

Lowe, Janet - Benjamin Graham on Value Investing

Dearborn Financial Publishing, 1994, [Equity Investing] Grade ★★ ★

More than a book on value investing this is a book describing the history and person of Benjamin Graham written by one of today's most prominent business writers. It's a biography, not an investment text and together with the 1996 posthumously published, and never really finished, *The Memoirs of the Dean of Wall Street*, by Graham himself, the book is probably the best way to get acquainted with the person known as the father of value investing.

To understand Graham you have to know his background. Young London-born Benjamin Grossbaum moved to New York at the age of 5. His parents were Polish Jews. Only a brief period thereafter his father died and the children were raised in relative meager conditions. As an intelligent boy Ben got to skip several classes, which attracted the painful attention of the school bullies. Without a father Ben turned inwards and found his role models in literature. He idolized characters like Marcus Aurelius, Ulysses and – above all – Benjamin Franklin. He now formed a kind of stoic relationship to the world around him. It is here that the intellectual, rational and emotionally guarded person of Ben Graham is formed. His difficulty for emotional attachment later on lead him to remarry twice and to have numerous affairs, he “leaped from blond to blond like an Alpine goat springing from peak to peak”. With his third marriage and only after leaving the investment world Graham finally opened up and seemed to find peace with himself.

This is not the place to recapitulate Grahams well known history, but I would like to share a few interesting trivia. For example, what role did Jerome “Jerry” Newman have in Graham's investment partnership Graham-Newman and what did Professor David Dodd contribute to Security Analysis? Newman basically acted as the COO handling all management but also a lot of what we today call corporate governance, freeing up Grahams time to handle investments. Dodd on

the Economics Faculty at Columbia was originally put to record and transcribe the investing classes that Graham held. Those notes became the basis for Security Analysis and even though Graham clearly wrote the text, Dodd gave suggestions, checked facts and created graphs and pictures. Later on Graham and Dodd actually taught the investment class at Columbia jointly. Furthermore Graham's accomplishment as an economist is little known. Despite only having 4 weeks of formal economics education Graham wrote two books on the subjects of commodities, currencies and inflation. He debated the topics with Keynes and left material for the Bretton Woods conference. When Graham unwound Graham-Newman in 1956 as he didn't feel investing presented any more intellectual stimulus, he had creating the legacy called value investing with followers like Warren Buffett, Marty Whitman, Seth Klarman etc. and changed the role of security analysts into a profession. On top of it all, since 1929 Graham outperformed the market by about 14 percentage points a year.

Lowe does a splendid job not least due to the fact that she has been able to interview many of the persons who were close to Graham. The book is set up in a chronological order and it's an easy read. One interesting aspect is that you can sense the dual feelings of the writer where the negatives regarding Grahams affairs with women gradually is overcome by respect for his investment deed and his intellectual heritage. This was one of Lowe's first books and since then she has written many more on value investors, value investing and even on Ben Graham.

The book is a good read but more for the Graham aficionados than for those interested in value investing. The obvious recommendations for the latter are Grahams own Security Analysis and *The Intelligent Investor*. The later is “by far the best book on investments ever written” according to Warren Buffett.

Mats Larsson, April 9, 2012