Going Out on Top: Walter & Edwin Schloss

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OPINIONS

Read Between the Lines: A Brief Response to Last Week’s Article “Look Beyond the Words”

By Rob Tarulli

Andrea Alban-Davies wrote a very interesting article last week asking for the student body to write to President Bollinger and ask “that he uphold arguably the most important right given to us by our constitution – the right to freedom of speech. Ask him to respect Professor DeGenova’s right that he exercised when making his comments; ask him to encourage each member of our community to speak his or her mind without fear of any repercussions.”

Mr. De Genova, like all Americans, has the right to exercise freedom of speech. However, Mr. De Genova, like all Americans, does not have the right to hold a prestigious position as a professor at Columbia University. I can offer you numerous examples of individuals who have worked for private, public, and academic institutions who have lost their jobs based on comments or actions that exhibited extremely poor judgment and have seriously offended the organization’s stakeholders. Some recent examples are Trent Lott and Peter Arnett.

More notable is University of New Mexico history professor Richard Berthold who on September 11 became infamous for telling a class that “anyone who can blow up the Pentagon has my vote.” The University issued Mr. Berthold a letter that “anyone who can blow up the Pentagon has my vote.”

But this is not an issue of free speech. I wholly acknowledge that Mr. De Genova has a right to express his beliefs, however abhorrent and hateful they may be. I also believe that we, the students, employees, alumni, and trustees of the University, must do everything we can to disassociate ourselves from him and from the repulsive actions he promotes.

Mr. De Genova has unveiled a venomous disgust for many of his fellow Columbians and has sought to incite violence against them. There are upwards of 50 students on campus who still have active commitments to the military and are therefore targets of Mr. De Genova’s tirade. This is both inappropriate and completely unacceptable. This is not about Mr. De Genova’s freedom to speech, it is about the University providing an environment that is conducive to learning and ensures the safety of its students. I strongly feel that if his comments were made against any other student group (ethnic, social, religious, etc…), the university would have formulated a much stronger response to ensure the safety of the students on campus.

President Bollinger explains his actions (or rather inaction) by proclaiming that Mr. De Genova was speaking as an individual, not as a Columbia University Professor. President Bollinger states in his press-release, “His comments were not made in a classroom, but rather at a teach-in, an informal gathering where faculty and students come together to discuss and debate the pressing and important issues of the moment. They are not authorized or officially sanctioned classroom experiences.” This distinction is made because if Mr. DeGenova’s comments were made during ‘officially sanctioned classroom experiences’ (i.e. class), disciplinary action may have been inevitable. My argument has been that these statements were indeed made by a Columbia Professor speaking at an event organized by other Columbia Professors on Columbia’s campus and therefore the professor/individual distinction cannot be made; that because of the nature of the event and its organizers, Mr. DeGenova was speaking as a Professor. This does not depend on what the definition of “is” is.

It is evident to those of us who follow the news that there has been some backlash towards the University on this matter. When I first called the University to make a complaint, I was informed that they were receiving thousands of calls a day on this issue alone. I am quite confident in saying the vast majority of these calls were not congratulatory in nature. Recently, 104 members of the U.S. Congress House of Representatives co-signed a letter to President Bollinger urging that Mr. DeGenova be fired.

When Mr. De Genova made those comments at Columbia University on March 26, he seriously tarnished the University’s reputation and brand. It is on these grounds, along with his calls for violence against certain students on campus, which I believe disciplinary action is called for. If you agree with me, I urge you to make your voice heard - stop by my folder on the second floor of Uris and sign my petition. If you don’t agree with me, I still urge you to make your voice heard - I think Andrea has a petition for you in her folder.

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Profiles in Investing: Walter & Edwin Schloss

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Graham’s approach is that you made money but not a great deal of money. You would double your money and then get out of the stock. His focus was on doubling your money and that’s it.

ER: Does this philosophy impact your portfolio construction?

WS: One of the things we’ve done – Edwin and I – is hold over a hundred companies in our portfolio. Now Warren [Buffet] has said to me that, that is a defense against stupidity. And my argument was, and I made it to Warren, we can’t project the earnings of these companies, they’re secondary companies, but somewhere along the line some of them will work. Now I can’t tell you which ones, so I buy a hundred of them. Of course, it doesn’t mean you own the hundred of them. Of course, you which ones, so I buy a hundred.

It doesn’t mean you own the hundred of them. Of course, you which ones, so I buy a hundred. We then buy the stock on the way up and try to sell it on the way up.

ER: You have an unusual fee structure. Tell me about it.

WS: I wanted to put myself on the same side of the table as my investors. Most funds are set up for managers to get 1% of the assets and 20% of the profits. I wanted to be in the same position as my partners. If they didn’t make money I didn’t make money. If they made money I wanted to be part of it. So I got 25% of the realized profits, but that’s it. If the market went down we would have to make up the loss until my partners were whole.

ER: So few investors have been able to beat the market for an extended period of time – What’s your secret for controlling the fear and greed that has affected so many investors?

WS: We don’t like to be greedy. I think greed is one of the reasons people stayed in this market when they had no reason to be in the market. When Edwin said to me in 2001 that he couldn’t find any cheap stocks – and that was a great call – it was a great excuse for us to quit.

ES: I have a list of stocks that could be on our buy list and I find that invariably when it gets down to less than five stocks the market’s too high and when it gets down to two or three it’s a danger signal.

ER: … and that’s why you decided to get out?

WS: Yes. Stocks are no longer that cheap. If you look at the book value of value stocks, you’ll see a book of six and the stock is selling at 20, down from 50. Well its still 20, and on a statistical basis it is still not that cheap. You have to realize that there are over 50,000 Chartered Financial Analysts which you didn’t have 35 years ago.

ER: So, what’s next for you?

WS: My wife died about three years ago, after she died I went with the Museum of Natural History to South Western France. On the trip were six couples, nine single women and myself. I met one of the women, we got along nicely and I’ve being seeing her ever since. If all goes well, we will get married.

ES: Right now I have quite a full plate, but I like working with people. I think I may eventually teach. I am also interested in short story writing and playwriting. I started out in the arts, not in business. In a way I feel like it is my turn to do certain things that I wasn’t able to pursue.

ER: What’s the best piece of business advice you ever received?

WS: Probably when the partner told me about Ben Graham’s book, Security Analysis, and said if I learned everything in that book I wouldn’t have to do anything else.

ES: From Walter I learned the most important thing is price. You have to be careful not to overpay. It may be a very good company, but it’s not a good buy if it’s selling at a steep premium.

ER: What would you advise newly minted MBAs?

WS: A number of things. Be honest with yourself. Don’t let your emotions affect your judgment and get an idea of what you want to get out of life itself. If you really don’t like Wall Street, you shouldn’t go in just because it is a place to make money. You should really like what you’re doing. Also, try to deal with honorable and good people.

ES: I think it is important to build on you strengths and not on your weaknesses. It’s important to have other interests besides work. And finally, it’s good to learn to play bridge.

ER: Gentlemen, it was an honor and a pleasure. Please email comments and suggestions to: ERSabinowich04@gsbcolumbia.edu

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