Index

1929 crash 98
agrarian populism 53
agriculture 54
Allen, Robert Loring 84, 160
American colonies, financing of 21
American Economic Association 29, 30, 140
American Finance Association 130, 140–44
American Statistical Association 28, 30, 87, 102
American Telephone and Telegraph Company 87
assets 8
intangible 66–7
physical 42
pricing 4, 44, 48, 119
average earnings 112

Bachelier, Louis 5, 6, 10, 37, 40, 48, 49
theory 119
balls, random throwing 19, 24–5, 36
banking 27–8
Bayesian
approaches to finance 10–12, 73, 104
forecasting models 155
methods 89, 119, 125
perspective 52, 128
philosophy 48
statistics 4, 20, 25–31, 74, 107, 151–7, 158
theory of probability 25
Bayes-Price 21, 22
Bayes’ Theorem 23, 25
Bayes, Thomas 10, 15–37, 60, 85, 96, 145
Keynes on 115
see also financial economics;
probability theory; statistics;
methods
bear market 99, 100, 101, 131
behavioral
economics 55–60, 74
finance 12, 59, 120, 157–8
Bernoulli, Jacob 17
Bernstein, Peter L. 6, 16, 38, 96, 160
Bierman, Harold 69, 70, 98, 160
Black, Fischer 8
Black Thursday 98
blue chip companies 148
Bogen, Jules I. 142, 160
Bonabeau, Eric 22, 160
bonds 28, 43, 46, 65, 77, 81, 110
high-quality 76
prices, index 63
and risk 79
as safest investment 50, 141
book value 41, 42, 57
boom of 1920s 69–90
borrowing and risk 94
Brown, Stephen J. 101, 160
bull markets 81, 83, 98, 100, 101, 113, 131
of 1929 89
business cycle analysis 25, 28, 29
calculus 28
capital
    gains
        short-term 120
        tax 65
and income 40
physical 40, 42, 43, 57
value 52, 56–8, 67, 118, 120
under certainty
under risk 40–49
capitalism 40, 60
and Veblen 53
card games 27
cash 28
flows, discounted 39
reserves 28
causation theory 55
certainty 43, 48
chance 45, 48
games of 19
science of 23
subjective 45
chart reading 97
Clark, John Bates 67
coin flipping 24, 26, 27, 32–3, 36, 105, 115–17
commodities 85, 121
common stocks 46, 51, 76–84, 110, 136–40
diversified portfolio 159
competition among investors 2, 71
certainty in forecasting 118
consolidated annuities 43
constant-ratio plan 134–5
convertible bonds 127
Coolidge, Calvin 70, 92
Coonter, Paul H. 160
corporate
bonds 5
mergers and profits 82, 130
correlation analysis 88, 143
Cournot, Augustin 39
Cover, John H. 87, 160
Cowles III, Alfred 13, 95–102, 145, 146
formula plans 133
and standard deviation 105, 106
stock market forecasting 130–31
Cowles Commission for Research in Economics 35, 95
credit 66
risk 12, 53–68, 92–5 see also Veblen, Thorstein
system 67
Crockett, Jr. John H. 48, 86, 160
crude oil production 138
currency changes 122
Dale, A. L. 17, 18, 27, 160
Darwin, Charles 39, 55, 68
debt 53, 92–4, 129–44
de Finetti, Bruno see Finetti, Bruno de
development 63, 86, 92, 105
dice throwing 35, 36, 45, 72, 73
Dimand, Robert, W. 61, 68, 93, 160
discount 43, 126
value approach 147
diversification 12, 79, 83–4, 89, 112, 142–3
benefits 145
Fisher on 84–6
Markowitz on 148
principle 80
and risk in the 1920s 69–91
theory 75
dividends 44, 46, 78, 123–4, 127, 138–9
fixed 82
future 126
Dodd, David 108–13 see also value
investment
dollar 50, 134
Dorfman, Joseph 160
Doten Carroll, W. 30, 160
Dow Jones Average 69, 70, 92, 98, 129, 131, 138
Dow, Charles 38, 99, 114
Dow, Sheila 161
Dow Theory 1, 97, 101, 106, 133
Dow Theory, The (Rhea) 99, 100
Dulan, Harold A. 138, 161
earning-capacity, putative 59
earnings
accumulation 47
expected 113
fluctuations 112
future 118
Econometrica 95
econometrics 34, 106–107, 156
Econometric Society 30, 33, 95, 96
economic
growth 123
methodology 68
recession 70
statistics 15–37, 95
theory 61
economics
as a science 31
neoclassical 34
Edgeworth, Francis Y. 25, 27, 28, 33, 36, 40, 48–9
Edie, Lionel D. 89, 145, 161
efficient markets theory 2, 3, 62, 71, 128, 137 see also Fama, Eugene F.
efficient portfolios 8
Effinger, Robert C. 161
Ellsworth, Daniel 102
Index

Employment Act of 1946 130
Enron, and insider trading 60
Epstein, Roy J. 15, 35, 36, 60, 102, 161
equations, structured linear 35–6
evolution 54, 55
Fales, Carl P. 161
Fama, Eugene F. 149–51, 161 see also
efficient markets
Federal Reserve Index 69
finance 129–44
as academic discipline 130
frequentist methods 147–52
financial
economics 1–4, 48, 139, 143, 147
and Fisher 94
in the 1930s 91–107
modern 145–59
markets 16, 17, 21, 24, 122, 157
capricious 64
securities 53
statements analysis 112
see also Bayes, Thomas
Findlay, M.C. 3, 161
Finetti, Bruno de 32, 152–3, 160
see also Bayesian statistics
Finnerty, John D. 79, 161
firm-specific risk 5, 8, 85
Fisher, Irving 35, 38–52, 66–8, 80–86, 92–5, 137, 145, 148, 161
dividend returns 148
see also diversification; mathematics
of risk; mean-variance analysis; standard deviation
Fisher, R.A. 31, 32, 34, 35, 161
fixed income securities 44, 46
fixed-value investments 111
fluctuation 135
forecasting 28, 96, 131–2
formula plans 133, 134
Frederick, J. George 81, 161
free
market economic system 71
trade 123
frequency
curves 124
distribution analysis 73, 96, 132
frequentist
probability theory 157 see also
Keynes
statistics 31–7
Friedman, Milton 34, 35, 61, 147, 161
Frisch, Ragnar 34, 35
future
earnings 59, 65, 103, 111
estimate of 127
values 126
Galbraith, John Kenneth 70, 84, 162
Galileo 16, 17
Galton, Francis 23
games of chance 16, 17, 18, 36, 46
Gauss, Carl Friedrich 6, 10, 22
General Motors Corporation 70, 126
game theory 18, 64
George, Henry 65
Gillispie, Charles Coulston 22, 23, 162
Goetze, William N. 101
gold supply 50
goodwill 66
government spending 129
Graham, Benjamin 108–13, 128, 141, 162 see also value investment
Graham-Newman company 109
Graunt, John 22
Great Depression 91, 92, 99, 128, 129
Grossbaum, Benjamin see Graham, Benjamin
Haavelmo, Trygve 34, 35, 107, 162
Hamilton, William Peter 99, 101
Hayes, Douglas A. 142, 143, 162
Heilbroner, Robert L. 114, 162
Hirshleifer, David 3, 157, 162
Hobson, J. Allen 162
Hoover, Herbert 91
Hotelling, Harold 34, 162
human
behavior 17, 18, 54, 55, 74
experience 24, 25
judgment 31, 33, 45, 48, 115, 159
income 41
long-term 120
index
investing 39
numbers, 52, 112
Index Visible Company 80
industrial capital 56
industry, mass production 55
inertia 105
inflation 42, 49–51, 77, 81, 83, 129
hedge against 139
information imperfect 72
insider trading 60
insurance 47
companies investments 140
and reinsurance (Finetti) 152
intellectual capital 56, 57
interest rate 43, 44, 45, 47, 51, 120
inverse probability 26, 96
investment 49–51, 76, 110
analysis 108, 156
bankers 93
as group operation 111
projects 75
risk 4–5, 39, 49, 118
safe 141
securities, trading of 38
theory 40, 86, 87
Keynes 117–22
trusts 79, 80, 84–6, 88
investor advice 108
investors 74, 75, 101, 118, 124
risk-averse 47
Irving Investors Management Company 76
Jackson, James Roy 86, 87, 162
Jeffreys, Harold (Bayesian methods) 156
Jevons, William Stanley 25–6, 28, 33, 36, 39
joint-stock companies 21
Jones, Edward 38
Journal of Business 136
Journal of Finance 140, 141
Journal of the American Statistical Association 87–8
Kardex Rand Company 80
Ketchum, Marshall D. 133, 134, 147, 162
Keynes, John Maynard 35, 113–22, 128, 130, 139, 150, 162
Klein, Judy L. 15, 22, 49, 162
Knight, Frank H. 12, 71–6, 146, 162
knowledge 72, 118, 122
Koopmans, Tjalling C. 34, 35, 162
Kumar, Alok 101
labor, unionized 83
lag 39, 139
Laplace, Pierre-Simon 22, 23, 26, 36, 115
law of errors 35
Lawson, Thomas 53, 162
Leathers, Charles G. 59, 89, 117
legal analysis 141
leverage 58, 80, 84, 94
life insurance companies 140, 141
Lindley, Dennis 153, 162
liquid assets 28
liquidity 66, 121
Lo, Andrew W. 3, 162
logic and probability 26
loss probability 78
lottery tickets 75
Lowenstein, Roger 162
Lucas, Robert 163
Macaulay, Frederick 87, 88, 102–104,
145, 146, 151
machine process 55
macroeconomics 61
Madden, John T. 163
Malkiel, Burton G. 151, 163
manageable risk 72
Mandelbrot, Benoit 151
margin
accounts 93
trading 21
investors 137
utility 39
marginalist school 43
market
analysis 99
capitalization 59
charts 98
forecasts evaluation 91–107
price 42, 124
risk 5, 8, 41, 42, 62, 79, 85
Markham, Jerry W. 21, 163
Markowitz, Harry M. 7, 8, 35, 49, 84,
128, 143 see also portfolio;
subjective probability
Marshall, Alfred 38, 39
Marxism 40, 60
Massachusetts Bay Company 21
mathematics 6, 30, 34, 37, 3, 128
and logic 114

Donald R. Stabile - 9781781951170
Downloaded from Elgar Online at 03/01/2019 02:40:03AM
via free access
Index

<table>
<thead>
<tr>
<th>Name</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>and statistics</td>
<td>48</td>
</tr>
<tr>
<td>McDiarmid, F.J.</td>
<td>140, 141, 163</td>
</tr>
<tr>
<td>mean-variance analysis</td>
<td>20–21, 52, 74, 92, 95, 113, 145, 158</td>
</tr>
<tr>
<td>approach</td>
<td>7–8, 8, 39</td>
</tr>
<tr>
<td>Bayesian approach</td>
<td>156</td>
</tr>
<tr>
<td>see also Fisher, Irving</td>
<td>146, 148</td>
</tr>
<tr>
<td>Medlen, Craig</td>
<td>59, 163</td>
</tr>
<tr>
<td>Miller, Merton</td>
<td>8, 163</td>
</tr>
<tr>
<td>Mirovski, Philip</td>
<td>27, 163</td>
</tr>
<tr>
<td>Mitchell Wesley C.</td>
<td>29–30, 60–64, 93, 145, 146, 163</td>
</tr>
<tr>
<td>Modigliani-Miller Theorem (Bernstein)</td>
<td>123</td>
</tr>
<tr>
<td>Moggridge, D.E.</td>
<td>121, 122, 163</td>
</tr>
<tr>
<td>monetarism</td>
<td>52, 58</td>
</tr>
<tr>
<td>money managers, professional</td>
<td>79</td>
</tr>
<tr>
<td>monopolies</td>
<td>53</td>
</tr>
<tr>
<td>Morgan, Mary S.</td>
<td>15, 25, 28, 33, 34, 163</td>
</tr>
<tr>
<td>Morrison, Paul L.</td>
<td>141, 142, 163</td>
</tr>
<tr>
<td>mutual funds</td>
<td>80, 84, 142</td>
</tr>
<tr>
<td>National Bureau of Economic Research</td>
<td>29, 61–2, 103</td>
</tr>
<tr>
<td>natural laws</td>
<td>37</td>
</tr>
<tr>
<td>nature, knowledge of</td>
<td>26</td>
</tr>
<tr>
<td>neuroscience, Hobson and Leonard</td>
<td>157</td>
</tr>
<tr>
<td>New Deal</td>
<td>68</td>
</tr>
<tr>
<td>Newton, Sir Isaac</td>
<td>18, 21, 22</td>
</tr>
<tr>
<td>New York Stock Exchange</td>
<td>38, 99, 132</td>
</tr>
<tr>
<td>Nobel Prize in Economic Science</td>
<td>157, 158</td>
</tr>
<tr>
<td>Nofsinger, John R.</td>
<td>3, 59, 157, 163</td>
</tr>
<tr>
<td>Norland, Erik</td>
<td>10, 18, 163</td>
</tr>
<tr>
<td>normal distribution</td>
<td>22</td>
</tr>
<tr>
<td>Norton, John Pease</td>
<td>49, 164</td>
</tr>
<tr>
<td>Norwegian immigrant, Veblen</td>
<td>53</td>
</tr>
<tr>
<td>opinions, probability distribution of</td>
<td>125</td>
</tr>
<tr>
<td>overconfidence of investors</td>
<td>75</td>
</tr>
<tr>
<td>option warrants</td>
<td>127</td>
</tr>
<tr>
<td>Pascal, Blaise</td>
<td>16–22, 35 see also probability theory</td>
</tr>
<tr>
<td>Pascal’s wager</td>
<td>16</td>
</tr>
<tr>
<td>past value</td>
<td>126</td>
</tr>
<tr>
<td>patterns</td>
<td>25</td>
</tr>
<tr>
<td>Pearson, Karl</td>
<td>16, 17, 18, 20, 21, 23, 24, 49, 55, 164</td>
</tr>
<tr>
<td>pecuniary capital and employment</td>
<td>56, 57</td>
</tr>
<tr>
<td>percentage annual return</td>
<td>87</td>
</tr>
<tr>
<td>perpetual annuity</td>
<td>43</td>
</tr>
<tr>
<td>personal income</td>
<td>130</td>
</tr>
<tr>
<td>Persons, Warren M.</td>
<td>29, 28, 30, 33, 164</td>
</tr>
<tr>
<td>Petersburg Paradox game</td>
<td>117, 122</td>
</tr>
<tr>
<td>Plymouth Company</td>
<td>21</td>
</tr>
<tr>
<td>Poincaré, Henri</td>
<td>6, 40, 48</td>
</tr>
<tr>
<td>Poitras, Geoffrey</td>
<td>21, 164</td>
</tr>
<tr>
<td>population samples</td>
<td>35</td>
</tr>
<tr>
<td>portfolio</td>
<td>155</td>
</tr>
<tr>
<td>diversification</td>
<td>5, 88, 112, 142, 143</td>
</tr>
<tr>
<td>of one stock</td>
<td>84</td>
</tr>
<tr>
<td>risk</td>
<td>85, 148</td>
</tr>
<tr>
<td>theory (Markowitz)</td>
<td>8, 86, 147, 149</td>
</tr>
<tr>
<td>positivist approach</td>
<td>34</td>
</tr>
<tr>
<td>postwar period</td>
<td>130</td>
</tr>
<tr>
<td>preferred stock</td>
<td>46, 65, 82</td>
</tr>
<tr>
<td>price</td>
<td>26</td>
</tr>
<tr>
<td>deflation</td>
<td>92</td>
</tr>
<tr>
<td>levels of stocks</td>
<td>82</td>
</tr>
<tr>
<td>volatility</td>
<td>142</td>
</tr>
<tr>
<td>price/earnings ratio</td>
<td>82, 87, 108, 113, 126</td>
</tr>
<tr>
<td>Price, Richard</td>
<td>18–19</td>
</tr>
<tr>
<td>prices</td>
<td>high and low 132, 133</td>
</tr>
<tr>
<td>of stocks and bonds</td>
<td>44</td>
</tr>
<tr>
<td>wholesale, index</td>
<td>62</td>
</tr>
<tr>
<td>primary movements</td>
<td>100</td>
</tr>
<tr>
<td>probability 5–10, 72, 73</td>
<td>curve 126</td>
</tr>
<tr>
<td>distribution</td>
<td>32, 125</td>
</tr>
<tr>
<td>Keynes on 114–17, 157</td>
<td>subjective 20</td>
</tr>
<tr>
<td>theory 3, 15–23, 36, 45, 75, 90, 122, 128</td>
<td>Bayesian 25</td>
</tr>
<tr>
<td>in science 26</td>
<td>see also Bayes, Thomas; Pascal, Blaise</td>
</tr>
<tr>
<td>profit tax</td>
<td>130</td>
</tr>
<tr>
<td>prohibition and workforce</td>
<td>83</td>
</tr>
<tr>
<td>property right</td>
<td>41</td>
</tr>
<tr>
<td>protectionism</td>
<td>123</td>
</tr>
<tr>
<td>psychology</td>
<td>146, 157</td>
</tr>
<tr>
<td>and human behavior</td>
<td>55</td>
</tr>
<tr>
<td>of investors</td>
<td>75, 117</td>
</tr>
<tr>
<td>mass, of investors</td>
<td>120</td>
</tr>
<tr>
<td>public debt</td>
<td>130</td>
</tr>
</tbody>
</table>
Public Utility Holding Company Act of 1935 136
public utility stocks 136–7
Putnam, Bluford H. 3, 48, 164
quantity theory 31, 39
Quetelet, Adolphe 23
railroad stocks 38, 41, 51, 101
Raines, J. Patrick 39, 59, 89, 117, 150, 164
randomness 48, 102, 107, 131, 149
random variable 4, 145, 155
random walk theory 149, 150
rate of interest 48
rational action 116, 117
real income 42
real rate of interest 50
recession, risk of 51, 129
Remington Rand 81, 148
Rhea, Robert 99, 100, 164
risk 3, 5–10, 18, 44, 76, 78, 109, 122, 159
analysis 113, 127, 141, 145
aversion 49, 85
calculation 119
credit 53–68
and diversification 69–90
in investment 15
management 39, 81, 113
mathematics of 12, 38–52
and uncertainty 4, 71–6, 126
RiskMetrics Group 69–70, 91, 158
Roosevelt, Franklin Delano 68, 92
Rorty, M.C. 87, 145, 164
Royal Society 18, 19, 29
Rubinstein, Mark 7, 123, 164
‘Rule of Three’ 22
Runde, Jochen 164
Russell, Bertrand 114
Rutherford, Malcolm 33
Savage, Leonard J. 7, 164
Bayesian statistics 152–3
subjective probability 154
Schabacker, R.W. 97, 98, 99, 108, 164
Scholes, Myron 8
Schumpeter, Joseph, A. 70, 123, 164
science 22–5, 55, 83
secondary movements 100
security analysis, skill in 110
Seligman, Ben B. 30, 61, 71, 164
share prices 104
Sherman Act 53
Shiller, Robert J. 3, 59, 157, 164
short-term fluctuation 2, 62, 103, 120
signaling percentages 135, 136
Smith, Adam 42–3, 75
Smith, Bradford 88, 165
Smith, Edgar Lawrence 12, 76–80, 92, 145, 149, 165
Smith, Mark B. 70, 113, 165
Sobel, Robert 68, 165
socialism 60
Soper, H.E. 25, 165
South Sea Company 21, 22
speculation 47, 53, 86, 93, 110, 122
Stabile, Donald 10, 18, 60, 165
stable Paretian distribution 151
Standard & Poor’s Industrial Stock
Index 131, 138
standard deviation 46, 106, 127, 129, 148
see also Fisher, Irving
statistics 5–10, 25, 66, 86, 88, 90, 95
analysis 30
in economics 26, 28, 29, 107
methods 1, 12, 15, 16, 49, 52, 72, 101, 128
and science 22–5, 27
studies 130–33
use of 143, 144
and value investing 108–28
see also Bayes, Thomas
Stigler, Stephen M. 9, 15, 18, 23, 28, 31, 165
stock
aggressive and defensive 134, 135
and bond valuing 39, 53
common 86
market 21
boom 58
interest 1929 67, 69, 81, 83, 85, 94, 95
fluctuations 5, 44, 62, 64, 92, 101, 136
security analysis, skill in 110
Seligman, Ben B. 30, 39, 61, 71, 164
share prices 104
Sherman Act 53
Shiller, Robert J. 3, 59, 157, 164
short-term fluctuation 2, 62, 103, 120
signaling percentages 135, 136
Smith, Adam 42–3, 75
Smith, Bradford 88, 165
Smith, Edgar Lawrence 12, 76–80, 92, 145, 149, 165
Smith, Mark B. 70, 113, 165
Sobel, Robert 68, 165
socialism 60
Soper, H.E. 25, 165
South Sea Company 21, 22
speculation 47, 53, 86, 93, 110, 122
Stabile, Donald 10, 18, 60, 165
stable Paretian distribution 151
Standard & Poor’s Industrial Stock
Index 131, 138
standard deviation 46, 106, 127, 129, 148
see also Fisher, Irving
statistics 5–10, 25, 66, 86, 88, 90, 95
analysis 30
in economics 26, 28, 29, 107
methods 1, 12, 15, 16, 49, 52, 72, 101, 128
and science 22–5, 27
studies 130–33
use of 143, 144
and value investing 108–28
see also Bayes, Thomas
Stigler, Stephen M. 9, 15, 18, 23, 28, 31, 165
stock
aggressive and defensive 134, 135
and bond valuing 39, 53
common 86
market 21
boom 58
interest 1929 67, 69, 81, 83, 85, 94, 95
fluctuations 5, 44, 62, 64, 92, 101, 136

Index

forecasting 95–102, 106
growth 129, 130
information in 1920s 70
investing 23, 71, 159
prices, random character 102–107
preferred 76, 86
prices 38, 63, 65, 69, 97, 124, 39
changes 103, 104, 105, 119, 135, 149, 151, 157
long-term trend 62
random 66, 102–6, 145
shares 41
valuation 46, 47
subjective probability 11, 21, 30, 116, 125, 152 see also Markowitz, Harry M.
Sumner, William Graham 39, 54, 68
Szatrowski, Zenon 132, 133, 165
Szeliski, Victor von S. 88, 104, 165
taxes 65, 129–44
taxonomy 67
Taylor, Frederick W.
scientific management 83
technical analysis 13, 97, 98, 101, 104–105, 107, 131, 141
technology 55, 57, 143
Theory of Investment Value, The (Williams) 123
testing 35
Tinbergen, Jan 34, 35, 107, 165
‘Tobin’s Q’ 59
Treatise on Probability (Keynes) 118, 119
uncertainty 76
unemployment rate 129
US economy 38, 91
US government bonds 38, 140
US Steel Corporation 53, 131
value
analysis 1, 2, 3, 111, 128
of capital 118
investment 108–28, 122, 126, 142
see also Dodd, David; Graham, Benjamin
Veblen, Thorstein 53–69, 71, 93, 139, 146, 157, 165 see also credit risk
Viertle, R. 152, 165
Virginia Company 21
von Szeliski, Victor S. 88, 104, 165
vox populi 17
Wachtel, Sidney B. 165
Wald, Abraham 153
Wallis, W. Allen 34
Wall Street 38, 53, 109, 159
Wall Street Journal 38, 51, 87, 99
Walras, Leon 38, 39
wartime finance 129–44
Watchel, Sidney B. 138
wealth 40, 41
Weber, Kenneth 139, 165
Whitehead, Alfred North 114
Wilcoxon, L.C. 131, 132, 145, 146, 165
Williams, John Burr 3, 122–8, 137, 145, 146,
Winkler, Robert L. 154–5, 166
investment decisions 154–5
Working, Holbrook 102, 145, 149, 166
World War I 54
World War II 129, 143
Zellner, Arnold 111, 158, 166
Bayesian econometrics 156