INTRODUCTION

Paul A. Samuelson

William James observed that some people are born "with a bottle of champagne to their credit" and that is why they can perform so energetically. Peter was just that. He lived a long-achieving life. And he was able to live well by doing good for society.

For *The Journal of Portfolio Management* he was one of the principal founders. Always it was his precious baby. For it he wrote a monthly introductory column. As I learned, he was a persuasive recruiter. At the same time his fortnightly newsletter, "Economics and Portfolio Strategy," was subscribed to by savvy bankers, economists, and Wall Street money managers.

At TIAA-CREF, where tens of billions of dollars were being invested, elected trustees tended to be divided between Wall Street biggies and academic finance owls. In my decades on the CREF Finance Committee, thanks to staunch allies such as Peter, Bill Sharpe, Myron Scholes, and others, we prevailed in a "camation revolution" to diversify further, both internationally and into a large core of stock indices.

Peter's family was comfortably New York middle class. His father, Allen, was co-partner with clever Frederich Macaulay in the Wall Street firm Bernstein-Macaulay. Peter's schooling was typical of that class: first, Ethical Culture School; then Horace Mann; then the Harvard (1940 class) where he earned a magna cum laude degree.

His Harvard stay was in the Conant Golden Age when top stars were Alvin Hansen ("the American Keynes") and John H. Williams (who moonlit at the New York Fed as vice president in charge of research). Peter's peers (and mine as well) were no less than Jim Tobin, Lloyd Metzger, Richard Musgrave, and other stars. Understandably we were eclectic "cafeteria Keynesians" who felt only pity for libertarian Milton Friedman's 1911 money-only crochets.

Like a Charlie Kindleberger, Peter's year at the New York Fed terminated when he joined the Donovan-Mason OSS spy group (predecessor to the later CIA) along with Robert Roosa, Sidney Alexander, Carl Kaysen, and the rest of that Harvard econ gang. Before Peter stumbled into his life career, he taught briefly at Williams College, and later learned about real-world risk in a stint as a loan officer at a New York bank.

After his father's death, Peter was pressed to carry on the Bernstein-Macaulay effort. Apparently this did not at first tempt him. But when as a good soldier he signed up for a limited term, to his surprise and delight what he had been resisting was actually just what he came to enjoy most. The rest was history.

His quill ached to be used. For a varied clientele—family fortunes, and the general public—he analyzed current and prospective trends.

For brevity I mention only his bestsellers—*Against the Gods: The Remarkable Story of Risk* and *Capital Ideas: The Improbable Origins of Modern Wall Street*. Others might select the Bernstein take on gold, and even his tale about the Erie Canal.

Peter managed the impossible—he distrusted active high-turnover, high-load, and high-expense charges, but at the same time he nominated and measured (along with Mark Kritzman) new descriptive dynamic trends. Unlike most seers, when Peter proved to be wrong he admitted to that truth.

Barbara and Peter Bernstein were teammates who will long be remembered in avant garde investment circles.

Theodore R. Aronson

Peter's death is a day I knew would come, no matter how much I hoped it wouldn't.My association with Peter dates back to the founding of Aronson+Johnson+Ortiz (née Aronson+Fogler) 25 years ago. Our paths crossed in a big way when I was chairman of CFA Institute. I could never summarize all his wisdom over those years—heck, it covers numerous books and decades of newsletters and issues of *The Journal of Portfolio Management*.

I do recall more personal moments between us:

- I was honored—deeply honored—that Peter asked me to review the manuscript that became *Against the Gods*. I was bowled over by the text and could contribute virtually nothing to correct or improve the incredible book Peter wrote. He asked, then, for ideas on a title. I thought my suggestion was the epitome of wittiness, *Wizards of Odds*. (Thank goodness he didn't take my advice.)
- When *Capital Ideas* arrived in 1992, I happened to be in our mailroom and cracked open the package. I started reading, was mesmerized, and finished about half the book before I realized I was still in the mailroom—hours later.
- I vividly recall joking with Peter that, only after finishing *Capital Ideas,* had I realized I joined the investing profession at the very start of the quantitative revolution in 1974. (Who knew?)
- I also remember Peter telling me he made his biggest mistakes after he was right.
- I will always remember his mantra: Never cease believing the future is unknowable.

Peter was legendary for his generosity of spirit and time. He was also legendary for his kindness and warmth. Many years ago, out of the blue, a package arrived with cancelled (and defaulted) stocks and bonds from early in the 1930s. I didn't recognize the name of the registered owner. At the end was a note from Peter explaining that he thought I might want these for my collection of "antique" scripophily. He discovered them collecting dust in an old file; they belonged to his first wife, Shirley, who died in 1971.

Robert D. Arnott

The thing I most fondly remember about Peter, my mentor and friend, is his warm and broad smile. He loved, loved, loved life. A few days before he died, he asked me to sub for him on an upcoming speech. Remarkably, this was the first time in a 30-year friendship that he ever asked for a favor. I called immediately to agree to help out, and to see how he was faring with his broken hip. He actually apologized that he was in enough pain that he wasn't "quite up to chatting about the speech or investment ideas."

He had an unwavering devotion to ideas, to family, and to friends. His relationship with his wife, Barbara, was extraordinary. After 9/11, they decided to always be together. When Peter went to the dentist, Barbara was with him. When she went to the hairdresser, Peter was with her. His participation in our advisory panel was a two-fer, and Barbara would often chip in her own insightful observations.

He was the best writer in the world of finance. Who, but Peter Bernstein, could write a book on the history of probability theory and its role in understanding investment risk, and have it reside on the New York Times best-seller list for over a year? With *Against the Gods,* he managed just that. I felt deeply honored when he asked me to proof his brilliant opus *The Power of Gold*. His 10 books are all classics, and half were written after age 75. He was working on his eleventh when he died.

While he respected the power of quantitative models and methods, and loved the elegance of modern finance theory enough to write *Capital Ideas,* he also recognized that theory is theory. It's an approximation of the real world; it's not reality. He relished poking holes in our industry's overreliance on theory and historically rooted models. Although he's been my hero and mentor in that role, he managed it with such charm that he annoyed no one in the process.

Of his countless articles, several are among my all-time favorites. In one, he aptly compared dividends with fresh orange juice and retained earnings to frozen orange juice. What a great way to highlight the gap between Miller–Modigliani and the real world. He was probably the world's leading expert on risk, focusing on the distinction between uncertainty—the probabilistic range of possible outcomes—and risk—the truly unknowable. Ninety years had taught him how suddenly change can arrive and how little we can predict. He was viscerally aware of the ephemeral nature of wealth or success, expressing a profound humility in the face of the unfathomable future.

He served in World War II, aptly in military intelligence; thankfully, and against his wishes, the military was not going to waste him on the front lines. Evidently, in World War II, military intelligence was no oxymoron. He taught economics at university. He co-managed his father's firm, Bernstein–Macaulay, with Frederick Macaulay, who not only was the inventor of the concept of bond duration, but also was credited by Peter as the best source of naughty jokes that he ever knew. He was founding editor of *The Journal of Portfolio Management* with which he remained active until he died. His newsletter "Economics and Portfolio Strategy" was a must-read for investment managers for 35 years as it delved into the nuances of the economy and the markets.

Paul Samuelson liked to affectionately refer to Peter as a feisty, young whippersnapper. Paul is 94. To me, Peter was a friend and mentor, one of my heroes. I will deeply miss his empathetic humanity, his joie de vivre, his profound insights, his lucid writing, and his incisive wit.

John C. Bogle

The financial sector of our American society is hardly overpopulated with Renaissance men—human beings of great intellect, prodigious works, wide-ranging vision, scholarly wisdom, multidisciplinary focus, entrepreneurial spirit, and a commitment to raising our standards of professional conduct. With the death of Peter Bernstein, that microscopic portion of our field has been severely diminished. I hope and pray we shall see his like again, but I see few today in a position to replace him.

That I've been reading his regular "Economics and Portfolio Strategy" essays for as long as I can remember may not be surprising—I'm often told that my reading list is ridiculously long (and I'd be hardpressed to disagree). But of all of the publications I read, his is the only one of which I've saved every copy. I've also read—and have in my library—all of his books, including *Capital Theory, The Power of Gold, Against the Gods, Wedding of the Waters,* and all the rest, a remarkable output in and of itself, even more remarkable in the range of its subject matter (the Erie Canal, for heaven's sake!). It is hard to imagine the volume of research he must have invested in each one of his books.

Replete though the record of his works may be, the man behind all of those words was a warm, witty, and wise human being. I've known Peter for some three decades, worked with him at industry events, discussed with him the issues of the day, and even had the temerity to challenge his thinking and debate these issues with him.

Nonetheless, when in 2003 he declared that "policy portfolios are obsolete"—favoring instead a policy of short-term opportunism using many unconventional asset classes—I fear that my elbows may have been a bit sharp, and I fired back. In a speech before the Investment Analysts Society of Chicago, I described his new position as "wide of the mark, even ill-begotten," words that may have overstated my convictions in this field where uncertainty is the watchword.

Peter handled my criticism with equanimity and respect, but his kind response did little to ease my feelings of guilt (not about my convictions themselves, but about how I expressed them), so I offered a peace pipe of sorts and sported Peter and Barbara, his wonderful wife and omnipresent partner, to a delightful luncheon. (He chose the toney Hotel Pierre. I winced when the check arrived, but felt good about paying the bill!) When we parted company, we were better friends than ever.

But, for me, the substance of Peter was much more than his incredible range of accomplishments. The descriptive phrase that best describes him is generous grace. How many writers of essays, and studies, and papers, and books in our profession did Peter inspire with his endorsements, his compliments, his encouragement—and even his use of a keen editorial pen? Scores of us were the beneficiaries of his comments, public and private, and I was surely among the most favored.

When I wrote my first book, *Bogle on Mutual Funds,* in 1993, Peter's back-cover endorsement read: "This book sets the standard for all how-to-invest books . . . even over Benjamin Graham's *The Intelligent Investor.*" (Peter, bless his soul, was not above hyperbole!) And in endorsing my most recent book, *Enough.,* he created his own title, *Never Enough of Jack Bogle.* (Ditto.)

We all need strength to carry on. Peter Bernstein's generous grace gave those of us who write and think about investing the strength to keep going and to keep going in the direction of truth and reason. That is, for me, his greatest legacy, even greater than his own preeminent intellectual standing and his prodigious outpouring of words and ideas, all impeccably organized and articulated with precision—for he would have it no other way!

When we stand on the shoulders of Peter Bernstein, we stand on the shoulders of a true investment giant of our era. While those shoulders are no longer there for us in physical form, they remain in spiritual form, ever available to support us, and to provide perspective, wisdom, and inspiration for generations yet to come.

H. Russell Fogler

"Russ, do you know what an active verb is?"

This potentially scathing criticism was part of a review from Peter Bernstein when I was a young associate professor in the early 1980s! Yet, to me, he is and always was the ultimate mentor. To understand what made him such a mentor, let's examine his qualities (in addition to his forthright honesty about grammar!).

A true intellectual. Peter's curiosity was dazzling. Twice yearly, I've sent summaries of the meetings of the Institute for Quantitative Research in Finance (Q-Group) to a number of colleagues. Invariably, Peter was one of the first, and often the first to reply. His reply was personal, with friendly notes about family, as well as notes about some of his recent research and economic interests and a request for a number of the papers presented. This was followed within about two weeks by another letter thanking me for the papers and commenting on them. Where did he get the time to read and think about so many diverse interests?

A thorough researcher. Obviously, his many books and newsletters easily show he thought deeply about everything, with a focus on economics. This quality is so obviously documented that we can move on.

A bridge from academics to practitioners. When Peter founded *The Journal of Portfolio Management,* I was a young academic striving to publish. It was the first time that I had seen a practitioner-oriented publication with the label "Journal of," which had been reserved for academic publications but did not require all manuscripts to go through a formal, and often lengthy, review process by several academics. At this time, Peter simply read the manuscripts and decided what to publish. It immediately struck me that in a few years, the Journal would likely use the standard review process and, therefore, articles published there would be recognized for tenure. Needless to say, I began publishing about one article a year during the first years of the Journal's life. But, as discussed next, there's more to the story of how the Journal attracted many exceptional articles.

A fountain of contagious enthusiasm. When Peter reviewed the submitted manuscripts, his naturally enthusiastic and intellectual personality added two wonderful incentives to the submission process. First, his voracious intellectual appetite caused him to read the submissions almost immediately and, thus, you usually received his review in less than two or three weeks. This review time was unheard of with academic journals where review times averaged four to six months, multiple revisions were often required, and average time from the first draft till publication exceeded two years (tough for young professors under a publish-or-perish gun!). But there was more to Peter's reviews. When he accepted a paper, it came with enthusiastic praise indicating "excellent work," "important contribution," and often began with "I will be delighted to schedule this for the Journal." This may seem like a small nicety, but his acceptance has to be compared to the standard academic acceptance when a reviewer deemed a paper acceptable ("…a version of this paper could be suitable for publication if the author makes the required revision"). Peter's reviews were a breath of fresh air and an automatic encouragement to research.

A sharer of ideas. Peter loved ideas, and the Journal was one of the ways he could share them with others. In the late 1970s, he published a practitioner article by Richard J. Hobman, "Setting Investment Policy in an ERISA Environment," illustrating a state-preference model for setting asset allocation. The article became my foundation in understanding asset allocation and risk. This article was a simple and straightforward practi-

H. Russell Fogler (cont'd)

tioner's model, thus allowing the reader to easily extrapolate the concepts. Peter liked seeing academic concepts turned into straightforward investment practices. And who hasn't benefited from the many insights Peter shared in his "Editor's Letter," a section of the Journal that any thinking person had to read for both academic insights and practical investment advice?

A smart time manager. How could one have the time to be such a voracious reader and writer? The answer, of course, is that he was smart enough to have his wife Barbara as his business partner. The two of them worked so well together, it was amazing. How could Barbara instantly remember all our names, as well as our spouses, when many of us saw them only occasionally? You knew that you'd immediately get to talk to Peter, and you cherished the cheery, "Hi Russ, hold on, I'll get Peter." Obviously, they were a team and loved what they were doing and, especially, enjoyed the many people with whom they worked. Deirdre and I knew we always had a standing "Let's have dinner when you're in New York."

A loving human. Peter loved people, ideas, and learning—he loved life.

These qualities of Peter that I have listed above were the reason he was the ultimate mentor to both academicians and practitioners. These qualities ensured that when he corrected your thoughts or grammar, you knew it wasn't criticism. You knew he loved and respected you, and the criticisms or comments were based on his intellectual rigor. You were rightly grateful for the loving mentoring.

P.S. Peter, I tried to get enough active verbs, really!

Gary L. Gastineau

Even those who never met or never listened to a speech by Peter Bernstein will probably remember him for *Capital Ideas* or *Against the Gods,* his two most important books. They will know from his written work that he was an extraordinary person. In a long and eventful life and investment career, Peter witnessed, participated in, and chronicled the modern investment profession. Readers of his opening-page essays in *The Journal of Portfolio Management* and his other writings on current topics will miss his perspective.

Those of us privileged to have known him personally have benefited from exposure to one of the great minds of finance. Peter read widely. He retained and used what he read far better than most of us. As his opening-page JPM commentaries frequently demonstrated, he was able to retrieve information and insights from his readings and his experience with remarkable skill. His comments and references were always on point. If you wrote something that Peter found useful or interesting he might send you a brief note. These notes were always gracious—and gratefully received. His speeches, his written commentaries, and his conversations were valuable because he thought deeply and expressed himself well. His comments were useful because he was a very wise man, he understood a great many things, and he expressed our best thoughts better than we could express them ourselves.

Bruce I. Jacobs and Kenneth N. Levy

We got to know Peter personally in the late 1980s after submitting an article on the stock market's complexity to *The Journal of Portfolio Management*. Peter wrote back that he would be delighted to publish the piece and, much to our surprise, also invited Bruce to join the Journal's advisory board. Some 10 years later, we asked Peter if he and Frank would allow Jacobs Levy Equity Management to sponsor awards for outstanding articles published in the Journal. Our proposal was enthusiastically received, and the Bernstein Fabozzi/Jacobs Levy Awards were established.*

By 1999, Peter and Frank Fabozzi, his successor as editor, had honed the Journal into a forum for leading-edge ideas in portfolio management. The Journal had published Paul Samuelson on the possibility of active management, Harry Markowitz on portfolio optimization, Bill Sharpe on performance measurement, Marty Leibowitz on bond portfolio management, Fischer Black on options, and Merton Miller on the history of finance. Perhaps just as importantly, Peter and Frank always ensured that the Journal remained accessible to investment professionals, so that investment theory could be translated into investment practice.

We created the awards to honor Peter and Frank's extraordinary contributions and to promote excellence in both the theory and practice of portfolio management. The award winners are selected on the basis of voting by Journal subscribers. Peter so diplomatically wrote in the preface to the published collection of the winning articles from the first five years: "Frank and I gladly exclude ourselves from the selection process. Having selected the articles that appear in the Journal, we are naturally biased to believe that they are all outstanding."**

The first Bernstein Fabozzi/Jacobs Levy Awards, consisting of Best Article and three Outstanding Articles, were granted to articles published in the 1998–1999 volume year. Over their first 10 years, awards have gone to Mark Anson, Rob Arnott, Cliff Asness, Jack Bogle, Richard Ennis, Richard Grinold, Ron Kahn, Andy Lo, Burt Malkiel, Jeremy Siegel, and Larry Siegel, among many others. The winning articles cover the waterfront of investing and provide new and practical insights on active management of equities and bonds, behavioral finance, 130/30 long–short investing, performance attribution, risk premia, asset allocation, hedge funds, and other topics.

In his life's work as editor and as author, Peter consistently exhibited the rare talent of being able to recognize innovative perspectives on the age-old art of investing. This was evident in the newsletters he published even before founding the Journal, and continued with the Journal and the publication of *Capital Ideas, Against the Gods,* and *Capital Ideas Evolving.* This last book, dealing with a post-CAPM world, was written when Peter was well into his 80s, demonstrating that his remarkable gift only grew brighter with age.

*For more information about the awards, please go to http://www.iijournals.com/page/jacobslevyaward.

**"The Bernstein Fabozzi/Jacobs Levy Awards: Five Years of Award-Winning Articles from *The Journal of Portfolio Management,"* Volume One, 1998–2003, (New York: Institutional Investor, 2005).

Gilbert E. Kaplan

When Peter Bernstein recently passed away, the practitioners of modern portfolio theory lost one of their greatest champions. For more than 34 years, Peter served as the editor of *The Journal of Portfolio Management* which under his leadership became one of the most influential publications exploring the frontier of investment theories and practices.

I first met Peter Bernstein when I was 21 and a student in his course on money and banking at The New School in New York. Peter was an extraordinary teacher with a unique capacity to simplify complex matters. After one class I was emboldened to ask about the possibility of a summer job—and he offered me one.

At the time, Peter ran a small investment management firm whose clients were mostly wealthy individuals. I recall that risk was always on his mind but he spoke about the subject in traditional terms. Peter told me that although he took risks for his clients, he was personally risk averse. In those days he certainly did not embrace—or probably, even understand—the rapidly evolving elements of modern portfolio theory that focus so centrally on risk and its measurement. I say this through personal experience because at some point Peter wanted to write a book, *The Theory and Practice of Portfolio Management,* to follow his acclaimed earlier work, *The Theory and Practice of Government Spending,* which he wrote with his friend, the noted economist Robert Heilbroner. That volume became must reading in the Kennedy White House. Peter asked me to join him, along with another colleague in the office, to collaborate. It fell to Peter to draft a sample chapter—he chose the topic of risk—which the prospective publisher gave to one of the leading exponents of modern portfolio theory to evaluate. The verdict was a scathing one, citing a complete lack of understanding of the modern portfolio theory's definition of risk, how it was being measured and applied to portfolios. Peter's reaction was one of bemusement as he couldn't imagine that a portfolio could be managed following all of those arcane equations used by modern portfolio theorists, which one of my colleagues described as "sigmas and alphas and little eights lying on their sides." We never did write that book.

The "summer" job lasted a few years when I decamped from Peter's firm to join the staff of the American Stock Exchange. One of my assignments was to imagine the future of the financial world and the institutions that composed it. To my surprise there was almost nothing to read, even though institutions and their portfolio managers were coming to dominate the investment process.

And that's when the light bulb went off—the idea of starting *Institutional Investor* to cover this burgeoning field. I talked to Peter about it and he was not only encouraging, but told me that by chance one of his clients had recently asked him to find an opportunity to make a venture investment in a very small company with superb management and an outstanding early track record, and where an injection of fresh capital would enable the company to grow even faster. I pointed out that I didn't think either *Institutional Investor* (which didn't even exist yet), or I (who had never run anything), quite fit that set of requirements. But it turned out that Peter's client did. He immediately offered me the bulk of my financing but I needed a bit more. So my next pitch was to none other than Peter Bernstein who seemed to recoil in horror at being asked to make such a risky investment. When I told him that if he didn't make the investment I was fearful that his client—and now my principal investor—might question the wisdom of going forward, Peter agreed to make a modest investment and I shortly found the rest of the money I needed.

Gilbert E. Kaplan (cont'd)

And so *Institutional Investor* was launched and from the beginning Peter was my most valued booster—and my most predictable critic. To begin with, he didn't like the name *Institutional Investor*—not lofty enough, serious enough. He proposed *Financial Affairs* modeled after the acclaimed international journal *Foreign Affairs.* And when *Institutional Investor* received rave reviews for its editorial approach of hard-hitting reporting, stylish writing, and cutting-edge graphics—*Newsweek* called us "breathless with the drama of high finance"—Peter said bravo, but added "not serious enough."

It wasn't that we failed to cover what Peter regarded as serious. We even wrote about modern portfolio theory. I wanted an article to explain in plain terms (and without equations) the principle idea of modern portfolio theory as imagined by its father, Harry Markowitz, whom I asked to write it. When his 25-page manuscript came in, we found it all but impenetrable. After four drafts and endless discussions, we finally had to boil it down to one page of text that everyone would understand and one giant (and good-looking) full page graphic chart.

Meanwhile, II was rapidly expanding into other media: covering fast-breaking news in a series of newsletters and sponsoring conferences. And this is how *The Journal of Portfolio Management* came into being. A publication written by the very people we were writing about in *Institutional Investor* as well as by modern portfolio theorists seemed a natural expansion for the company. To succeed though, it would need a great editor—Peter Bernstein, of course. After years of saying *Institutional Investor* wasn't serious enough, I told him there was no way he could turn me down. He would be the Editor in Charge of Serious. By that time Peter had become not only more knowledgeable about modern portfolio theory, but had begun to believe it really might play an important role in managing portfolios. I offered him complete editorial authority and imposed only two requirements—that we attempt to have the Journal's authors be equally divided between theorists and people actually managing investments; the other requirement was no equations.

Under Peter's leadership the Journal flourished, attracting the most significant thinkers and practitioners. We never met our goal of a 50–50 split. Portfolio managers didn't have the time—or the ability—to write about what they did. And eventually, Peter let some equations slip in. 1990 was a breakthrough year for modern portfolio theorists when Harry H. Markowitz, Merton H. Miller, and William F. Sharpe won the Nobel Prize for Economic Sciences. Then, in 1997, modern portfolio theory was recognized again as Robert C. Merton and Myron S. Scholes were tapped for this coveted prize.

Peter went on to write about the field himself, not offering his own theories, but in the role he always played—taking complex subjects and simplifying them without losing any of their substance. In his acclaimed *Capital Ideas,* Peter explained modern portfolio theory and profiled the handful of professors and theorists who staked out new territory. He will be greatly missed by practitioners in the field and those who learned about it through Peter's work as an editor and author.

Mark P. Kritzman

Peter is widely known for his best-selling books, award-winning articles, and insightful lectures, but I believe his most significant contribution was to advance the science of investing by founding and nurturing *The Journal of Portfolio Management*. Peter established JPM as the destination of choice for academics and practitioners who sought to build a bridge between their mutually dependent, yet isolated, communities. Peter was a superb editor, which served to unite these communities and thereby advance the science of investing. I can think of several reasons for his success. He embraced unconventional wisdom and he did so without prejudice. He was prescient in grasping the importance of quantitative research long before it was in vogue. But he appreciated the importance of accessibility. He refused to indulge the gratuitous jargon and symbolism that is so common throughout the academic literature. Much to his credit, he insisted that JPM authors communicate clearly, concisely, and never in the passive tense.

What was Peter like as a mentor? I have had the privilege to work with Peter for the past 10 years as a quarterly contributor to "Economics and Portfolio Strategy." Peter edited all of my submissions, some more extensively than others, but always for the better. I came to view these quarterly missives as term papers and the extent of Peter's edits as my grade. Whether deserved or not, Peter never failed to compliment me.

Peter went out of his way to help me professionally. He often brought my research to the attention of the media, and he sent one of my papers to Paul Samuelson, who since then has offered many valuable comments on my research. Peter later told me how pleased he was to have introduced me to Paul.

What was Peter like personally? He was certainly charming and also very generous—but he was best defined by two characteristics. First was his unquenchable thirst for knowledge. He read insatiably and corresponded continually with his scholarly friends. Second was his unqualified devotion to his lovely wife, Barbara. My wife and I shared many delightful dinners with Peter and Barbara in Vermont where we had nearby country homes. We always left these encounters with a deep appreciation of Peter's extraordinary enthusiasm for learning and an even deeper appreciation of his love for Barbara.

I last saw Peter, along with Barbara, on May 15th in New York City. We met for lunch, after having rescheduled twice. Peter was as charming and intellectually engaging as always, as was Barbara. After lunch we walked to their car, embraced, and said good bye with plans to follow up on some business issues we discussed during lunch. I remember thinking how much I enjoyed Peter and Barbara's company and how much I cherished their friendship. I resolved to visit them more often.

Martin L. Leibowitz

One could write volumes about the substantive work that Peter L. Bernstein produced over the course of his career. I won't do that because 1) others are sure to take on that particular challenge, and 2) no one could begin to express Peter's thoughts as well as Peter already has.

Rather, I would like to set forth a series of remembrances about my interactions with Peter the Great. This will admittedly be a very personal reflection.

For how many people do you vividly remember the circumstances under which you first met? For most, not many—aside from their current wife. I met Peter about 35 years ago at a corporate pension conference in Garden City, Long Island. There were many speakers in addition to Peter and me. At such meetings, one tends to listen to the first few comments from the other speakers, and then one's mind tends to drift off. But when Peter got up to speak, I listened to his beginning words, sat up in my chair, and listened intently. I actually remember thinking, "This Bernstein guy is really different." I then listened intently throughout his entire talk—and I have never stopped paying close attention to whatever Peter Bernstein wrote or said.

Another example of what makes Peter unique (I know I'm using the present tense and I intend to always use it in this context!): My wife and I take one week out of the year as a real vacation to go skiing. When I say "real vacation" the idea is that we deliberately avoid paying any attention to anything that even looks like our respective day jobs. In 1996, Peter's book *Against the Gods* had just come out, and I sort of felt obligated to at least scan it. I didn't intend to read it because probability theory was an area of focus in my Ph.D. studies, so I frankly expected not to learn too much. Well, you can guess how this ends. Once I cracked Peter's book, his exquisite exposition just swept me up at a pace that far exceeded my downhill speed. I finished the book in two evenings—two very late evenings.

On a couple of occasions over the past few years, I had the chance to see how Peter really did what he did. The first occasion was when he was writing his most recent book, *Capital Ideas Evolving*. I was greatly honored when he chose to include a discussion of my recent work. First, he carefully read what I had written. Then, we got together and he peppered me with questions. Then he called me up with some more questions. Then we got together again because he wanted to probe a little more deeply. Then, he called me up again.... You get the picture. His queries proceeded from early misunderstandings, to deeper questions that I had failed to properly address, to truly deep probings into areas that I hadn't even begun to think about. In such matters, Peter was unabashedly relentless.

It got worse. When his book came out, I had mixed feelings as I read his chapter on my work: 1) deeply honored to have been included, 2) more than a little shaken that he had explained my work far better than I had, and 3) embarrassed that he pointed out whole areas for further research that I had never—ever—considered.

If Peter had been any less kind, any less goodhearted, or any less gracious, his penetrating intelligence, awesome scope, and overriding wisdom would have been pretty unbearable!

Winston Churchill once said, "Of all the virtues, the most important is fortitude, for it is the guarantor of all the others." Well, Peter was definitely a man of courage and fortitude—indeed, a mensch (although I don't think that Winston would have used exactly that term!). Several years ago, at a keynote speech at a Phoenix conference, Peter attacked the policy portfolio, basically declaring that a rigid asset allocation to any asset class structure did not make sense in an environment where markets changed so dramatically. The policy portfolio was then a linchpin in virtually every asset allocation. As might be expected, his undermining of this sacred cow was pretty upsetting to many in the investment community. Peter received some quite heavy pushback on his talk, but he stuck to his guns. It was a pretty lonely stance for a number of years—until the recent market dislocations provided a powerful dose of validity to his argument.

As one colleague said to me yesterday, "He did more after age 70 than most of us do in a lifetime." My colleague was wrong: Peter contributed more in any five-year period within his long career than most of us will ever do.

Peter, we mourn your passing, we will miss you, but your ideas will continue to be with us, and for that, we salute you!

Andrew W. Lo

Peter Bernstein made an indelible impact on both the investment industry and academic finance. With the founding of *The Journal of Portfolio Management,* Peter single-handedly raised the level of discourse in the industry by creating a forum where practitioners and academics routinely interacted, where practical issues were addressed with academic rigor, and where academic theories were confronted with the realities of implementation. So many important insights of academic research were published in JPM that it's hard to name all of them, but a few years ago JPM put together a collection of its "greatest hits," and this stands as a wonderful tribute to Peter's legacy. He started it all, and the investment industry owes him a huge debt of gratitude—not only for JPM, but also for his remarkably insightful newsletters, and his direct contributions as CEO of Bernstein–Macaulay.

Peter's impact on academic finance has been equally significant through his books, *Capital Ideas* and *Against the Gods.* He writes like an angel, and in *Capital Ideas* he brought to the masses an incredibly engaging chronicle of some of the most important ideas of academic finance. In *Against the Gods,* he was able to communicate the basic concepts of risk management honestly, accurately, and understandably, and no one since has come close.

Over the years, I've received many notes from Peter, usually typed, always signed, and each one made an insightful point about either my research or his, and I've benefited tremendously from his wisdom. I, and the entire investment community, will miss him sorely.

Burton G. Malkiel

With the passing of Peter Bernstein the world has lost one of the smartest and most insightful commentators on financial markets. I have had the privilege and pleasure of knowing Peter in three different contexts. First, like so many others, I have learned from his extensive writings. Second, I have benefited directly from his editorial acumen as Peter helped make substantial improvements to my contributions to *The Journal of Portfolio Management*. Finally, I have been associated with two organizations that relied on Peter as a valued consultant. In all three of those associations, two aspects of Peter Bernstein's multifaceted abilities stand out in my mind. Peter had an absolutely extraordinary expository ability. He was also one of the wisest men I have ever known.

Peter was a prolific author. I used to tell him that he could slow down his pace as he had already earned a "tenured" position at any of our great universities. But, the books and articles kept coming. *Capital Ideas* and *Against the Gods* still provide the most lucid expositions available concerning the foundations of modern finance. Peter's prose had an uncommon grace, clarity, and lucidness. He possessed an anti-Midas touch. If he touched gold he would turn it to life, as he did in *The Power of Gold*. No practitioner or academic financial economist could help but benefit from reading Peter's books.

Peter was a superb editor. He founded and set the standard of excellence for *The Journal of Portfolio Management*. If I was at a conference with Peter and he liked what I presented, he would encourage me to write it up for his journal. And when I submitted an article, he helped enormously in clarifying the exposition. While Peter was only briefly employed in the academy (at Williams College), he was a consummate educator, in the best sense of the word.

It is hard to imagine a more valuable investment consultant than Peter Bernstein. He frequently attended board meetings of the Jeffrey Investment Company. Unlike so many consultants, he did not come armed with statistical tables analyzing past investment performance and deconstructing successes and failures. Rather, Peter's comments were always forward looking. He had a knack for asking the central question and making the most incisive comments. The word that best describes Peter's interventions is wisdom. You could always count on Peter to get to the heart of every issue and to offer the most helpful answers—even when the best answer was, "We just don't know how to make the optimum choice."

At the consultants' meetings of Research Affiliates, Peter's presentations and his comments on the papers of other presenters were always the highlights of the meeting. At the last meeting in late April of 2009, he was not well enough to come to Southern California in person—but he attended by video connection. It was clear to everyone that, at the age of 90, his intellect and acumen were undiminished. He illuminated the critical issues facing not only investors, but society in general. He responded to questions crisply and wisely. And even on the small screen set up for the occasion, the characteristic twinkle in Peter's eyes shone through.

Harry M. Markowitz

His name was Peter, but for modern financial theory Peter Bernstein was like the Apostle Paul who spoke to the masses beyond the initiate. In addition to being the most articulate among us, our Peter was the kindest of men and the dearest of friends.

In his book *Against the Gods* Peter explains, so that the layman can understand them, complex mathematical concepts behind probability theory and risk analysis. I was dumbfounded when Peter asserted—and when Barbara, his long-time wife and business partner, confirmed on the spot—that he, Peter, had never learned the math behind these concepts, or any other advanced math. He just had some book or person explain relevant mathematical concepts until he understood them, and then he could explain them to others.

For me, the most memorable Peter Bernstein quote is something he said at a conference. At some point in the general discussion he told us, "You don't know what it was like before MPT." Then he described the piecemeal way portfolios used to be put together. His punch line was: Now you have a process.

At that moment I felt very proud of the role that my 1952 and 1959 publications played in starting the development of this process. I realize that the process, as it is today, is the result of many layers of development by many people concerned with, for example, financial data, models of covariance, top-down asset-class-first analysis, debates about the roll of equilibrium analysis in estimating expected returns, and so forth.

When Peter spoke I understood that what we all had produced was indeed a process, a robust process that could be replicated by many and that could be used to manage trillions of dollars of personal and institutional savings—not risk-free, but efficiently, with an understanding of the available risk–return tradeoffs.

In short, when Peter spoke (over half a century after the publication of Markowitz [1952]), I finally understood the role in the real world of modern portfolio theory.

Robert C. Merton

Among the fields of economics, finance stands alone as the most successful in integrating first-rate science and first-rate practice, with progress in each enhancing progress in the other. Through his founding of *The Journal of Portfolio Management,* his books *Capital Ideas* I and II, and the ubiquitous "risk" books, Peter Bernstein was the most successful in documenting and communicating that remarkable process to broad audiences, ranging from the novice student to the seasoned professional. In so doing, he contributed significantly to the very integrating process he described. The living Journal and his rich histories of the development of finance ensure that his influence will continue long into the impending future. Peter Bernstein was curious, modest, and always, a gentle man. His presence will be missed.

Myron S. Scholes

I first met Peter in December 1977 when I discussed his paper at the American Finance Association meetings. Peter argued that stocks were overvalued relative to bonds at that time and that bonds would outperform stocks over the next five years. Peter, a practitioner, listened closely as I explained that in rational markets his arguments were incorrect, otherwise investors would bid down the prices of stocks relative to bonds, and as I explained why stocks might be correctly priced given interest rates, risk premiums, and uncertainty. I learned then that Peter was a scholar. He listened to my comments and, in his usual quiet and dignified manner, digested my arguments through extensive follow-on questions and conversations after the meeting until he understood to his satisfaction my thinking and line of argument. Although my theoretical arguments and my data analysis suggested that he was incorrect, any time thereafter that we were fortunate to get together he would smile a little bit and remind me that bonds did outperform stocks over the ensuing five years as he had predicted. Alas, he was right for the wrong reasons. Maybe, however, his ideas and thoughts were moving in the direction of *Capital Ideas* and his growing trust in markets. Although Peter appeared conservative in all of his approaches, I believe that he was a risk taker. He was willing to jump into and write about subjects that were new to him. We all appreciate how difficult that is for anyone, but, in particular, that Peter started later in life on his projects and spent the time and effort necessary to bring himself up to the level of understanding necessary to write as clearly and precisely as he did in all of his books.

I truly enjoyed interacting with Peter on his book *Capital Ideas* and the follow-on book *Capital Ideas Evolving*. While others have chronicled my work in a routine manner or had a preset view of what they wished of me, Peter worked in the opposite way. He wanted to understand my thinking, my point of view, and what I was attempting to say. Moreover, he attempted to square my remembrance of idea generation with those of others he interviewed to make a complete story. Peter made sure that every idea was expressed accurately and written clearly and concisely so that the professional and the lay reader would appreciate the underlying economics. And, like a dog refusing to let go of my pants leg, he would tease and push me to bring him to a level of understanding that made him comfortable and, in turn, made me comfortable. That made our interactions fun. And I always remember Barbara helping Peter by calming me down, offering me tea and cookies in their kitchen. And I realized how much Peter depended on her and relied on her expertise.

Peter was a gentleman, always with a kind smile and with warmth that was disarming. Underneath, he possessed a strong drive. He was persistent, unyielding if he deemed one to be wrong, and extremely honest as to what he understood or when he realized that he was incorrect. Although I will miss him, he leaves a profound legacy through his writings and through his interactions with many of us over these many years.

Laurence B. Siegel

Peter Bernstein seemed godlike to many people, but never more so than when his greatly magnified face filled a projection screen above the room in Santa Barbara, CA, where the 40th anniversary meeting of the Institute for Quantitative Research in Finance, known informally as the Q-Group, was taking place in October 2006.

"Hi Jack," Peter called out over the satellite link as he spotted Jack Treynor in the front row. Up to that point, we had been unaware that, from his rented broadcasting studio in New York, Peter could see us.

The 40th anniversary Q-Group program was a retrospective that included four Nobel Prize winners as well as many other speakers who may themselves receive the coveted prize someday. I had been selected to introduce Peter. Every word spent on introducing him occupied a moment that Peter could use to greater benefit. My choice of words represented a bit of calculated risk taking: "The next speaker needs no introduction and will get none."

Of course, everyone in the room knew exactly who he was. Peter proceeded to discuss his then-recent book, *Capital Ideas Evolving,* in the context of the many people featured in the book who were present at the meeting. What I found most captivating about Peter's writing and speaking was his ability to make the link between theory and practice in financial economics come alive. Too often, a field of inquiry is divided rather sharply between thinkers and doers, with each group having limited respect for the other. In investment finance, the thinkers have become doers—a process documented in loving detail in Peter's *Capital Ideas* and *Capital Ideas Evolving*—and the doers have been forced to become thinkers or else see their businesses wither away. Peter was the individual who, more than anyone else, typified the melding of the cultures of thinkers and doers in investment finance and deserves to be counted among those to whom Dartmouth College's J. Peter Williamson was referring when he wrote of the heroes of Peter's books, "This little group of a dozen men has left us a heritage whose value we cannot even begin to calibrate."

I had met Peter more than two decades earlier when my first article in *The Journal of Portfolio Management* was published. Although in our field many writers never meet their editors, I thought it would be fascinating to meet the man who had founded the marvelous storehouse of knowledge you are now reading. Little did I know how fascinating it would be—his manner invited instant comfort, relaxation, and friendship. His knowledge, both of the ideas in which we deal and of the people who make the investment profession work, surpassed that of anyone to whom I had been exposed before. I cherish his memory.

Peter's closing remark at the Q-Group was a benchmark of elegance and grace. One questioner asked Peter why he had never received a Nobel Prize and whether he thought he deserved one. Peter had the cameraman in the studio back up until his beloved wife and business partner, Barbara, was visible on-screen. "This is my Nobel Prize," he said.

Meir Statman

Peter was my mentor when I needed mentoring most. I can still see myself in 1980, standing at the doorway of the mailroom of Santa Clara University, opening a letter from Peter. It was one of his small-size letters, surely familiar to all who have corresponded with him. Peter had written that he liked the paper I'd submitted to *The Journal of Portfolio Management* and would publish it there. This is my first memory of Peter, and this was the very first of my papers to be accepted by a journal.

Peter's letter came at internet speed, long before there was an Internet. It seemed as if I had mailed my paper only the day before. I would learn later that this was Peter's speed. Peter's words in this first letter prompted me to send him more of my papers. He praised the good parts, offered insights on the weak parts, and was quite blunt in his criticism of the bad parts. But the sting of Peter's criticism was regularly gone by the following morning, and the second draft of the paper was better than the first. It seemed to me then that I was the only scholar Peter was mentoring. Only later did I find that I was one of many. I am still astounded by Peter's ability to write so much so well, while reading so much of the work of others.

In 1984, I asked Peter if I should apply for a Batterymarch Fellowship. The fellowship offered untenured professors a year devoted entirely to scholarship, free of teaching duties, and Peter had been on its selection committee the year before. I hesitated to apply because the fellowship had been granted in the past only to scholars of the most prestigious universities. Peter, always interested in ideas and never in prestige, encouraged me to apply. His letter to the committee must have tipped the scales in my favor. Later, in 1985, Peter invited me along with others to join him on an advisory board of a money management company. This is where I met him and Barbara, his wife, for the first time.

My last memory of Peter is from an interview he did in late 2006 for a "Masters Series" in the *Journal of Investment Consulting*. I was fortunate to be among his interviewers. I learned once more that Peter applied his critical faculties to his own work more harshly than he applied them to the work of others. Asked about mistakes during his career Peter spoke about the bottom of the stock market in 1958. "I was a raging bear," he said. "I've always regretted that one… because I certainly was wrong." "Did that teach you not to forecast the market or just not to make mistakes," I asked. "Unfortunately, nothing teaches you not to make mistakes," said Peter. "But since that forecast, I've been a lot more humble."

I saw Barbara's devotion to Peter every time we met and I heard it once more at this interview. "I've been blessed with more than 60 years of marriage," said Peter. "I was widowed, and Barbara is my second wife. I've had wonderful companionship that has been a major influence on my success. I couldn't have done it any other way."

Jack L. Treynor

The key to Peter Bernstein is Andy Lo's comment that finance is the part of economics that works: Peter was trying to create a new Royal Society. At the end of the 16th century, the physical sciences were dead, dominated by academics who valued erudition more than tough-minded curiosity. The Royal Society brought the physical sciences back to life by bringing the academics face to face with people who spent their days solving real-world problems.* One measure of its importance was the Industrial Revolution, which couldn't have happened without it.

The physical sciences have never forgotten the lesson. But the social sciences are too young to remember it. Many investors deal with the lack of progress in economics by ignoring it. But Peter tried to revitalize it by focusing on the interaction between theory and practice—by focusing on the part of economics that worked.

*The Royal Society's motto, "Nullius in verba" roughly translated as "Take nobody's word for it," dates back to 1663, and is an expression of the determination of the Fellows to withstand the domination of authority (such as in Scholasticism) and to verify all statements by an appeal to facts determined by experiment. Available at http://royalsociety.org/.

Clifford S. Asness

Peter was a true old-world gentleman who, luckily for us, chose finance and economics as his field. We may not be honored with his like again.

William F. Sharpe

Peter was a wonderful man who made huge contributions to the field of finance and its understanding by a great many people. I will miss him greatly.