The Origin of Asset Management from 1700 to 1960: Towering Investors. By Nigel Edward Morecroft. Basingstoke: Palgrave Macmillan, 2017. vii; 343 pp. $49.99.

This is an interesting account of the organizations and people involved in the asset management profession in Britain, highlighting the ideas and behavior that shaped this specific activity, which came into prominence within the financial sector during the period 1700–1960.

This is a fascinating account of the pioneering men and institutions, such as "Philip Rose and the First Investment Company, 1868–1883." The chapter titled "Robert Fleming and Scottish Asset Management, 1873–1890," is a prelude to John Maynard Keynes, the most charismatic—and to the reader of this journal the most interesting protagonist—to whom the two central chapters of the book are devoted. Two further chapters follow, titled "George Booth and Ian Fairbairn: The First Unit Trust, 1931–1960" and "George Ross Goobey, Revolutionizing Pension Fund Investment, 1947–1960." A useful set of "observations from the past" concludes this well-documented, nicely written overview of the dawn of the asset management industry.

Keynes the investor has only recently become a specific field of study; the extant literature includes studies on Keynes as a speculator in currencies, options, investments in Wall Street for King's and for himself. Connected to these activities are the works on Keynes as an innovator in institutional portfolio management, the management of King's College's portfolio being the best known case study.

The author of this volume relies on material which is available in print, and although he has not engaged in any original research on any of the abovementioned aspects of Keynes investment activities, he has succeeded—in some cases better than others—in giving us a well-focused picture of Keynes's character and style, together with a reasonably complete collection of the various remarks through which Keynes revealed his investment philosophy in general, and his approach in given circumstances.

Morecroft concentrates here on the features of Keynes as an institutional investor, which was a major occupation in Keynes's life, in terms of both duration and commitment. Let us briefly recall here the institutions with which he was associated. He became director of the National Mutual Life Insurance Company in 1919, and then chairman in 1921, a post he retained until October 1938. He joined the board of the Provincial Insurance Company in 1923, limiting his involvement in the board only

when he joined the Treasury in 1940. Keynes also entered on the boards of a group of investment trusts founded by O. T. Falk, a former colleague of Keynes at the Treasury. He was a director of the Independent Investment Company (1923–46), the A. D. Investment Trust (1921–27), and the P. R. Finance Company (1924–36, serving as chairman 1932–36). In addition to these investment companies, there was the syndicate that Keynes and Falk created for their speculation in foreign exchange, and into which they channeled additional resources from friends and relatives. In 1921, Keynes became second bursar of King's College, Cambridge, and then first bursar in 1924, a post he retained until the end of his life.

As an institutional investor Keynes was accountable to the boards of the organizations for which he traded or gave advice, and even in the case of King's, where he had an almost free hand, he had to exercise his powers of persuasion to induce others to accept his strategies. This inevitably led him to produce a considerable flow of letters, memoranda, and *post mortems* on investments, which together with the more colloquial and relaxed post mortems on King's accounts, constitute the main source of and key to an understanding of Keynes's investment philosophy. The main points of Keynes's vision, which was of course reflected also in his personal investment (which is not, however, analyzed in this book), can be summarized as follows: (1) preference for equities over bonds, (2) careful stock picking, (3) flexibility, and (4) long-term time horizon.

Keynes's innovative approach to asset management lay mainly in his marked preference for equities over bonds in his portfolios (both institutional and personal) and it is, in fact, remarkable that bonds—especially government bonds—represented a very small part of his entire investment. This certainly marked a turning point in the standard practice of his time.

Keynes endorsed a bottom-up strategy, based on careful stock picking, after a brief endorsement of the credit-cycle approach in the late 1920s, and this remained his persuasion to the very end. It can be summarized with his own words: "the very best principles of investment, namely to pick a firm which one particularly lies [likes] within an industry which one believes to be doing well . . . . I should hate not to be able to invest in those in which I heard good accounts without buying at the same time a mixed bag of stuff about which I knew nothing or had heard less satisfactory opinions."[1]

On the other hand he was staunchly opposed to any fixed rules or proportion in the portfolio and favored great flexibility: "I am strongly opposed to rigidities . . . Fixed percentage—particularly within each group of industry etc.—is surely altogether opposed to having an investment policy at all. The whole art is to vary the emphasis and the centre of gravity of one's portfolio according to circumstances."[2]

Finally he often complained of the short-sightedness of the investors who were too sensitive to market swings. As he wrote in 1934, "it seems to me to be most important not to be upset out of one's permanent holdings by being too attentive to market movements. Unless one believes the market movements to be well founded, taking a long view, I should like a case where I felt real confidence to disregard it. It is indeed awfully bad for all of us to be constantly revaluing our investment according to market movements. Of course, it would be silly to ignore such things, but one's whole tendency is to be too much influenced by them."[3]

1. Keynes Papers, King's College Archives, Cambridge. PC 1.2.21.
2. Keynes Papers, King's College Archives, Cambridge. PC 1.5.68.

Moorcroft's main conclusion is that Keynes was an extraordinary and brilliant investor, but too far ahead of his time to have a substantial influence on his contemporaries; certainly, however, he left a legacy which was later much drawn upon, as this book demonstrates with ample and scholarly reconstructed evidence.

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3. John Maynard Keynes. *The Collected Writings of John Maynard Keynes; Vol. 12: Economic Articles and Correspondence; Investment and Editorial* (Cambridge: Cambridge University Press, 1983), 58–59.