

Global Strategy

November 25, 2002

“Books, We Know, Are a Substantial World....”

Barton M. Biggs (Barton.Biggs@morganstanley.com)

I published this list ten years ago and I keep getting requests to update it, so here it is in all its infamy. Reading books about investing does two things for you. First, as investors, we are only the limited product of our own experiences and therefore vulnerable unless we read and assimilate the accumulated wisdom of the great ones. Second, as it says on the façade of the Library of Congress: “Those who have not studied the past are condemned to repeat it.” Economic and particularly financial history definitely tends to repeat itself. I have two long shelves of the best books I have read that relate one way or another to investing. Since investing is about everything, my books relate to diverse subjects ranging from history to psychology. In no particular order here is my list, with star rankings from 1 to 5. The whole exercise is completely subjective. Readability counts.

*Groupthink*****. Irving L. Janis. Houghton Mifflin: 1982. (The best book ever written on the complexities and pitfalls of group decision making, which is what an investment management firm is all about.)

*The Alchemy of Finance****. George Soros. Simon & Schuster: 1987. (The master is complex, dense, but superb. His best book.)

*Panic on Wall Street****. Robert Sobel. Macmillan: 1978. (The definitive study of American panics.)

*Manias, Panics, and Crashes*****. Charles P. Kindleberger. Basic Books: 1988. (The best scholarly analysis of the species.)

*Reminiscences of a Stock Operator*****. Edwin Lefevre. George H. Doran Company: 1923; reissued by J. Wiley: 1994. (The classic work about intuitive trading. No investor's education is complete without reading it.)

*The Money Game*****. Adam Smith. Random House: 1967. (Nobody writes like Gerry. Full of wisdom. It's a pleasure to read.)

*The Roaring '80s****. Adam Smith. Summit Books: 1988. (More Gerry; if you get addicted, *Supermoney* is good, too.)

*Contrarian Investment Strategy****. David Dreman. Random House: 1979. (A classic on why and how to be contrary.)

*The Battle for Investment Survival**. Gerald Loeb. Random House: 1957. (One great idea. Put all your eggs in one basket and stare at that basket.)

*The Great Crash, 1929****. John Kenneth Galbraith. Houghton Mifflin: 1961. (Good study of the Crash.)

*Instincts of the Herd in Peace and War***. W. Trotter. Macmillan: 1908; reissued by T. Fisher Unwin: 1919. (Dense, insightful analysis of gregariousness and suggestibility.)

Duveen. S.N. Behrman***. Harmony Books: 1978. (Fascinating biography of the great dealer and a wonderful history of the art market and its fads.)

*Investment Policy***. Charles D. Ellis. Dow Jones-Irwin: 1985. (All of Charlie's books have great insights, especially this one and *Institutional Investing****.)

*The Way the World Works***. Jude Wanniski. Touchstone: 1978. (I'm prejudiced because I believe, but this is the supply-side Old Testament.)

*Wealth and Poverty***. George Gilder. Basic Books: 1981. (The New Testament of supply side.)

*Growth Opportunities in Common Stocks***. Winthrop Knowlton. Harper & Row: 1965. (This book and *Shaking The Money Tree***, with John Furth, are both superb on growth stock investing.)

*The Elliott Wave Principle**. A. Frost, R. Prechter. New Classic Library: 1978. (Important to understand Fibonacci et al.)

*The Great Depression of 1990**. Ravi Batra. Venus Books: 1985. (We are condemned to repeat the mistakes not of our fathers but of our grandfathers.)

*Technical Analysis of Stock Trends***. Edwards and Magee. Magee: 1966. (The manual on technical analysis.)

*The Intelligent Investor****. Benjamin Graham. Harper: 1949. *Security Analysis*****. Graham and Dodd. Harper: 1951. (The bibles of value investing.)

*The Long Wave in Economic Life***. J. J. Van Duijn. Allen & Unwin: 1983. (Best book I know of on cycles, which is what investing is all about.)

Confessions of an Advertising Man. ***. David Ogilvy. Atheneum: 1964. (Wonderful treatise on how to sell consumer products, written with wit and wisdom.)

*Green Monday***. Michael M. Thomas. Simon & Schuster: 1980. (The best stock market novel ever written.)

*Classics I and Classics II*****. Edited by Charles D. Ellis. Dow Jones-Irwin: 1989 and 1991. (Both collections are great browsing.)

*Chaos***. James Gleick. Penguin Books: 1987. (Important to understand chaos theory.)

*Investing with the Best**. Claude N. Rosenberg, Jr. Wiley: 1986. (Excellent on how to manage your investment manager.)

*Managing Investment Portfolios***. Maugham and Tuttle. Warren, Gorham & Lamont: 1983. (Good stuff, but heavy going.)

*Extraordinary Popular Delusions and the Madness of Crowds*****. Charles Mackay: 1841; reissued by Metro Books: 2002. (The ancient classic but still should be read.)

*The Speculator***. Jordan A. Schwarz. Chapel Hill: 1981. (Superb biography of Baruch. Note how he would from time to time retreat from the market.)

*Capital Ideas***. Peter Bernstein. Free Press: 1992. (History of the ideas that shaped modern finance. Peter sometimes is too intellectual for me.)

*Devil Take the Hindmost**** Edward Chancellor. Farrar, Strauss, & Giroux: 1999. (Erudite, articulate history of manias and panics over the ages.)

*Pioneering Portfolio Management*****. David F. Swensen. The Free Press: 2000. (The best book ever about managing a large endowment portfolio.)

*Stocks for the Long Run*****. Jeremy Siegel. McGraw-Hill: Third Edition, 2002. (Absolutely crammed with fascinating information and analysis.)

*The Trouble with Prosperity***. James Grant. Times Books: 1996. (Jim writes beautifully and all his books are great reads, although invariably bearish.)

*Gold and Iron***. Fritz Stern. Vintage: 1979. (Absorbing history of Bismarck and Bleichroeder, Europe in the 19th century, and capital preservation.)

*Markets, Mobs, & Mayhem****. Robert Menschel. Wiley: 2002. ("A modern look at the madness of crowds" and the most recent addition to my list.)

*The Innovator's Dilemma**. Clayton Christensen. Harvard Business School Press: 1997. (Breakthrough idea of why new technologies cause great firms to fail.)

*Valuing Wall Street****. Andrew Smithers & Stephen Wright. McGraw-Hill: 2000. (The rationale of the *q* ratio by Smithers, a brilliant analytical mind.)

*The Myths of Inflation And Investing***. Steven C. Leuthold. Crain Books: 1980. (Updated for deflation; consistent, extensive studies; not light reading)