

A Tribute to David Booth

By Sameer Desai

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Although I live in distant India, one of the happiest days of my life was November 6th 2008; the day I read the University of Chicago's announcement that its business school was being renamed Chicago-Booth. Mr. David Booth's \$300 million gift to his alma-mater has to be a milestone in the annals of finance, economics and investments.

I am tempted to borrow words from Mr. Rex Sinquefield who while describing the CRSP said, "If I had to rank events, I would say the original CRSP Master File, is probably slightly more significant than the creation of the universe." I would use similar words for Mr. Booth's donation to Chicago. The gift, no doubt, is very important in monetary terms. However, it is even more invaluable 'in spirit.' CRSP or Center for Research in Security Prices at Chicago, to my mind, is the central core, the 'Soul' of stock market research. It tells us why passive investing should be the logical method of capturing asset class 'risks' as a result of which an investor(s) can hope to earn the 'expected' returns.

Allow me to delve into the profound nature of this event which I thought was under reported by the media as well as the financial services industry. The gift comes from a man who co-founded (along with Mr. Rex Sinquefield) the firm Dimensional Fund Advisors (DFA) whose mind, thoughts and deep consciousness come from the very principles that were born at Chicago. If thoroughly understood, EMH for finance and investments is an explanation akin to the origin of life itself, the financial economics equivalent of Einstein's 'relativity.' So in that sense, the deep theories from Chicago happen to be like atoms, molecules, protons, electrons, and neutrons on which the entire edifice of 'DFA matter' is built. I am hardly surprised that DFA was a case-study at Harvard.

It is amazing that an applied scientist like Mr. Booth was actually able to put into practice something preached by a pure scientist like Mr. Fama, and eventually make a proud and profitable enterprise out of many 'fundamental truths,' which like blockbuster, life-saving drugs were discovered in the finance laboratories of Chicago.

I think the financial services industry, in general, has completely missed the significance of the following statements that appeared in The University of Chicago's news release dated 6th November 2008.

"I remember Professor Fama standing up the first day of class and saying 'This is the most practical course you will ever take,' and it turned out to be true," Booth said. "We built Dimensional Fund Advisors around his set of ideas..." Booth continues, "The very first course I took at the University of Chicago was taught by Eugene Fama and it was a life-changing event for me."

Professor Robert J. Zimmer said, "The relationship between David Booth and Eugene Fama and the idea that captivated them both is another example of how groundbreaking theory, rigorous examination and an application of principles come together often at the University of Chicago."

My eyes almost turned moist when I read these words of Dean Edward Snyder. "Given the profile of our school and its role in the world, it is imperative that the person who names the school embodies its values and, moreover, is a person who is of great integrity and who commands respect. In David Booth, we have a person who exceeds all the relevant criteria." To my mind, these words have a very, very, very deep & reflective meaning.

Sometimes I wonder, how many people in the financial services industry that happen to be in a similar situation as Mr. Booth can claim to have done something similar? Chicago-Booth has enriched the lives of hundreds of thousands and possibly millions of savers and investors, all of whom have benefited from its wisdom. I can see the wise

theories of Chicago at work everywhere on our planet for the benefit of a large number of savers and investors. The Efficient Market Hypotheses and its practical implication on how one should invest-almost reminds me of gravity, and it measures (more or less) 9.80 meters per second squared in all 'efficient' stock markets the world over! Mr. Booth's huge, but low-profile contribution to research which may decide whether you retire rich or poor is therefore an event slightly more significant than the origin of our universe.

I love this kind of capitalism, where you build value at each and every stage! There is immense satisfaction in 'building and helping to build' institutions whose foundation rests on solid, ethical, practical and sound principles. Mr. David Booth's life and achievements should be a source of inspiration to many people around the world. I bow my head in humility and reverence to Chicago, DFA, Mr. David Booth, and everyone else who has contributed to this sacred mission.

I will end my tribute by mentioning that Index Funds Advisors is one of DFA's finest disciples! According to me and Chicago-Booth, DFA and IFA are institutions that represent the gold-standard of investment science. They happen to be the 'Rolls-Royces' that even commoners can ride.