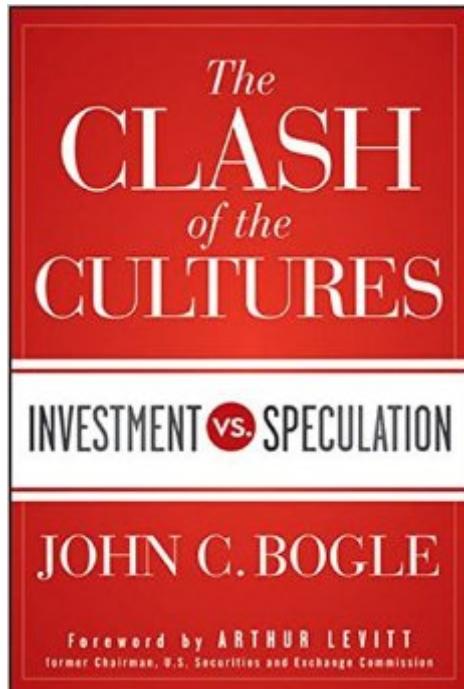


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# The Clash Of The Cultures: Investment Vs. Speculation



## Synopsis

Recommended Reading by Warren Buffet in his March 2013 Letter to Shareholders How speculation has come to dominate investmentâ "a hard-hitting look from the creator of the first index fund. Over the course of his sixty-year career in the mutual fund industry, Vanguard Group founder John C. Bogle has witnessed a massive shift in the culture of the financial sector. The prudent, value-adding culture of long-term investment has been crowded out by an aggressive, value-destroying culture of short-term speculation. Mr. Bogle has not been merely an eye-witness to these changes, but one of the financial sectorâ 's most active participants. In *The Clash of the Cultures*, he urges a return to the common sense principles of long-term investing. Provocative and refreshingly candid, this book discusses Mr. Bogle's views on the changing culture in the mutual fund industry, how speculation has invaded our national retirement system, the failure of our institutional money managers to effectively participate in corporate governance, and the need for a federal standard of fiduciary duty. Mr. Bogle recounts the history of the index mutual fund, how he created it, and how exchange-traded index funds have altered its original concept of long-term investing. He also presents a first-hand history of Wellington Fund, a real-world case study on the success of investment and the failure of speculation. The book concludes with ten simple rules that will help investors meet their financial goals. Here, he presents a common sense strategy that "may not be the best strategy ever devised. But the number of strategies that are worse is infinite." *The Clash of the Cultures: Investment vs. Speculation* completes the trilogy of best-selling books, beginning with *Bogle on Investing: The First 50 Years* (2001) and *Don't Count on It!* (2011)

## Book Information

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## Customer Reviews

Whether you are new to investing or a veteran, this should be a "must read." Indeed, the take-aways are very simple: If you want to succeed in investing, invest in index funds, and hold them long-term. Bogle eschews specialty investing (funds or equities other than broad market index funds), and he eschews speculation even more. So, in theory, one could take a pass on reading the book and walk away with this advice (which, actually, has been around forever) for free. But that's not the purpose of the book. What the book does is explain, in incredibly persuasive detail, WHY Bogle believes what he does, and why his approach makes sense. Unless you understand the realities of why his approach is preferable, then it is unlikely you will seriously consider his advice. Indeed, the book does have some shortfalls. Probably the most egregious shortfall is one that is common in virtually every "how to" or "self-improvement" book: failure to kick the readers in the butt and place some of the blame for their problems on themselves. Have you ever read a psychology "self-improvement" book that told the readers they were screwed up and that the problems they had were their own fault? Of course not. You don't want to get your readers angry, even though this is what they really need to hear. In "Clash of Cultures," Bogle NEVER blames individual investors for their problems (i.e., stock market losses). He blames everyone else possible: Congress, the judiciary, public accountants, the press, security analysts, corporate directors, fund managers, and so on. If you operate under the assumption that your problems are everyone else's fault, then you end up in "victim mode," and you wait around for the other people to decide to become honest and nice, so that your life can change. It ain't gonna happen.

If there's one word that explains the popularity of Jack Bogle's books and his iconic status among investors worldwide, including purveyors of advice in the investment industry who scorn him publicly while admiring him privately, it's integrity. As a personal friend as well as a disciple, I have been a first-hand witness as this trait of character manifests itself in all that Bogle says and does. The word integrity is often applied where it doesn't fit and hasn't been earned, which makes it all the more fitting in this instance. How is it that integrity has become synonymous with the persona of Jack Bogle? As another remarkable and courageous man, German theologian Dietrich Bonhoeffer, observed, one can often find the significant in the trivial. In 1974, Bogle made what at the time might have seemed like an inconsequential decision. As founder of the Vanguard Group, he decided that it should be organized as a "mutual" fund, owned by its investors, to whom the fund's profits would flow through lower costs. While he could not have known at the time the exact opportunity cost of his decision, he surely knew it would be huge. He had seen the handiwork of Edward Johnson II, who founded rival family-owned Fidelity Investments in 1946. His multi-billionaire heirs rank high on

the Forbes list of the wealthiest Americans. By contrast, Mr. Bogle says his own wealth is in the "low double-digit millions." "Most of it is in Vanguard and Wellington mutual funds in which he invested via payroll deduction during his long career," according to a recent New York Times article. In a world inclined to measure success in dollar terms, Jack Bogle would not even warrant honorable mention.

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