confidence increases, that in itself gives further thrust to the expansion. Business embarks more freely on modernization and expansion, and it finds more lenders ready to underwrite its plans and also finds willing equity investors. More buoyant prices may, for a time at least, help encourage aggressive inventory or capital spending. On the consumer side, as job opportunities expand, future income seems more secure. As stock market and home prices go up, the consumer's estimate of his current and future wealth may rise.

Financial markets and financial institutions will share in the altered mood. Equity is more highly leveraged, more borrowing may be done at shorter terms, and banks and other lenders draw down their liquidity and other financial reserves. Almost imperceptibly – until they only seem lax in retrospect – traditional credit standards may be eased precisely because the new economic environment seems more secure. And so long as the forward thrust of the economy is maintained, losses are small.

Even the professional economists may be caught up in the euphoria. They may even be inclined to agree that we have finally licked the business cycle and thus help reinforce the climate of confidence!

But in the end the process is self-limiting. There are limits to economic growth over the short term: to employment, to productivity, to the need for capital goods or inventory, and to risk and leverage. When manpower is fully occupied, the economy cannot continue to improve as fast as before, and financial reserves can be exhausted. And sooner or later some exogenous force may provide a rude shock that forces a reappraisal of risks.

The result is disappointment. Reality falls short of anticipation. With past excesses suddenly exposed, a recession can quite suddenly turn severe. Risks that were blithely discounted earlier now loom large. The income stream no longer seems so certain. Jobs are harder to get and capital values may fall. Households and business firms alike try to cut their spending and rebuild liquidity. Risk premiums increase. And the new caution inhibits recovery.

William Bernstein

from *The Investor's Manifesto* (2010)

Successful investors need four abilities. First, they must possess an interest in the process. It is no different from carpentry, gardening, or parenting. If money management is not enjoyable, then a lousy job inevitably results, and, unfortunately, most people enjoy finance about as much as they do root canal work.

Second, investors need more than a bit of math horsepower, far beyond simple arithmetic and algebra, or even the ability to manipulate a spreadsheet. Mastering the basics of investment theory requires an understanding of the laws of probability and a working knowledge of statistics. Sadly, as one financial columnist explained to me more than a decade ago, fractions are a stretch for 90 percent of the population.

Third, investors need a firm grasp of financial history, from the South Sea Bubble to the Great Depression. Alas, as we shall soon see, this is something that even professionals have real trouble with.

Even if investors possess all three of these abilities, it will all be for naught if they do not have a fourth one: the emotional discipline to execute their planned strategy faithfully, come hell, high water, or the apparent end of capitalism as we know it. “Stay the course”: It sounds so easy when uttered at high tide. Unfortunately, when the water recedes, it is not. I expect no more than 10 percent of the population passes muster on each of the above counts. This suggests that as few as one person in ten thousand (10 percent to the fourth power) has the full skill set. Perhaps I am being overly pessimistic. After all, these four abilities may not be entirely independent: if someone is smart enough, it is also more likely he or she will be interested in finance and be driven to delve into financial history.

But even the most optimistic assumptions – increase the odds at any of the four steps to 30 percent and link them – suggests that no more than a few percent of the population is qualified to manage their own money. And even with the requisite skill set, more than a little moxie is involved. This last requirement – the ability to deploy what legendary investor Charley Ellis calls “the emotional game” – is completely independent of the other three; Wall Street is littered with the bones of those who knew just what to do, but could not bring themselves to do it.

Notes:

The analysis in this report has been prepared by David E. Hultstrom, MBA, CFP®, CFA®.

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