

The Best Books of 2005

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Throughout the year, oil prices have been blamed for practically every twitch of the stock market. But if you really want to worry, turn to *Twilight in the Desert* (Wiley, \$24.95) by the provocative Matt Simmons, an investment banker to the energy industry. He suggests there is worse to come - that Saudi Arabia is about to run out of oil and that in fact the country's leaders have known this for years but are deliberately distorting the facts.

DisneyWar (Simon & Schuster, \$29.95), by noted business writer James Stewart, is an anecdote-filled tale of the corporate battle between Disney's former chief executive, Michael Eisner, and, among others, the founder's nephew Roy Disney. The stories of angst, egos and stress speak volumes about life in America's executive suites.

The entertainment industry, of course, is endlessly entertaining. *The Big Picture* (Random House, \$25.95), by Edward Jay Epstein, tells how Hollywood really works. Ranging from the early days of the studio-system under the likes of Louis B. Mayer up to today, Epstein shows how stars like Brad Pitt and Nicole Kidman now make more than the studios, whose earnings come less from ticket sales than from movie tie-ins like toys and DVDs.

An earlier era of U.S. mega-moguls comes to life in Charles Morris' *The Tycoons* (Times Books, \$28), a look at Andrew Carnegie, John D. Rockefeller, Jay Gould and J.P. Morgan. The quartet, our reviewer noted, "were like four midwives who helped deliver the baby [the American super-economy] and then fought over it, each grabbing hold of an arm or a leg and yanking with all of his might."

Some of the books from 2005 could help investors make some real dough. Just published and receiving much buzz, *The Little Book That Beats the Market* (Wiley, \$19.95) by hedge-fund manager and Columbia Business School professor, Joel Greenblatt, offers elegantly simple advice for both children and accomplished investors. The focus: buying good companies (those with high returns on capital) at bargain prices (compared with earnings).

Wharton professor Jeremy Siegel warns against "the constant pursuit of growth" in *The Future for Investors* (Crown Business, \$27.50). He recommends that investors buy stocks with sustainable cash flows and dividend payouts and recognize the economic power shifts from the West to China, India and the developing world.

In *Unconventional Success* (Free Press, \$27.50), David Swensen, Yale's chief investment officer, delivers what our reviewer called "a devastating critique of investment firms that hypocritically prattle about putting their clients' interests first." Swensen says individuals would be best off with an indexed portfolio, spread over the core asset classes.

There are always other approaches. *Fortune's Formula* (Hill and Wang, \$27), by William Poundstone, is the tale of how physicists from Bell Labs developed a formula for gambling based

on probability theory. After meeting with wild success in Las Vegas, the gamblers turned to Wall Street. Their Princeton-Newport Partners hedge fund did make money with the plan -- until the firm was shut down for stock-parking practices and insider-trading problems.

The unsavory side of brokerage-house research gets a full airing in *Blood on the Street* (Free Press, \$26) by former Wall Street Journal reporter Charles Gasparino. It details how corrupt research proliferated during the dot-com boom. Although the boundless optimism of that era has faded, the lessons are well worth remembering.

Kurt Eichenwald's *Conspiracy of Fools* (Broadway, \$26) takes a fresh approach to another scandal of the bubble era: Enron. Written, according to our reviewer, "in the manner of a breezy crypto-thriller and told from the viewpoint of a fly on the wall," the book follows the rise and fall of the company in gory detail.

John Bogle, founder of the Vanguard mutual-funds group, launches a personal crusade against all that he sees as wrong in business and finance in *The Battle for the Soul of Capitalism* (Yale, \$25). Among his targets: inflated corporate pay, the shaky state of the U.S. pension scene and too great an emphasis on the short term. He even suggests a high tax on short-term trading gains.

Plenty of others on Wall Street also have opinions. In *What Goes Up* (Little Brown, \$27.95), author Eric Weiner stitches together interviews with 173 men and women of the Street. They speak out, our reviewer wrote, "on everything from Mayday (the end of fixed commissions) and Black Monday to LBO orgies, M&A mania, Milken's milkings, the collapsing of Long-Term Capital Management, crusading Spitzer and grabby Grasso."

Business books can, of course, be things of beauty. *The Origins of Value* (Oxford, \$50), edited by William Goetzmann and Geert Rouwenhorst, would be a nice addition to any investor's coffee table. Large and lavishly illustrated, it's a collection of essays by leading scholars on everything from the invention of interest in ancient Samaria to bonds in early America.

What were 2005's big ideas? Jared Diamond's *Collapse* (Viking, \$29.95) looks at why some societies fail (Easter Island, the Mayan civilization and Viking Greenland) while others succeed. It's a thoughtful context for investors and other citizens of Earth.

Simon Winchester's *A Crack in the Edge of the World* (Harper Collins, \$27.95) looks at the repercussions of the Great California Earthquake of 1906. Along the way, it delves into the geological forces that created the Asian tsunami and that still threaten not only California but also the huge section of middle-America south of St. Louis -- areas along the New Madrid fault.

The World Is Flat (Farrar, Straus, \$27.50), by New York Times Pulitzer Prize-winner Thomas Friedman, examines the trends bringing tech innovation, foreign investment and capital flows to the Third World. But if the Third World is to become capitalist, first it needs help, and that's the thesis of Jeffrey Sachs' *The End of Poverty* (Penguin Press, \$27.95). The Columbia University economist lays out a plan to eliminate extreme world poverty within 20 years.

One Billion Customers (Free Press, \$27), by James McGregor, zeros in on the ultimate developing market, China. A former Wall Street Journal China bureau chief, McGregor argues that the transition from the Cultural Revolution and the subsequent scramble for capitalistic wealth has scarred China and left it in desperate need of overcoming lingering barriers to growth.

Some advice to Western firms entering China: "Assume your procurement department is corrupt until proven innocent."

Few subjects divide Americans more than genetic manipulation -- from cloning and stem cells to modified foods. Gina Smith's *The Genomics Age* (Amacom, \$24) paints what our reviewer called "an enjoyable, easy-reading picture of the science for the nonscientist."

Luckily, there is always wine. And in this world, no one, absolutely no one, has had more impact on drinking and buying habits than Robert Parker. In *The Emperor of Wine* (Ecco, \$25.95), Elin McCoy explains how Parker became so important that he can ruin a vineyard with a wine rating and influence what kinds of wines are made.

Let's raise a glass to the books of 2005.