



# Book Wall Street People

## True Stories of Today's Masters and Moguls

Charles D. Ellis and James R. Vertin  
Wiley, 2001

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### Recommendation

Writing with James R. Vertin, author Charles D. Ellis presents brief profiles of 85 Wall Street leaders who contributed to the growth of the world’s major financial marketplace. The authors divide these individuals – all men, which tells a tale right there – into four slightly arbitrary groups: masters of investing, movers and shakers, business builders, and wisemen and rascals. The collection is drawn from the other writers’ pieces about these men, and includes occasional articles the featured financiers wrote themselves. Apart from a few brief notes about some patterns that the author observed, these excerpts from various sources stand alone, with no overarching theme or exposition. *BooksInShort* keenly feels the lack of a few analytical essays that might have pulled the collection together and integrated it thematically, but even so, this serves as a useful research tool and an interesting introduction to a unique confluence of powerful men.

### Take-Aways

- Fame is fleeting - most famous or infamous Wall Streeters will be forgotten.
- Many important Wall Street players are not well known, since celebrity doesn’t match significance.
- Sometimes those who break the rules become nationally notorious.
- Some prominent Wall Streeters became famous for philanthropy, such as David Rockefeller and John Templeton, or for public service, such as Bernard M. Baruch and Benno Schmidt.
- Those who built Wall Street can be categorized as master investors, major movers and shakers, business builders or wisemen and rascals.
- Master investor Benjamin Graham influenced many investors, including Warren Buffett.
- Charles Allen Jr. began with nothing and built one of Wall Street’s wealthiest firms.
- Laurence and Preston Tisch made a fortune buying and managing businesses.
- Wisemen include Federal Reserve chairmen William McChesney Martin Jr., Paul Volcker and Alan Greenspan.
- Rascal Ivan F. Boesky was a stock wheeler-dealer who went to jail for his dealings.

# Summary

## The Men Who Built Wall Street

Some 85 men played a central role in transforming Wall Street, a narrow street in lower Manhattan, into a cultural icon and the global center of finance. As you consider their lives and the impact that these individuals had on Wall Street's development, a few noteworthy patterns emerge:

- Fame is fleeting - Most of these men will be forgotten by the time another portrait of Wall Street is created in the next century.
- Celebrity does not match significance - Many of the most important contributors went relatively unrecognized, while several minor players became much better known.
- Those who misbehave receive the most notoriety - Many thousands who are conscientious and effective labor in relative anonymity.

"Don't speculate unless you can make it a full-time job. Don't buy too many securities. Better have only a few investments which can be watched." [Bernard M. Baruch]

A host of fascinating people helped make Wall Street the world's preeminent financial market, but the following men stand above the rest for their contributions.

## The Masters of Investing

The investment masters catalogued are known for these landmark activities:

- Bernard M. Baruch made a substantial fortune and a national reputation. He served as an informal counselor to powerful leaders, such as Winston Churchill. In My Own Story he counsels, don't "try to be a jack of all investments. Stick to the field you know best."
- After an academic career, Albert J. Hettinger Jr. made a fortune as an analyst and insurance industry expert at Lazard Freres, where he worked well into his 80s.
- Roy Neuberger was a leading investor for 50 years. In 1944, the Museum of Modern Art cited the art he gathered as the country's most interesting contemporary art collection.
- Benjamin Graham was a very influential guru for many investors, including Warren Buffett. He taught at Columbia and is known for his books, including The Intelligent Investor and Security Analysis. He emphasized a mathematics-based value approach.
- David L. Babson is a growth-oriented investor whose fund ranked fifth in 1969 among funds with assets of more than \$10 million. He looks for potential growth by finding an industry that is growing faster than the economy and seeking leaders in that industry.
- Philip Fisher is the most famous of the older generation of investment counselors in San Francisco. He was one of the first counselors to claim that growth stocks had characteristics that distinguished them from ordinary stocks. He believes that you can make a lot of money by investing in an outstanding company and holding it for years.
- Charles Allen Jr. began Allen & Company with no capital, connections or backers and turned it into one of the wealthiest firms on Wall Street. He combines investment banking with a risk thrust, emphasizing buying and controlling companies, investing in securities for the company, underwriting and some trading for certain customers.
- John Hay Whitney built J.H. Whitney & Company, the first true venture capital firm. He was a philanthropist, noted art collector and publisher of the New York Herald Tribune.
- Benno Schmidt, who worked with Whitney, led the first investment firm devoted to venture capital and helped lead in America's war on cancer.
- Fayez Sarofim was born in Egypt, but became a leading money manager and investor in Texas for more than 40 years. He built Houston's leading investment firm by focusing on consistent performance rather than short-term plays.
- Starting from humble beginnings, Michael Steinhardt started Steinhardt, Fine & Berkowitz in 1969, and built it from \$7.7 million to \$30 million in capital in two years.
- Laurence A. Tisch and his brother, Preston Robert (Bob) Tisch, built a family fortune of more than \$2 billion by buying

businesses and actively managing them. Their businesses include or have included CBS, the Loews theater chain and Loews Hotels.

“Warren Buffett credits his father, Howard Buffett, a stockbroker and onetime congressman, with setting an example of how to behave. He credits (Ben) Graham with giving him an ‘intellectual framework for investing’ and a temperamental model.” [Robert Lezner]

### **Other masters of investing include:**

- Warrant Buffett, America’s wealthiest individual as of 1993, built his fortune investing through Berkshire Hathaway. He emphasizes long-term value investing.
- Charles T. Munger has been vice chairman of Berkshire Hathaway since 1975.
- Jack Dreyfus, the creator of one of the first mutual fund companies, Dreyfus & Company, gained a reputation for predicting stock market dips and rises.
- Howard Stein is the money manager who built Dreyfus into one of America’s largest money-management companies.
- John Templeton, an international investor from Britain, earned a billion-dollar fortune and was knighted in 1986 for philanthropy, including funding Templeton College at Oxford.
- Paul Miller founded a new, unregistered investment-management boutique, Miller, Anderson & Sherrerd, which became one of the field’s leading firms. Morgan Stanley bought the firm in the 1990s for \$350 million.
- Claude Rosenberg founded RCM Capital Management, which manages \$12 billion for 94 of the nation’s blue-chip corporations, public funds and university endowments. He wrote five books including, *Wealthy and Wise*.

“Charlie Allen began Allen & Co. with no capital, no connections and no backers. Not so many years later, it was one of the richest firms on Wall Street, still innovating, still private, and still effective.” [Robert Sheehan]

Other master investors profiled include Robert Kirby, Dean LeBaron, Peter Lynch, John B. Neff, Leon Levy, Jack Nash, Barton Biggs, Julian Robertson, George Soros and Philip Carrett.

## **Movers and Shakers**

The major movers and shakers on Wall Street include:

- Saul P. Steinberg is most remembered as the chairman of Leasco Data Processing, a debt-free holding company that made a takeover threat against Chemical Bank.
- William Zeckendorf, a famed 1950s real-estate financier, once engineered a million-dollar deal without any money. He offered a store a 30-year lease and used the leased property as collateral to borrow \$1 million from the bank at 4%.
- Roland Rowland, a British subject, amassed a fortune by building Lonro into a global commercial empire employing more than 100,000 people in the late 1980s.
- James Goldsmith, a citizen of both Britain and France, pursued and financed corporate takeovers. He bought and broke up troubled, older companies that sold for below their break-up value. He sold off parts and created streamlined, profitable core companies.
- Carl Icahn built a nearly \$1 billion fortune in the 1980s by investing in and sometimes taking over undervalued companies. By the early 1990s, his company, Icahn Enterprises included securities brokerage, rail car leasing, real estate and even thoroughbred breeding.
- Canadians Albert and Paul Reichmann built a fortune in real estate. They joined the major leagues with a big deal, the 1977 purchase of eight of New York’s largest office buildings for \$50 million down - now worth more than \$1.5 billion.
- Bruce Wassertstein was known for his aggressive approach as an acquisitions advisor, making him prominent during the 1980s merger-and-acquisition boom.

“In creating Dreyfus & Company, (Jack Dreyfus) contributed importantly to the development of mutual funds, created a great brand and logo, and was one of the first to play the money game.” [Marshall Smith]

Other Wall Street movers and shakers cited include: Scarsdale Fats, an institutional investor; Alfred W. Jones, possibly the inventor of the hedge fund; Gerald Tsia, founder of the Manhattan Fund; Fred Alger, a noted 1960s fund manager and Jerry Kohlberg, Henry

Kravis, and George Roberts, of KKR, whose firm dominated acquisitions in the 1980s.

## Business Builders

The innovators cited here are known for these achievements:

- Longstreet Hilton headed Morgan Bank's Trust Department.
- Herman J. Abs was an influential advisor to Chancellor Konrad Adenauer in Germany.
- George S. Moore worked at Citibank and contributed to its post-WW II development.
- David Rockefeller, who was an investor and world traveler, was involved with many organizations devoted to social, artistic and international purposes.
- George S. Johnson guided investment counselors Scudder, Stevens and Clark.
- Jonathan Bell Lovelace, an entrepreneur, founded and financed the Capital Group Companies, which his son guided to world leadership in investment management.
- Arnold Berhand, a pioneer in applying statistics to finance, invented Value Line, the best-known information source for investors.
- Edward C. Johnson II pioneered a new approach to mutual fund investing, using Fidelity Management to turn mutual funds from savings vehicles into investment vehicles.
- Edward C. Johnson III expanded Fidelity into one of the most innovative financial services companies in the world.
- Siegmund Warburg led the development of Eurobonds, introduced aggressive merger and acquisition methods to the United Kingdom, and built S.G. Warburg & Company.
- Maurice (Hank) Greenberg took control of the American International Group and made it one of the insurance industry's most powerful companies.
- Sanford Weill began his career as an entrepreneur-manager at the brokerage firm of Carter, Berlind, Weill and Levitt in the 1960s. Through acquisitions and managerial prowess, he built it into a major firm, sold it to American Express and formed Citigroup.
- William Salomon joined his father's firm, Salomon Brothers, ran it for 20 years and helped turn it into a financial powerhouse.

“Saul Steinberg will probably be most remembered as the boy wonder chairman of Leasco Data Processing and for his breath-taking takeover threat against Chemical Bank.” [Chris Welles]

Other business builders profiled include: John C. Bogel, Joseph K. Klingenstein, T.J. Carlyle Gifford, Henry Grunfeld, David Scholey, James D. Wolfensohn, Henry Crown, Albert H. Gordon, John L. Loeb, Gustave Levy, John C. Whitehead, John L. Weinberg, Robert H. B. Baldwin, Alan C. (Ace) Greenberg, Pete Peterson, Lewis Glucksman, Donald Regan, Michael David-Weill, John Gutfreund, John Meriwether, Michael Bloomberg, and Richard H. Jenrette.

## Wisemen and Rascals

The sages and scalawags highlighted are lauded or lambasted for these accomplishments:

- Sidney Homer, the son of Louise Homer, one of the earliest great opera singers, led the revolution in the valuation of fixed-income instruments. He established Salomon Brothers as a large, respected organization involved in financial research in the 1960s.
- Henry Kaufman was chief economist and senior partner at Salomon Brothers before starting his own firm. An expert forecaster, he looks at the economic side through financial eyes.
- John J. McCloy led Chase Manhattan Bank, then called Chase National.
- After William McChesney Martin Jr. served as the chairman of the New York Stock Exchange and head of the Import-Export Bank. He was appointed to head the Federal Reserve Board in 1955.
- Paul Volcker, chairman of the Federal Reserve Board, defeated inflation in the late '70s.
- Alan Greenspan, chairman of the Fed after Volcker, is a shrewd political operator who kept inflation low. He is the present Chairman of the Federal Reserve Board.
- Ivan F. Boesky, a stock wheeler and dealer, went to jail for security law violations.
- Martin Siegel was a senior executive of Kidder Peabody when he broke the securities laws, enriching himself and Ivan

Boesky, before he was also prosecuted.

“Arnold Bernhard, a pioneer in the application of statistics in finance, invented Value Line and made it the best known information service available to investors.” [Vartanig G. Vartan]

The other men profiled in this group include Gary Lynch, Dennis B. Levine, Michael Milken, Robert Maxwell and Nicholas Leeson.

## About the Authors

**Charles D. Ellis** was a managing partner of Greenwich Associates for 28 years. He taught courses in investment management at Harvard Business School and Yale School of Management; served as a trustee on the investment committees of Phillips Exeter Academy, Yale University and the Whitehead Institute, and was chairman of the Association for Investment Management and Research (AIMR). **James R. Vertin** was the founding manager and chief investment officer of Wells Fargo Investment Advisors, which grew to become Barclays Global Investors, one of the world’s largest investment firms.

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