

The Intelligent Investor

Finance: Two new books revive the 'value' cult

IN HIGH-SCHOOL BIOLOGY CLASSES, students learn to cut up frogs to find out what's inside. On Wall Street, investment managers do much the same thing, dissecting companies' financial statements in search of a stock's real worth. The most zealous of these practitioners call themselves "value investors." They eschew economics and stock-market predictions and search solely for companies whose stock is underpriced. Their intellectual father is Benjamin Graham, a money manager and professor whose work brought scientific methods to investing. Now, two new books are putting Graham back in the spotlight. One is a biography; the other tells how Graham's most successful protégé, Warren Buffett, used Graham's teachings to make billions.

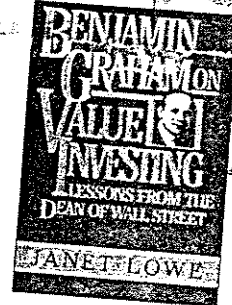
In **Benjamin Graham on Value Investing** (246 pages, Dearborn, \$22.95), author Janet Lowe paints an admiring portrait. Graham walked onto Wall Street in 1914, in an era when reliable information about corporations was sparse and the market was ruled by manipulators. He pioneered the practice of ferreting out data to find a company's real value. By day he helped his clients (and himself) get rich; at night he preached his message to a generation of analysts at Columbia's business school and wrote books. His 1949 best seller, "The Intelligent Investor," still sells briskly. Drawing on Graham's writings and interviews with his students and family, Lowe provides a solid analysis of his innovations, complete with examples of his stock-market hits and misses. What's lacking is real insight into how he developed his ideas—there's no Newtonian apple or Franklinian lightning storm. Graham's personal life is similarly murky. We learn that Graham was a philanderer with a "fondness for willow blonds," but we emerge from the story feeling as if we don't really know him. That's no surprise, and no fault of the author: Graham, who died in 1976, was a private man so distant from his children that they aren't even sure where he's buried.

The person who came closest to really knowing Graham is his onetime student, Warren Buffett, the chairman of Berkshire Hathaway, whose stock-picking acumen



COURTESY GRAHAM FAMILY

The godfather of value: Graham in Spain



has made him the second richest American. In **The Warren Buffett Way** (274 pages, John Wiley, \$24.95), Robert C. Hagstrom Jr. describes how Buffett adapted Graham's theories to suit his style. Unlike Graham, Buffett looks beyond a company's finances to gauge its management and long-term prospects. He also modifies Graham's admonition to diversify, instead placing big bets on a few companies. Hagstrom, himself a money manager, dispenses with Buffett's bio in a few pages and fills the book with a thorough review of his investments and strategy. Although Hagstrom's is the more instructive of the two books, it may be confusing to financial-phobes. But in a way, that's fitting. After all, Graham and his followers made money by studying the mind-numbing details buried in the footnotes of annual reports.

'Man of Extraordinary Intellect'

TO CHARACTERIZE OUR FATHER, BENJAMIN Graham, as "a private man so distant from his children that they aren't even sure where he's buried" is highly misleading ("The Intelligent Investor," FOCUS ON YOUR MONEY, Nov. 21). A man of extraordinary intellect, Ben always championed the ra-

tional over the emotional. Yet he gave of himself, as he was, to his children and to others. We were with him at the time of his death and cremation in France, and one of us carried the urn with his ashes home to the United States. Most of Ben's children and grandchildren took part in the cemetery ceremony and the memorial service in his honor at Columbia University. A brilliant Renaissance man, he sparkled with poetry, mathematics, history, science, literature and puns. We admired and loved him.

MARJORIE GRAHAM JANIS
SANTA ROSA, CALIF.
ELAINE GRAHAM SOFER HUNT
BOSTON, MASS.

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DANIEL MCGINN

1/21/94