Balancing Professional Values and Business Values

John C. Bogle

In this incisive and timely essay on balancing professional values and business values in the world of investing and finance, John C. Bogle, founder of both The Vanguard Group and the first index mutual fund, offers concise and useful guidance to practitioners seeking ways to cope with the extraordinary changes in society, technology, and market forces of the past few decades. Drawing on lessons learned over his distinguished 65-year career, Mr. Bogle bases his sage and prudent advice on not only his own vast experience but also the time-tested wisdom of both Adam Smith, the 18th-century Scottish economist-philosopher, and Benjamin Graham, a legendary pioneer in our profession.

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As we move deeper into the 21st century, nearly every aspect of our society is confronted with extraordinary change. The very survival of some traditional fields of commerce is threatened, including print media, retailing, and intracity travel. But far more common is the disruption of the business models that we often take for granted—disruption that is usually a result of innovation, particularly in new technologies, but is sometimes a result of the rise of consumerism and changes in public perception.

Much of this change is reflected in the gradual mutation of professional associations into business enterprises. In a 2005 article in *Dædalus*, Howard Gardner and Lee S. Shulman noted that "it was a mere 40 years ago that *Dædalus* proudly declared: 'Everywhere in American life, the professions are triumphant. . . .' Since then, however, the professions have gradually been subjected to a whole new set of pressures, from the growing reach of new technologies to the growing importance of making money."[1]

It is hardly news to any participant in our world of investing and finance—nor to any CFA® charterholder or candidate—that our profession has not been exempt from these challenges.

Professions and Professionals

Let's consider for a moment what we mean when we talk about professions and professionals. The *Dædalus* article defined a profession as having these six characteristics:

1. A commitment to serve the interests of clients—responsibly, unselfishly, and wisely—and the welfare of society at large
2. A body of theory or special knowledge, including research, conceptions, and technologies

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3. The mastery of a domain of practice, including a specialized set of professional skills, practices, and performances unique to the profession
4. The developed capacity to deal with the ubiquitous condition of uncertainty and novelty and to render judgments with integrity under conditions of ethical uncertainty
5. An organized approach to learning from experience, both individually and collectively, and to growing more skilled through new knowledge from the context of practice
6. The development of a professional community responsible for establishing and renewing work practice as well as the oversight and monitoring of professional education

The authors then added these profound words: "*The primary feature of any profession [is] an inherently ethical relationship between the professional and the general society.*"

Business *and* Profession

Fields such as education, law, architecture, engineering, medicine, and the clergy are usually characterized as "pure" professions. And not so long ago, journalism and accounting also appeared on that list. But the reality is that no profession can be free of business pressures. As I noted in a speech at Cornell University in 2010, "If revenues fail to exceed expenses, no organization—even the most noble of faith-based institutions—can long survive."[2]

What about our own field? Of course, we are a profession, with investment firms that are committed to serving their clients. But we are also a business, driven to maximize the profits that our firms earn in the conduct of their affairs.

The issue is not choosing between professional values and business values. Rather, it is balancing *that ever-competing pair in a way that places the best interests of consumers and clients above our own corporate and personal interests.*

Thus, the issue faced by CFA charterholders and other financial industry participants is *not* choosing between professional values and business values. Rather, it is *balancing* that ever-competing pair in a way that places the best interests of consumers and clients above our own corporate and personal interests.

Such a balance is not easy to achieve. As Gardner and Shulman warned in their *Dædalus* essay, "Pursuing such a noble mission can often be painful, and is possible only for those who truly believe in the mission and have enough self-perspective to remain wary of dangers such as arrogance, megalomania, misguided beliefs, and distorted judgments." Those of us in the investment profession must be ever wary of these dangers.

In Investing, an Especially Stark Conflict

In the field of investing, the conflict between professional values and business values is especially stark. Why is that? Because in most lines of endeavor, the products of producers must meet two vastly different consumer values:

- The *inherent* value of the product itself: "Can I rely on this car to consistently and efficiently get me to my destination?"
- The *perceived* value of the product: "Does this brand of car give me external prestige and inward satisfaction?"

In investing, however, inherent value swamps perceived value. Why? Because the satisfaction of our clients is measured almost entirely in dollars. Dollars are fungible; automobiles are not. "Have I accumulated enough wealth to send my children to college? To buy a new home? To fund a secure retirement?" The achievement of these goals requires dollars, pure and simple. What's more, accumulating these dollars is not an abstraction. It is the goal of the human beings who are our clients—real, honest-to-God, down-to-earth human beings with their own hopes and fears and financial goals, as I have written so often.

Yes, there is a counterargument to my point. In Professor Meir Statman's book *Finance for Normal*

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People, he deals at length with the "expressive and emotional benefits [perceived value] of investments beyond the utilitarian benefits of high profits [inherent value]."[3] But I would argue that in investing, such expressive and emotional benefits are short term, even ephemeral. The utilitarian benefits of investing, which are inherently long term, vastly outweigh all other considerations.

The Foundation of Professional Investing

When I began my 65-year career in investing, professional values held sway. Trust officers and stock researchers at Wall Street research firms dominated the field of security analysis, and stocks were held almost entirely by individual investors. Turnover in stock holdings was low, for investments were held largely for the long term. The emphasis then began to shift toward business values—good for Wall Street and fund marketers but bad for investors. Now, at last, we are beginning to shift the balance back toward professional values. That shift was fostered by investor experience and education and has become a societal *meme*—an idea, behavior, or style that spreads from person to person within a culture.

Despite the substantial progress we have made, our principal challenge remains: to continue to lead the professionalization of our field beyond its noble concepts and dedicated leadership to universal acceptance.

Like other professions, our investment profession strives to meet the standards of the *Dædalus* list of six common characteristics. But it is the final two characteristics on the *Dædalus* list where CFA Institute plays a particularly important role:

- An organized approach to learning from experience, both individually and collectively, and to growing more skilled through new knowledge from the context of practice: The *Financial Analysts Journal* is one major manifestation of learning from experience and is a clear assertion of professional status. In its peer-reviewed research articles and Perspectives pieces, the *Financial Analysts Journal* continues to reflect new knowledge about investing.
- The development of a professional community responsible for establishing and renewing work practice as well as the oversight and monitoring of professional education: There could hardly be a more apt definition of the role of CFA Institute—reinforced by the principles of professionalism that CFA Institute espouses, its rigorous qualifying exams, its commitment to publication, and its focus on university outreach. The CFA Institute Code of Ethics and Standards of Professional Conduct demands "the highest standards of ethics, education, and professional excellence for the ultimate benefit of society."

CFA Institute represents the consummation of an idea of the legendary Benjamin Graham, longtime president of the New York Society of Security Analysts. In 1945, Graham first suggested the accreditation of security analysts. It took years for his idea to gain acceptance. In 1960, the National Federation of Financial Analysts' Societies decided that the certification of financial analysts should move forward. The first CFA exam took place in 1963.

At the time, multiple organizations represented the burgeoning profession of security analysis, including the ICFA (Institute of Chartered Financial Analysts) and the FAF (Financial Analysts Federation). Their unification in 1992 was contentious, but CFA Institute finally emerged, a huge step forward in the professionalization of our industry. Today, the CFA charter has become a near-mandatory badge of professional competence, and CFA Institute honors its mission: to preserve, protect, and defend our professional standards.

Despite the substantial progress we have made, our principal challenge remains: to continue to lead the professionalization of our field beyond its noble concepts and dedicated leadership to universal acceptance, in both word and deed, by professionals and other participants in the financial system. CFA Institute is driving professionalism in every corner of our field for every participant,

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ensuring that we honor the primacy of the national public interest and the interests of investors.

Challenges to Our Traditional Professional Values

We face several challenges in our mission to continue to improve the balance between profession and business. Among the new set of pressures that have eroded our professional conduct are those very pressures cited in Gardner and Shulman's *Dædalus* article a dozen years ago: "the growing reach of new technologies" and "the growing importance of making money."

New Technologies. New technologies have brought breakneck speed to securities trading and vastly lower unit transaction costs (albeit at vastly higher trading volumes). Nanoseconds seem to matter, and computers handle high-frequency trading (HFT) almost without human intervention. While HFT has brought unit transaction costs down, the computer-facilitated increase in trading volume continues to enrich Wall Street's middlemen. As a result, the stock market increasingly resembles a casino, with Wall Street acting as the croupier. Another example of technology bringing down the costs of investing is the rise of "robo-advisers," which use technology to make inroads into traditional methods of providing advice to individual investors—at far lower fees.

The Growing Importance of Making Money. Our financial sector is hardly immune to today's extreme focus on accumulating wealth for its participants, as well as the self-satisfaction and prestige that accompany it. Earning large rewards through aggressive investment strategies that have proved successful in the past—or by marketing those strategies to clients—is hardly improper. But greed unbound is inconsistent with professional conduct. And beware of easy success, for higher rewards go hand in hand with higher risks. The success of any manager in a given moment can be—and often is—ephemeral. Even the most successful money manager would probably agree with this conclusion: *Successful investing is a hard business.*

Trading Volume Explodes, Changing the Character of the Stock Market. When I entered this field in 1951, the annual turnover in shares of stock was 25%; in 2016, turnover ran at a rate almost 10 times higher: 240%. Moreover, nearly half of the dollar value of trading US stocks now involves exchange-traded funds (ETFs)—portfolios of stocks, some broadly diversified and some remarkably concentrated. But all ETFs can be traded "all day long, in real time," according to an early advertisement for an ETF tracking the S&P 500 Index. The dilemma: Trading is (1) expensive for our clients and subtracts value for investors *as a group* and (2) a source of vast revenues for our financial system. Reconciling this dilemma will be no easy task. We must heed Warren Buffett's words: "When trillions of dollars are managed by Wall Streeters charging high fees, it will usually be the managers who reap oversized profits, not the clients."[4]

The Rise of Institutional Ownership. In 1960, financial institutions owned 8% of all US stocks. In 2017, financial institutions own some 70%, diminishing the important role played by retail stockbrokers. A particular challenge arises from the public ownership of the vast majority of US financial institutions, including investment banks, insurance companies, and managers of other people's money. Most notable is the ownership of investment management firms by financial conglomerates, the result of a change that began in 1958.

Yes, even firms whose ownership is held by their own principals and managers face conflicts of interest between their clients and themselves. But for 40 of the 50 largest fund managers that are publicly held or owned by financial conglomerates, those conflicts are magnified. The principals and managers of those firms owe a fiduciary duty not only to their mutual fund shareholders but also to their public owners. Fund shareholders benefit from lower costs, yet management company shareholders benefit from the exact opposite—higher advisory fees, a focus on marketing over portfolio management, and the seemingly overriding goal of accumulating assets under management. Our *profession* seeks to serve clients with excellence in providing investment returns through sound investment strategies and sophisticated

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security analysis; our *business* seeks to maximize its profits. These goals can easily conflict. As I said in a 1971 speech, "The pressure for earnings growth is antithetical to the responsible operation of a professional organization."[5]

The Growing Power of Indexing. The growing power of indexing—the simple tracking of market indexes at remarkably low cost—also presents extraordinary new challenges to our traditional professional mores. The focus of investment advice is beginning to turn away from selection of particular stocks and mutual funds and toward asset allocation, financial planning, and retirement goals. Almost 25% of all shares in US corporations are now held by index fund managers, who simply hold portfolios weighted by the market capitalization of each holding. This trend is powerful. Since 2007, equity index mutual funds have enjoyed capital *inflows* of $1.8 trillion, while their actively managed counterparts have been hit with $800 billion of capital *outflows*. Index fund management is heavily concentrated among three giant, trillion-dollar money managers that together hold some 20% of US stocks. The impact of all this concentration remains to be seen.

With their minimal investment costs and broadest possible diversification, traditional index funds (TIFs) ensure that investors will earn their fair share of whatever returns the market delivers, positive or negative. This simple strategy has disrupted investor reliance on conventional techniques of active management. The rise of TIFs has been challenged by competition from ETFs, often more widely used as trading instruments than as long-term holdings. Although indexing seems unlikely to change the role of the professional security analyst, the role of the counselor to individual investors is already changing. And further change seems likely.

The Fiduciary Standard. The US Department of Labor has proposed a fiduciary standard applicable to stockbrokers, registered investment advisers, and insurance salespersons who offer retirement plans to their clients. The essence of the rule is simple: Act in the best interest of your clients, placing their interest ahead of your own and your firm's. Although the regulation comes with some heavy record-keeping burdens for investment firms, its underlying principle would seem self-evident and unarguable.

The Trump administration is reviewing the rule and may seek to overturn it. But the truth is that the existing proposal does not go nearly far enough. It is limited to retirement plan accounts, ignoring the other investments held by individual investors. It applies only to advice to individual investors and does not apply to the institutional money managers responsible for the investment of their assets. *Ultimately, any effective fiduciary standard must encompass anyone who handles other people's money.*

Make no mistake: The demise of the proposed fiduciary rule would be a step backward for the United States, allowing Wall Street to continue to profit by providing conflicted advice at the expense of working Americans who are saving for retirement. But recognition of the principle of fiduciary duty is strengthening, and with it, the enhanced role of the investment professional. US investors are already awakening to the importance of low costs and broad diversification—and to the understanding that long-term investing is a far more profitable strategy for them than short-term trading. The fiduciary rule may or may not fade away, but the fiduciary principle is eternal. *The arc of investing is long, but it bends toward fiduciary duty.*

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Back to Basics I: Adam Smith

The idea of a higher standard for professionals is not new. So, let's go back in history to learn from the wisdom of our predecessors. We will start in 1759 with Adam Smith, then on to 1949 and Benjamin Graham, and finally, if you will, to the investment philosophy that I have developed during my own 65-year career.

Ultimately, the future of today's beleaguered financial system will depend on the actions of enlightened, intelligent investment professionals who consider the interests of their clients and our society their highest priority. Prudence will again emerge as the central investment strategy, an idea

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that Adam Smith clearly and persuasively endorsed in his *Theory of Moral Sentiments* way back in 1759:

> "The care of . . . the fortune . . . is considered as the proper business of that virtue which is commonly called Prudence. . . . Security, therefore, is the first and the principal object. . . . [Prudence] is rather cautious than enterprising, and more anxious to preserve the advantages which we already possess, than forward to prompt us to the acquisition of still greater advantages. . . ."

The Prudent Man.

> "The prudent man always studies seriously and earnestly to understand whatever he professes to understand, and not merely to persuade other people that he understands it; and though his talents may not always be very brilliant, they are always perfectly genuine. He neither endeavors to impose upon you by the cunning devices of an artful impostor, nor by the arrogant airs of an assuming pedant, nor by the confident assertions of a superficial and imprudent pretender. He is not ostentatious even of the abilities which he really possesses. His conversation is simple and modest, and he is averse to all the quackish arts by which other people so frequently thrust themselves into public notice and reputation. For reputation in his profession, he is naturally disposed to rely a good deal upon the solidity of his knowledge and abilities. . . .

> "In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator . . . the man within the breast, the great judge and arbiter of our conduct. . . ."

Superior Knowledge in His Profession.

> "The private man must . . . acquire superior knowledge in his profession, and superior industry in the exercise of it. . . . Probity and prudence, generosity and frankness, must characterize his behaviour . . . in which it requires the greatest talents and virtues to act with propriety, but in which the greatest applause is to be acquired by those who can acquit themselves with honour."[6]

Back to Basics II: Benjamin Graham

The formal language of Adam Smith's day can obscure neither his wisdom nor his relevance to today's investment professionals. The canny Scot set the standard for our own aspirations as prudent professionals. In his 1949 classic *The Intelligent Investor*, Benjamin Graham advanced virtually the same principles that Adam Smith had put forward two centuries earlier. Just as Adam Smith exalted Prudence, Benjamin Graham strongly urged professional investors to focus on the fundamentals of prudent investing and ignore the noise of Wall Street.

Graham described two types of intelligent investor: (1) the conservative, defensive investor (the larger component), emphasizing the avoidance of serious losses and the need for making frequent decisions, and (2) the aggressive, enterprising investor who is willing to devote time and care to the selection of sound securities. Graham had different advice for each.

For the Defensive Investor.

> "Fortunately for the typical investor, it is by no means necessary for his success that he bring these qualities to bear upon his program—provided he limits his ambition to his capacity and confines his activities within the safe and narrow path of standard, defensive investment. *To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks.*"[7] (emphasis added)

> "[When relying on an adviser of a mutual fund, investors] should require approximately such results [achieved by the market averages] over, say, a moving five-year average period as a condition for paying standard management fees."[8]

> "[Any investor can carry out, with a little expert assistance,] a simple portfolio policy—the purchase of bonds, plus a diversified list of leading common stocks. A creditable, if unspectacular, result with a minimum of

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effort and capability can be achieved by the lay investor. . . . Since anyone—by just buying and holding a representative list—can equal the performance of the market averages, it would seem a comparatively simple matter to 'beat the averages.'"[9]

"[But] the proportion of smart people who try this and fail is surprisingly large, [including] many of the investment funds, [which] with all their experienced personnel, have not performed as well over the years as the stock market."[10]

"*The real money in investment will have to be made—as most of it has been in the past—not out of buying and selling, but out of owning and holding securities, receiving interest and dividends, and benefiting from their long-term increase in value.*"[11] (emphasis added)

For the Enterprising Investor.

"[The enterprising investor who ventures] beyond this safe and sound territory [occupied by the defensive investor should] have a clear concept of the differences between investment and speculation and between market price and underlying value."[12]

"The investor cannot enter the arena of the stock market with any real hope of success unless he is armed with mental weapons that distinguish him in *kind*—not in a fancied superior *degree*—from the trading public. . . . He must be relatively immune to optimism or pessimism."[13]

"Have the courage of your knowledge and experience. If you have formed a conclusion from the facts and if you know your judgment is sound, act on it—even though others may hesitate or differ. (You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.) Similarly, in the world of securities, courage becomes the supreme virtue *after* adequate knowledge and tested judgment are at hand."[14]

"At the risk of alienating many of our readers, let us say categorically that we do not consider that either general trading—anticipating moves in the market as a whole—or selective trading—picking out stocks which will do better than the market in the short term—has any place in investment practice. Both of them are essentially speculative in character, because they depend for success not only on the ability to foretell specifically what is going to happen but on the ability also to do this more cleverly than a host of competitors in the field."[15]

For the Prudent Adviser.

"It is my basic thesis—for the future as for the past—that an intelligent and well-trained Financial Analyst can do a useful job as a portfolio adviser for many different kinds of people, and thus amply justify his existence. Also I claim he can do this by adhering to relatively simple principles of sound investment; e.g., a proper balance between bonds and stocks; proper diversification; selection of a representative list; discouragement of speculative operations not suited for the client's financial position or temperament—and for this he does not need to be a wizard in picking winners from the stock list or in foretelling market movements."[16]

In the later years of his life, however, Graham recognized a fundamental paradox of the professionalization of security analysis. As more and more intelligent and highly trained professionals compete with one another to outperform the market, the differences between the most successful and the least successful investors will narrow, making it increasingly difficult for professional investors to add value—especially after costs. In Graham's words, "Neither the financial analysts as a whole nor the investment funds as a whole can expect to 'beat the market,' because in a significant sense they (or you) *are* the market."[17]

Graham believed that the profession he pioneered could continue to serve investors well—not by consistently beating the market but, rather, by guiding clients toward prudent investment and away from high-risk speculation. "Isn't it possible that the current failure to distinguish between investment and speculation," Graham asked in 1962, "may do grave harm not only to individuals but to the whole financial community—as it did in the late 1920s?"[18]

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Graham's wisdom could easily serve as a manual for the conduct of members of our profession today. Echoing the prudence and moral sentiments of Adam Smith, Graham came to the same conclusion, sounding this blunt warning:

> "Whatever path you follow, hold on to your moral and intellectual integrity."[19]

Back to Basics III: Contemporary Views from an Investment Veteran

I would not presume to improve on the sound advice to financial industry participants offered by Adam Smith and Benjamin Graham, legendary figures who will be part of investment lore for as long as our financial sector lasts. But throughout my 65-year career in the real world of investing, I have done my best to strike a proper balance between business values and professional values for both my firm and myself. Please bear with me as I cite some of the particular characteristics and attitudes that I have done my best to develop. I commend them to CFA charterholders, CFA candidates, and all other investment professionals.

Develop Competence. Develop a broad and deep education in the financial markets and the broader world. Some professionals will earn MBAs, and others will earn bachelor of arts or bachelor of science degrees. Some will learn by taking MOOCs (massive open online courses) in investing and finance, whereas others will learn by extensive studying on their own. All are acceptable paths to professional standing, with the CFA charter as the vital sign of achievement. Being an aware citizen of the world—with knowledge of economics, domestic and international finance, national politics, the culture of one's own nation and of other nations, and so on—is also essential. The goal of competence is never fully achieved; it must be reinforced every day through a commitment to continuous learning.

Endorse both the spirit and the letter of the CFA Institute Code of Ethics and Standards of Professional Conduct.

Cultivate a Sense of History. Learning from the mistakes of others is a lot cheaper (for both you and your clients) than learning from your own mistakes. Yet the study of the long history of finance and investment—of booms and busts, of prosperity and depression, of market excesses and exotic financial instruments, and of financial fraud (think "Ponzi schemes")—has become a rarity in our colleges and business schools. You can make up for that lack by reading books. First try the 2016 CFA Institute publication *Financial Market History*,[20] then Charles Mackay's *Memoirs of Extraordinary Popular Delusions*[21] and Henry Kaufman's *Of Money and Markets*[22] and go from there. (Dare I suggest my own 2005 book *The Battle for the Soul of Capitalism*?)[23] And never forget the importance of introspection—the ability to look deeply into yourself, into the past, into the firm that you serve, and into the needs of your clients.

Be Skeptical. Never look at a number and accept it at face value. Go behind the figures, analyze the supporting data, and draw your own conclusions. The task may be as simple as understanding the differences between a price-to-earnings ratio based on forecast operating earnings (in early 2017, about 17 times) and one based on past reported earnings (GAAP earnings: about 25 times). That is an imposing gap! Understand the sources of stock returns: initial dividend yield plus subsequent earnings growth (investment return) plus or minus the impact of any change in the P/E multiple (speculative return). Disregard near-term market forecasts. (Hint: *Nobody* can consistently forecast short-term market swings.) Instead, look systematically at realistic expectations for long-term returns. And *never* accept uncritically formulas for investment success that are based on backtested data. Remember Voltaire's warning: *Doubt is not a pleasant condition, but certainty is an absurd one.*

Be a True Professional. Irrespective of whether you hold the CFA charter, intend to earn it, or simply want guidance in observing proven standards of professional conduct, endorse both the spirit and the letter of the CFA Institute Code of Ethics and Standards of Professional Conduct. Have it printed and framed. Place one copy on your

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desk and hang the framed copy on your office wall for your clients to see. Know the securities laws and all applicable standards. Be independent and objective. Understand the financial position, risk tolerance, and return objectives of each of your clients. Exercise due diligence in analyzing investments. Fully disclose your fees and all other costs. Communicate with your clients straightforwardly. Disclose all your conflicts—and potential conflicts—of interest. Exercise loyalty, prudence, and care, and ensure that your clients' interests come first.

The Investor's Perspective

Most of my books, essays, and speeches have focused on what I believe are the best interests of investors—the human beings whom we are all doing our best to serve. Perhaps this sampling of advice that I have offered over the years may be useful to other investment professionals.

- *Invest you must.* The biggest risk facing investors is not short-term volatility but, rather, the risk of not earning a sufficient return on their capital as it accumulates.
- *Time is your friend.* Investing is a virtuous habit best started as early as possible. Enjoy the magic of compounding returns. Even modest investments made in one's early 20s are likely to grow to staggering amounts over the course of an investment lifetime.
- *Impulse is your enemy.* Eliminate emotion from your investment program. Have rational expectations for future returns, and avoid changing those expectations in response to the ephemeral noise coming from Wall Street. Avoid acting on what may appear to be unique insights that are in fact shared by millions of others.
- *Basic arithmetic works.* Net return is simply the gross return of your investment portfolio less the costs you incur. Keep your investment expenses low, for the tyranny of compounding costs can devastate the miracle of compounding returns.
- *Stick to simplicity.* Basic investing is simple—a sensible allocation among stocks, bonds, and cash reserves; a diversified selection of middle-of-the-road, high-grade securities; a careful balancing of risk, return, and (once again) cost.
- *Never forget reversion to the mean.* Strong performance by a mutual fund is highly likely to revert to the stock market norm—and often below it. Remember the Biblical injunction, "So the last shall be first, and the first last" (Matthew 20:16, King James Bible).
- *Stay the course.* Regardless of what happens in the markets, stick to your investment program. Changing your strategy at the wrong time can be the single most devastating mistake you can make as an investor. (Just ask investors who moved a significant portion of their portfolio to cash during the depths of the financial crisis, only to miss out on part or even all of the subsequent eight-year—and counting—bull market that we have enjoyed ever since.) "Stay the course" is the most important piece of advice I can give you.

Over the long run, the growth trends in our economy and financial markets have been solidly upward, despite the gyrations and uncertainty we inevitably experience as the years roll by. It is reasonable to assume that this growth will continue. Do not let false hope, fear, and greed crowd out good investment judgment. If you focus on the long term and stick with your plan, success should be yours.

Conclusion

I conclude this article where I began, reiterating the philosophy expressed in Gardner and Shulman's *Dædalus* essay: The lofty ideals of our profession must ever focus on our establishing "*an inherently ethical relationship between the professional and the general society*" (emphasis added). Yes, we all have careers to pursue and businesses to operate, but putting our clients first is good business, just as good ethics is good business. CFA Institute bears the major responsibility for leading its enlightened mission—to provide "the highest standards of ethics, education, and professional excellence for the ultimate benefit of society." We reach

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for the stars, but our reach will inevitably exceed our grasp. (That's the way the world works.) But we investment professionals, especially CFA charterholders and candidates, need something more than ethics, more than competence, more than education, and more than excellence.

As essential as those goals are, all investment professionals, especially CFA charterholders and candidates, would do well to take a further step forward and develop a keener awareness of the "big picture" of our financial system, a profound introspection into how we can make it better, a knowledge of the long history of finance, and a deep involvement in fostering in our profession the high character it requires if we are to serve investors effectively, honestly, and prudently in the years ahead. Yes, these are idealistic goals. But what would any profession be without a healthy dose of idealism? Indeed, a bright future for the financial world that we have each selected for our career depends on it.

Editor's Note

John C. Bogle is the founder of both The Vanguard Group and the first index mutual fund. He served as chief executive of Vanguard from 1974 to 1996 and is the author of 10 books, including *Common Sense on Mutual Funds: New Imperatives for the Intelligent Investor*; *The Battle for the Soul of Capitalism*; *Enough: True Measures of Money, Business, and Life*; and *The Clash of the Cultures: Investment vs. Speculation*.

Notes

1. Howard Gardner and Lee S. Shulman, "The Professions in America Today: Crucial but Fragile," *Dædalus*, vol. 134, no. 3 (Summer 2005): 13–18. Gardner is a professor at the Harvard Graduate School of Education. Shulman is president of the Carnegie Foundation for the Advancement of Teaching.
2. John Bogle, "Ethical Principles and Ethical Principals" (speech at Cornell University, 11 November 2010): http://johncbogle.com/wordpress/wp-content/uploads/2006/02/Cornell-11-11-10.pdf.
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4. Warren Buffett, "2016 Berkshire Hathaway Letter to Shareholders" (p. 23): http://www.berkshirehathaway.com/letters/2016ltr.pdf.
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