

The *Ambachtsheer* Letter

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STOCKS FOR THE LONG RUN?OR NOT?

*“Through his classic step-by-step guide “Stocks for the Long Run”, Prof. Jeremy Siegel invites virtually all investors and savers of every income class to build wealth the historically proven way: **in the stock market!** When historians record the financial history of the 1990s, this book will be viewed as a seminal event....”*

from the dust jacket of
“Stocks for the Long Run”,
by Jeremy J. Siegel

A Debate with Jeremy Siegel

When our friends at *Commonfund* invited us late last fall to debate Wharton School’s Professor Jeremy Siegel on whether ‘stocks for the long run’ is really such an obvious proposition, we readily accepted. Why? Well, to a wintry Torontonian, the date and location (Orlando, March 25) made good sense. To the contrary, the ‘stocks for the long run’ proposition does not. Certainly not for “virtually all investors and savers of every income class”, or for most pension and endowment funds either. A debate with Siegel would offer good incentive to update the reasons why we continue to hold this view.

This *Letter* sets out our position on the ‘stocks for the long run’ debate once again. It does so by documenting how over the course of the last 30 years, a few elegant hypotheses and theories about investment behavior and portfolio construction have ‘morphed’ into a hard-wired, incontrovertible dictum about how to amass long-term wealth. Unfortunately, many of the assumptions behind the elegant hypotheses and theories do not square well with real-world behavior and experience. Thus we should be suspicious of any investment conclusions based on them.

Indeed, a very different investment dictum emerges when we allow real-world behavior and experience to guide the construction of an investment theory for the 21st century, or at least for the first decade of it. Now, a *Post-Bubble Blues Decade* continues to loom large before investors (how did you like the first three years of it?). If history (properly interpreted) is any guide at all, Siegel’s promised stock market nirvana will be on hold for quite some time yet.