

Hers were thicker-than-coke-bottle glasses, which made it disheveling to even have her look at me in our elementary school hallway. Those bewildered peepers were all “jeepers!” Straining to focus, they looked like blueish alien planets lost in the wrong solar system.

It was a hot summer day in 1973, and I was riding my bike to the local swimming pool to cool off, when she rode toward me on her bike. This was not what I expected. She could scarcely see well enough to walk, let alone ride a bike, but there she was, happily wobbling toward me alongside her cousin, clearly pleased with herself.

I pulled aside and just quietly watched. Sure enough, she rode straight in to the curb at a slow speed, dismounting her from the old bicycle seat awkwardly to the pavement. She remained cheerful though, mumbling something about “that darn curb” and quickly getting back to her ride.

About the time I jumped in to the swimming pool that day, the ink was still wet on what would become a very influential book by Princeton Economist Burton Malkiel, “A Random Walk Down Wall Street.” Malkiel argued that financial markets are at once efficient and unpredictable. Prices were said to behave like a drunken man, (or a half-blind girl on a bike) warbling down Wall Street, but information flows sufficiently pure that prices adjusted quickly to the changes that pressured them. Professional managers, it was argued, can’t adequately predict outcomes enough to justify their existence. This was referred to as The Efficient Market Hypothesis, and I believed it biblically when I graduated university.

But Warren Buffet didn’t buy the argument. Instead that summer he bought a substantial position in The Washington Post, which was then flailing under its new heiress, Kay Graham.

That summer, The Post was under pressure from a spiteful Nixon administration, and its very existence was in question – it being very much on the wrong end of a stark power imbalance. Buffet looked back on that period wistfully: “We bought all of our WPC holdings in mid-1973 at a price of not more than one-fourth of the then per-share business value of the enterprise. Calculating the price/value ratio required no unusual insights. Most security analysts, media brokers, and media executives would have estimated WPC’s intrinsic business value at \$400 to \$500 million just as we did. And its \$100 million stock market valuation was published daily for all to see.”

There was nothing random about this walk. Nothing efficient about the market price he took advantage of.

When I made the transition to this wealth management firm from the bank 9 years ago, I was taken back by the level of independent thinking allowed and even encouraged among our internal investment pundits. After a 19+ year experience with the bank, I had become used to a predictable homogeneity of thought. Somebody, a consultant, a CEO, or maybe what we Big-Brotherly-ly called “The Group Office, would send out an edict, and it was all: “So let it be written...amen.”

That wasn’t all bad. The Canadian banks are headed by some pretty smart people, and their strategies aren’t pulled out of a cereal box. There was a certain comfort in unanimity it really.

But I made my move during the 2008/2009 financial crisis, which painted everything with either shades of scary, or the cheery opportunity of a lifetime depending on who you were reading and your level of gumption. For maybe the first (and last?) time in my life, the economic data and analysis which had hitherto had all the pizzazz of elevator carpeting, suddenly became the most riveting drama on the screen. Nobody notices the wooden stairway until it starts to wiggle, then we all get curious about engineering principles.

The investment world is a marketplace of ideas, an open store of data analysis, a living thing best evaluated on the move. Always changing.

So who was right, the impeccably-researched academic, or the Oracle of Omaha? Buffett’s net worth is estimated at \$84 Billion today. Despite a remarkable academic career and sales of over 1.5 million

copies of his book, you have probably never heard of Malkiel, and his financial worth is not listed among the contenders.

Mic Drop.

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