



the reading room
a wall street memoir
on money and markets

By Henry Kaufman Ph.D
McGraw-Hill
388 pages

review rating



Henry Kaufman, or “Dr Doom” as he came to be known on Wall Street, spent 26 years of his professional life with Salomon Brothers. He built a research team virtually from scratch, when serious institutional research was new to the industry. He rose to become a Senior Partner of the firm (before it was acquired by Citigroup), a member of the Executive Committee and Vice Chairman – where he headed the firm’s four research departments. To observe that the author is the repository of vast amounts of information and experience is an understatement of gigantic proportions: the Bibliography runs for 20 pages.

Dr Kaufman has done the industry a great service by writing this incredibly lucid book. It is a work of independent philosophical analysis of the securities industry and of the US capital markets during the past 50 years. He tracks his progress from a modest butchers house in Nazi Germany, from where his parents fled when he was 9. He still has fond memories of a Jewish childhood in Germany, and of peaceful rural life before the Holocaust – and those memories set the tone of his incessant and indefatigable struggle for integrity and quality of analysis that endured for the rest of his life.

He aspired to Wall Street at an early age and went methodically about his education and initial career moves. Any budding entrant to the securities industry would do well to study Kaufman’s path, and how he always tried to work with the best and brightest, irrespective of salary. Whilst working at a bank, he enrolled at New York University’s Graduate School of Business Administration, then located next to the American Stock Exchange. There he completed his Ph.D during 1950/56 by working four nights each week, summer vacations and “part of each week-end catching up with homework. But, I thoroughly enjoyed the courses, especially those on the money markets, international capital markets, and financial history and a smattering of specialised courses in finance”.

He then spent the next 45 years applying his studies in these areas, and learning more every day. There are insights in this book, particularly in relation to the day-to-day working of securities markets, that one cannot read anywhere else. Sure, Liars Poker (by Michael Lewis – also linked to Salomons) is an entertaining snapshot of the crazy late 80s, and it is amusingly revealing, but A Wall Street Memoir is a work of another ilk. It is of such historical scope and depth, that it stands in a class of its own. Most of the major finance houses are covered as is the development of capital markets to this day.

When Dr Kaufman turns to lessons from the past he address

such matters as: “Forecasting the Great Bull Market” (Ch 9); Shortcomings of Fed Policy (Ch 11 – and Paul A. Volker writes the Foreword to this book); Learning from Financial Crises (Ch 13 – many hidden lessons for today from the 30’s, WW2, 1966 credit crunch, collapse of Penn Central [note: current warnings re credit quality] and the oil shock); and “Learning from the Financial Excesses of the 1980s and 1990s” (Ch 14).

This book ends with a fulsome chapter on Neglected Financial Lessons, followed by his prescient views on the future – in terms of markets, institutions and macro economics. Any investor will find jewels and pearls in these “Lessons”, and I wish that I had read his views on the future more carefully than I did, two years ago.

This book is rated 9 as it is difficult to imagine how anyone could cover the ground more thoughtfully, thoroughly and objectively. For private investors it doubles as an enjoyable read. For students and new participants in the securities/investment industry it is essential reading.

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