

Chapter 1

Personal Background

This chapter deals with those influences during my early years and during my career on Wall Street that directly impacted the underlying themes expressed in this book. This is not completely an exercise in ego. It is an attempt to explain how and why a particular set of beliefs has become so important to me. As you read this background material you'll note one underlying theme: I've always attempted to break new ground.

I've tried to do the same with some of the content in this book, including this mini-bio. To those who say, "Let's get to the meat; who cares about all the personal stuff?" I say, "No one cares about an author's background if he has little of importance to say. But if what he says matters and is helpful, then knowing something about his background should add meaning to his words. I'm hoping I fall into the latter category."

Pre-Wall Street

My childhood growing up in Yonkers, New York, was a happy one. We were a close family with loving, indulgent parents. In junior high I was president of the student council and won the Westchester County oratorical contest. My best friend was Biff Kogan, an awkward, sickly, shy boy who was unathletic and unpopular. I liked him because he was bright, caring, irreverent, funny, and sensitive. He kept a diary, which was published after his early death.

I was especially close to my twin sister, Ellie, a closeness that is even stronger today. Being boy/girl twins gave us lots of advantages. Without trying, we were thrust in the spotlight and given special status by peers and family. My parents encouraged me to always look after my sister, which I have tried to do. However, Ellie does far more for me, which truly makes her “the better half” (part of my e-mail moniker is “Eleanorstwin”).

I was a serious student, too much so. I remember my mother admonishing me, “Don’t study so much. So you’ll get a ‘B’ instead of an ‘A.’” What she didn’t understand was that the reason I studied hard was not to get an “A.” The reason had to do with a personal trait that has characterized most everything I’ve done during my lifetime, including the writing of this book.

I recognized early on that the world is full of people smarter than me, a lot smarter, but that I can achieve what they can, maybe even more, if I’m willing to work longer and harder. I realized that most people work nowhere near their full potential and that if I do, I can accomplish what they can’t. So in school and throughout my career, I put in a lot more hours than the next guy, not to get an “A” but to make sure that the result was the absolute best I was capable of. Like a horse with blinkers on, I was completely focused. I knew I could compete with higher IQs if they were operating on 50 percent and I was giving an all-out 100 percent. (I may hold the record for having the lowest IQ among straight-A students.)

In competition with more naturally gifted people, the best I could do might not be good enough. But that was something I had no control over. Everything I could do, I did without regard to the time it took. I could get away with this essentially selfish attitude during my career because I’ve lived alone most of my life. The beauty of this

focused approach is that knowing you've left nothing in the tank leaves you with a deep feeling of satisfaction, regardless of the outcome. Whatever happens, happens. You've done your very best. But I could never make my mother understand.

"No one traveling on a business trip would be missed if he failed to arrive."

—Unknown

"Our business in this world is to fail in good spirits."

—Unknown

Summer Camp

Summer camp was a major influence on all that came later. It helped shape my character and values. It instilled in me the self-confidence to think differently, to pioneer, and to persevere. Some 60 years after the fact, fellow campers are still among my closest friends. The camp has been closed for decades but we still hold annual reunions. We reminisce and sing camp songs arm-in-arm (to hold each other up).

The catalyst that made camp such a powerful and enduring experience for all of us was the founder and director, Barney "Cap" Girden. Cap was a bigger-than-life, rugged outdoorsman who came from the Henry Street settlements in lower Manhattan. He was a man's man, a charismatic leader, teacher, and legend in his own time. A terrible businessman, he was always in debt because he was lenient with poor families. He was a physical fitness buff who wrestled and defeated the few counselors willing to challenge him. He was a student and lover of nature, a hypnotic storyteller, an inventor, and a dreamer. He instilled in us all a respect for nature, for ourselves, and for each other. He deemphasized athletics and focused on good fellowship and good sportsmanship.

I spent 15 summers at Camp Mooween (near Colchester, Connecticut), the last two as head counselor. I was picked by Cap to plan the daily activities for some 140 boys and supervise a staff of 35 counselors. I worked directly under Cap and was probably closer to him than anyone in camp. The camp itself was in an isolated, rustic but beautiful, wooded area on a large, pristine private lake with numerous islands and lots of fish. In the evening, I remember all of us taking the war canoe and paddling out to Dream Island in the middle of Red Cedar Lake under starry skies. The island was crowded with tall cedar

trees, the ground was covered with a thick cushion of pine needles, and the air was punctured by the fragrance of pinewood and the croaking of bullfrogs. We would sit on logs that formed an Indian council ring and listen to Cap as he stood in front of the campfire under the stars and told us riveting stories of Indian chiefs and their brave deeds.

The powwow would end with various campers rising to recite the laws of the Mooween tribe. They included, among others: “Word of honor is sacred. Play fair; foul play is treachery. Be true to your ideals and respect the ideals of others. Be fearless. Courage is a noble attainment. Be not troubled by fears of the future; they are groundless. Listen well to your elders; they have much to offer you. Be kind. Do acts of unbargaining service. Understand and respect your body; it is the temple of the spirit. . . .”

Our daily activities in camp helped to instill these qualities. Tests of courage would include sleeping out on Dream Island alone at night. To

“Borrow money from pessimists—they don’t expect it back.”

—Steven Wright

encourage a respect for nature, during thunderstorms, Cap would have us do a snake dance on the campus and ask us to clap in appreciation after each crack of

thunder, calling it “the greatest show on earth.” The motto of the camp was “S-A-T-F” (“strong at the finish”) and the lyric of a camp song was, “Don’t give in, win all that you begin.”

Legion of Honor

Character development was so central to camp life that it was the basis for an evening activity once a week. On “Legion of Honor” night, we would get into bed early, turn out the light, and, in the dark, critique each other’s behavior. Each kid would be discussed by his bunkmates and by his two counselors and then have a chance to respond. Qualities discussed included pitching in; helping others, especially the poorer athletes; responsibility; initiative; sharing; telling the truth; and so on. If a kid showed improvement, the counselor would make sure it was mentioned. The tone was upbeat, not accusatory.

Following the discussion, the counselors decided which kids were put on the list for that week. Standards were high and most did not make it. Being a member of the Legion of Honor was prized more than making the first team. Those who were on the list for every one of the eight weeks were strong candidates for the camp's biggest honor: the end of summer, all-around camper award. Cap was very careful in hiring his counselor staff (juniors and seniors in college). The Legion of Honor program worked only because the counselors genuinely cared about their kids.

Why couldn't the face-to-face critique of each other's behavior that we used so successfully in camp be used equally effectively in adult situations? Why couldn't the Legion of Honor format be utilized, for example, by small groups of employees and their bosses to create a happier, more productive workplace, or by sports teams, military units, students living in college dorms, or even family groups? I used to wonder about this until I happened upon an article that contained one of my favorite insights about human nature by one of my favorite writers, essayist Roger Rosenblatt (a sometimes guest on PBS's *Evening News Hour*). He wrote an article titled "Rules for Aging" in the May–June 1999 *Modern Maturity* magazine. Included was this nugget of wisdom:

Give honest, frank, and open criticism to nobody never. The following situation will present itself to you over and over: There is a friend, a relative, an employee, an employer, a colleague, whose behavior flaws are so evident to everyone but themselves, you just know that a straightforward, no-punches-pulled conversation with them will show them the error of their ways. They will see the light at once, and forever be grateful that only as good and candid a person as yourself would have sufficient kindness and courage to confront them.

Better still: From the moment you inform them about their bad table manners, their poor choices in clothing, their hygiene, their loudness, their deafness, their paranoia, they will reform on the spot. Their lives will be redeemed, and they will owe their renewed selves and all future happiness to you—honest, frank and open you.

I implore you: forget about it. When the muse of candor whispers in your ear, swat it, take a long walk, a cold shower, and clear your head. Nobody is thinking about you, unless you tell them about their faults. Then you can be sure they are thinking of you. They are thinking of killing you.

I hope the reader, in response to the advice offered in this book, will have a less assertive reaction.

The Camp Mooween campsite, along with scenic Red Cedar Lake, was made into a state park by the state of Connecticut in 2000, a singular honor for a summer boys camp. These words are inscribed on the plaque that appears at the entrance to Mooween State Park: "... this was a place of magic, care-free summers, balmy days among the cedars and golden hours on Red Cedar Lake; a place for building character, lifelong friendships and sweet memories; a place of endless summer and eternal youth . . ."

Along with Edwin Land, founder of Polaroid, Mooween's most famous alumnus is lyricist Yip Harburg. I have to believe that when he wrote, "Somewhere over the rainbow, way up high, there's a land that I heard of, once in a lullaby . . ." he may have been inspired, in part, by nostalgia for Camp Mooween. My older brother, Skippy, spent 21 summers at camp, both as a camper and then as head water counselor. In 2002, while driving his car, he had a heart attack and died. It had been over 50 years since his last summer in camp. The license plate on his car that day read "Mooween."

Camp had a lifelong, profound influence, yet it only lasted eight weeks each year. The other 44 weeks I traded a clipboard and whistle for textbooks and homework.

One-of-a-Kind Career on Wall Street

My father's jewelry manufacturing business prospered during World War II and we moved from Yonkers to Park Avenue in Manhattan. I went to Horace Mann School for Boys, a private school in Riverdale. My classmates included James Schlessinger, later Secretary of State; Sy Newhouse, head of the Newhouse publication empire; and Saul Zabar of New York's Zabar's Food Market. Then I went to Hobart

College in upstate New York with my sister, but I transferred to Syracuse University in my junior year because I wanted to experience both a small and a big school. I remember I didn't stick around for the graduation ceremony. I didn't think it was fair to ask my folks to make a long trip just to see what would likely look like a dot among thousands of other dots crossing the stage to receive a diploma.

My father's poor health brought us to Florida. With a useless-forgetting-a-job degree in English literature (my major because I disliked it least of all), my first job was in a cafeteria on Miami Beach as an assistant steward (a glorified bus boy). I made up my mind I would think of some business I could start on my own that had not been done before. I had no practical work skills but I had a creative mind. I spent hours every day conjuring up ideas, starting out with the thought, "Find a need and fill it." In the evening after work, I would take long walks along the beach and just let my mind wander. I came up with some wild ideas, three of which I actually implemented.

We lived across the street from a long row of beachfront hotels. My first venture was a mail piece souvenir that I called a "TV-Gram," which I hoped to sell to hotels as a giveaway promotion for their guests. Television was in its infancy and still a novelty. The TV-Gram was a greeting card with a picture of the hotel and an image of a TV set with the screen cut out. The guest put his picture on the screen and mailed it. The hotels agreed it was good PR but not worth the cost. I sold one hotel.

I thought my next idea had great potential. I had seen an ad for a floating golf ball. Why not set up a golf range on a hotel's private beach for guests wanting to practice by driving golf balls into the ocean? It would be a first-time ever amenity for vacationers. The hotel would pay me to set up and run the operation, including the putt-putt boat retrieval service. The Fountainbleau showed an interest but the U.S. Coast Guard killed the idea before it ever got off the sand. They said it violated the three-mile limit for interference with maritime traffic.

My third idea met with more success. Would hotel guests rent books on the best-seller list? There were no rental libraries in the hotels, probably because it didn't sound like something someone on vacation would want to do. I wasn't sure. I convinced the newsstand operator at the Saxony Hotel to give it a shot. I bought the books and we split the revenues. The idea proved to be a winner, helped by a rainy stretch of weather in the early

going. Guests from nearby hotels heard about the service and we ended up with waiting lists for the more popular books. Within a year I had a chain of rental libraries in the newsstands of a dozen of the leading hotels. I was labeled “the only legitimate bookie on Miami Beach.” In 1950 I was drafted into the Army and sold the business.

My quest for innovative, breakthrough ideas has never stopped. Some ideas have fizzled, some have worked out. Most remain in my notebook for another day (or because they just don’t sound that great on second look). Since retiring in 1989, I’ve continued to work on pioneering projects. It doesn’t cost any more to think on a grand scale,

“Prayer is your biggest tool when dealing with investments that are managed by someone else.”

—Harry Newton

so my ideas are bigger now. Perhaps my most ambitious project was to write this book. I had never made an attempt before because I am so painfully slow.

Career: Radio

During the Korean War I served in the Counter Intelligence Corp. After Japanese language school, I was sent to Tokyo where I worked undercover. As with others who were lucky enough not to see combat, the service was an enlightening experience that I look back on with pleasant memories.

After discharge, I decided to go back to school to acquire a skill I could use to make money. I enrolled as an accounting major at the University of Miami. When I finished there, I worked briefly for a CPA firm but didn’t like the work.

My next job was selling cigars (though I’ve never been a smoker). My father’s friend was a director of the Bayuk Cigar Company out of Philadelphia. He got me a job as a factory representative calling on retail cigar outlets in Florida to promote Phillies and Websters. The overriding problem in the cigar business at the time was a scarcity of younger customers to replace the older smokers who were dying off.

It was an interesting challenge. Why not focus on a cigar that was more appealing aesthetically, a short, slim cigarillo shape instead of the traditional big fat cigar identified with the older smoker? There were a few such shapes but they weren’t promoted. Why not have celebrity

athletes and rock stars endorse this new cool, stylish look? Supported by charts and statistics that took months of evenings and weekends to research, I submitted a lengthy report to the Cigar Institute of America with the presumptuous title, “How to Revitalize the Industry.” But then an opportunity came up in the securities business and I left Bayuk. In subsequent years, the use of cigarillos gained in popularity and even spread to women, helped by the promotion of plastic tips and the provocative TV ads for Muriel cigars by Edie Adams (“Hey, big spender, spend a little dime with me”). I like to think that my report had something to do with this, but it probably didn’t.

My father’s passion was the stock market and I became interested. When Merrill Lynch opened a new branch office in Miami Beach, I applied for a job. I was one of five that they hired out of 500 applicants.

What I remember most about my years as a Merrill stockbroker were my dealings with Maurice Gusman. He was a philanthropist/investor who made his money in the rubber business in Akron, Ohio, selling prophylactics to the U.S. Army. He later was involved with Coppertone and sold it to Abe Plough. Mr. Gusman’s office was in the DuPont building, downtown Miami. One day when I was cold-calling the offices in the building, I knocked on his door. He agreed to see me, saying he admired a go-getter. He talked to me about his portfolio and gave me an order to sell a big block of Plough stock, easily the biggest order I ever handled. I couldn’t believe my luck—and from a cold call! But what I remember most about Mr. Gusman, aside from his being a gentleman, was his investment savvy. He was not greedy and he was not out to get the last dollar. He would say to me, “Dick, I hope the person who buys this from me makes as much money with it as I did.”

Sex and Stocks As a broker I grew frustrated saying “I don’t know” over and over again. The customer wanted definitive opinions and I didn’t have them. It became apparent that, by nature, I was not cut out to sell securities. To relieve my frustration at the office and to give vent to my creative juices, I worked on a wild idea. After a compliant day following the company line, I spent the evening and weekends putting together a magazine which I called *Sex and Stocks*. To think that there was a need for such a magazine was a stretch, but it served as a great outlet for my imagination.

The challenge was to create content that was clever, entertaining, and in good taste. One feature was a calendar of upcoming events in the market with a Vargas or Petty girl from *Playboy* and *Esquire* as the calendar girl for that month. Another feature was cut-out pictures of sexy women who were posing appropriately to illustrate market sayings (“The market has formed a round bottom,” “The rally proved a huge bust,” “ahead of the curve,” “bare market,” “asset turnover,” “public offering,” “full disclosure,” “straddle,” etc.). I included a crossword puzzle with only stock market–related words and I made liberal use of funny business-related cartoons. Other sections were devoted to personal finance, model portfolios, naked calls, and so on. I wrote a *Twilight Zone* type short story titled “The Moving Ticker” about a janitor cleaning up in a broker’s office in the evening. He looks up and sees the stock ticker start to move. He writes down the prices and discovers they are the next day’s closing prices. Each evening the same thing happens—he has tomorrow’s prices today. The story goes on to tell how he uses this information and what happens to him.

I cut and pasted and printed the entire magazine by hand. It took me a year. It’s the only major project I’ve worked on that I don’t still have. At

“The nicest thing about money is that it never clashes with anything I wear.”

—Unknown

some point over the past 40 years, I misplaced it. The result is that I have nothing to show for a lot of work. I remember I was pleased with the results, both graphics and content. I approached a few

magazine publishers but they dismissed it as a frivolous, less than compelling format. They were probably right—but I did get it out of my system.

Dial Dick Davis Back at the office I was not a happy camper. For me to be content, I needed to do something that gave me more control and more answers. So I put my thinking cap on and resumed my long meditative walks in the evening. The challenge was to create a job for myself that involved something I liked, something I could do well, and something that would permit me to stay with the firm (I thought the securities business itself was exciting).

I had always been struck by the inadequacy of stock market reporting on radio. It was usually done by an announcer in the studio reading copy off a newswire. It was obvious he knew little about what he was reading. Sometimes it was done by a broker from his office. He would read the latest quotes and averages and hoped the on-air exposure would bring in some business. In neither case was there an attempt at depth. Why not have someone knowledgeable in the business offer more than just prices? I called on the general managers of the top local radio stations. I quickly learned that radio in the 1960s and 1970s had little appreciation of the widespread public interest in the stock market (later on I found the same to be true of television).

I convinced WGBS (Storer Broadcasting) to give me 10 full minutes of drive time (soon expanded to 15 minutes) so I could include commentary, the alleged reasons behind the moves, and the opinions of well-known experts (never my own). My first broadcast was from a small studio above a movie theatre on Biscayne Blvd during a hurricane. The date was September 14, 1965. I broadcast uninterruptedly for the next 20 years, both on radio and TV.

The next step was to convince Merrill Lynch to let me stop selling and work exclusively on radio. The firm liked the idea of free prime time exposure and the fact that the name Merrill Lynch would be identified with a unique public service for investors. But they had not done this before and they were skeptical, so they insisted I do both selling and broadcasting. It was up to me to prove that my 100 percent focus on radio would be to their clear advantage. The immediate popularity of the program exceeded everybody's expectations except mine (because I knew there was a need that was not being filled).

I decided to offer Merrill Lynch research over the air as a means of measuring my audience. I received hundreds and hundreds of requests in the mail. I remember receiving over 1,500 responses for a report on Sperry Rand and 3,400 requests for a sample of the *Wall Street Transcript*. I had to increase the size of the post office box to handle the overflow mail.

The big bonus in all of this for the firm was the number and value of the leads I was able to distribute to the salesmen in the seven south Florida Merrill offices. These were quality leads because the salesman knew the prospect had an interest not only in the stock market but in a

particular stock. If the Merrill broker kept the prospect continually informed on that stock, more than his current broker did, there was a good chance of opening the account. The leads I received each week via radio outnumbered the leads generated by Merrill Lynch newspaper ads by some 10 to 1. The firm soon let me give up my selling duties as a broker.

In effect, I created a one-of-a-kind job for myself. I became the only employee of a New York Stock Exchange member firm in the United States devoted full-time to in-depth reporting on the stock market via radio and soon on television and in newspapers in south Florida. To my knowledge and to this day, no employee of a member firm has done the same thing. (Closest is sage veteran Larry Wachtel, consultant to Wachovia Securities, who has done a great job of summarizing market activity three times a day for over 50 years.)

Instead of the Merrill Lynch branch manager, I reported directly to Louis Engel, the director of marketing, and Don Regan, board chairman (who later became Secretary of Defense under President Reagan). They called me to New York once a year to have lunch in the executive dining room and pat me on the back. In effect, they let me do my own thing.

The Professional Opinion Corner I expanded my radio reports to as many as five a day, broadcast direct from my office at Merrill in downtown Miami. I received thousands of complimentary letters from listeners. Because they were so intensely enthusiastic (not just “I enjoy your report”), I saved them in a big, fat, red notebook (which I still have) in case I needed ammunition for Merrill. There was a waiting list of sponsors for the radio show. To further impress the radio station and the advertiser, I would sometimes ask the listener to come into the sponsor’s premises to pick up the report being offered. A flow of traffic into the Cadillac showroom, for example, did not make the local dealer unhappy.

The most popular feature of the radio report was “The Professional Opinion Corner.” I received permission from the leading investment newsletters like those of Granville, Prechter, and Zweig to quote their market opinions and stock recommendations as long as I clearly identified the source. Thus, the listener received free what otherwise would have cost thousands of dollars in subscriptions. Later, I did the same thing

on television, in my newspaper column, and eventually in my newsletter. In print I had the advantage of being able to include additional source information, including the address and special trial subscription rates. The popularity of the “Professional Opinion Corner” feature led to the creation of the *Dick Davis Digest* investment newsletter later on.

The format of reporting other people’s opinions was a natural outgrowth of my own stock-picking insecurities. I knew there were many who felt no such restraints and who offered opinions with great conviction. I focused on those with the better track records and the most notoriety. I knew what the listener wanted most was to know what the popular gurus of the day were saying, especially if it included a \$5 stock that was going to \$50.

So it was someone else’s opinion, not mine. I was off the hook. It was strictly a chicken approach but it fit my temperament. Most brokers, understandably, want to be perceived by their customers as *the* authority—the expert with the answers. For me it is just the opposite. I’m happy to be the conduit.

I have been dealing with investment advice on and off for some 50 years (since 1958 when I joined Merrill). During that time, I cannot remember ever personally recommending a stock, either via my radio and TV reports, my newspaper column, my newsletter, or my speeches. It’s a policy I follow to this day, evidence that at least part of my ego is under control. It’s always been easy for me to say, “I don’t know”—first, because it’s true, I really *don’t* know; second, because then I can’t hurt anybody; and third, because it often gives me an advantage. A display of complete candor and humility, because it is unusual in the advisory business, can prove far more impressive than the definitive opinion that’s commonplace.

I usually try to follow up my chicken response, “I don’t know,” with an attempt to give both sides of the story. As best I can, I will list all those reasons why a stock or the market may go up and all the reasons why they may go down. There’s always a column A and a column B, the positives and the negatives. An awareness of both sides of the story leads to wiser decisions and fewer surprises.

“Never invest in any idea you can’t illustrate with a crayon.”

—Peter Lynch

Career: TV

Because we developed such a large following on radio, I was encouraged to tackle television. My target was the number one rated station in south Florida, Channel 4 (CBS). But I knew I had to get my feet wet first. My first exposure was on closed circuit television. From a studio on the 79th Street causeway, my report was beamed into the rooms of Miami Beach hotel guests. Then I moved to PBS. The public broadcasting station in south Florida was Channel 2 WPBT in Miami. They had never had a daily financial show but they knew of my radio success and agreed to give me 10 minutes in the early evening. They were skeptical and programmed me immediately after *Mr. Rogers' Neighborhood*. This meant I had no lead-in audience and, in effect, was starting from zero. Using the proven format from radio, I quickly built a following. The mail response was heavy and Channel 2 gave me more time on-air.

I began to think of doing something nationally. There was nothing local about my report. In theory, if it was well-received in south Florida, it should be equally successful in New York, Chicago, or Des Moines. There was no daily, in-depth market report on network television. Why not the *Dick Davis Stock Market Report* (which included the day's business news) each night on PBS following *The MacNeil-Lehrer News Hour*? Louis Rukeyser had recently started *Wall Street Week* on PBS but that was weekly. It appeared to be a need waiting to be filled, and I had the filler.

I put together a 30-minute demo tape. It took me a long time to prepare because I wanted it just right (it's been almost 40 years, but I still have the tape). I sent it to PBS and their initial response was favorable. They said they would submit the tape to their affiliates around the country for approval. The fly in the ointment was they told me that I had to sever my relationship with Merrill. Public broadcasting rules at the time prohibited the mentioning or identification of any commercial entity on the air. That killed the PBS idea for me since I was raising a family and couldn't deal with a two-thirds cut in pay.

My three-year stint on Channel 2 started a long career on television but it was important for another reason. It laid the groundwork for the national program on PBS that is heard today and still originates in Miami. The same management team of Dooley and Felton that I had worked with asked Linda O'Brien seven years later to put together a daily business report that could be viewed nationally on PBS. For the

anchor spot they recruited Paul Kangas, who was not saddled with a company affiliation. Linda, Paul, and Susie Gharib have done an excellent job and the *Nightly Business Report* (NBR) has been seen by millions for almost 30 years. I get satisfaction knowing that the seed I planted led to the NBR, enjoyed by so many investors over the years.

Fired Twice In 1971, as I was going full-steam on radio and television, without warning I was fired by Merrill Lynch. I was stunned. The firm claimed I had not told them I was getting a talent fee from the radio station. As I later explained in a letter to the NYSE, I had not only informed two executives in New York but on one occasion, the local branch manager had actually handed me my radio pay check. Merrill made no attempt to corroborate any of this and insisted that I leave at once, meaning within 30 minutes of their phone call. This, after 14 years of being the voice of the firm and distributing thousands of leads to the salesmen. It's a cold business.

I believe Merrill got rid of me because my four or five daily broadcasts were completely unsupervised and represented too much of a potential compliance problem. Unlike Merrill Lynch research reports, no one reviewed my scripts for possible violation of SEC rules. My broadcasting from south Florida instead of New York and writing copy for immediate airing did not allow for the control they needed.

Immediately upon being fired by Merrill and ushered out the front door, I walked across the street to the office of Walston & Co. Buck Peterson, the regional manager, was a regular listener and hired me the same day to do the same radio and TV work I had done for Merrill. A few nights later on my Channel 2 (PBS) TV show, I thanked Walston on the air for enabling me to continue my report without interruption. It was a brief mention but enough to trigger a telegram the next day from Channel 2 notifying me that I was fired (three years on the air, not even a phone call). I had violated the PBS rule that prohibited identification of my commercial affiliation.

In less than a week I had been fired twice. In both cases I was charged with breaking the rules. As far as I was concerned, a 10-second "thank you" to Walston was appropriate and harmless, although technically, I *was* guilty. It was almost as if management was looking for an

excuse to discharge me. People like myself who are constantly pushing the envelope can easily irritate others and cause discomfort on the part of management. In the case of Merrill, my being a media personality was not consistent with being a company man. My broadcast had exceeded all expectations and, for investors in south Florida, Dick Davis had become a household name.

I was still employed by Walston doing radio. Business tycoon Ross Perot had bought DuPont, the brokerage firm, and was in talks to acquire Walston. A former naval officer, the word was that Perot ran a tight ship. I wondered how secure my one-of-a-kind job would be. Luckily, I didn't have to wonder long. Drexel Burnham came along and I was able to continue my broadcasts without interruption.

“You can be young without money but you can't be old without it.”

—*Tennessee Williams*

Tubby Burnham and Ralph Renick I. W. “Tubby” Burnham had been listening to me for years during his annual trips to south Florida. He was chairman of the board for Drexel Burnham. One day he called me and invited me to lunch aboard his yacht at Bahia Mar in Fort Lauderdale. He told me Drexel planned to open a number of offices in south Florida and thought exposure of the firm's name via my broadcast would help them get off the ground. He made me an attractive offer and for the next 17 years I signed off each of my radio and TV broadcasts with “Dick Davis, Drexel Burnham Lambert.”

My target was still to get on Channel 4, CBS, the kingpin in south Florida. So when Channel 2 let me go, I called Ralph Renick at Channel 4. Renick was the pioneer TV news anchorman who later ran for governor of Florida. He said he had been watching me and might be interested but that I needed more seasoning. So I went on a cable TV station that required a long drive to North Miami Beach every afternoon in between radio broadcasts. Then followed a stint on Channel 10, the ABC outlet in south Florida, which I thought would give me the experience I needed for CBS.

In addition to the evening news, Channel 10 agreed to let me try out a new format that I had not seen done before. Early every morning at 5:30 A.M., I drove out to the Miami airport to pick up the

Wall Street Journal and the *New York Times*. I returned to the studio and wrote my script, which included business news highlights and a summary of those articles in both papers that were likely to have an impact on the market (remember, this was the early 1970s when there was no Internet or CNBC). I also highlighted the contents of whatever major financial publications had just hit the newsstands. I went on the air at 7:30 A.M. The result was that the viewer not only had a concise summary of the *Journal* and the *Times* but also of the important articles from the very latest financial magazines—all before the market opened. Also, the viewer did not have to buy the source newspapers and magazines; it was all free. The 5:30 A.M. drive to the airport started my day; the 6:30 P.M. TV report ended it, and in between were three or four in-depth radio reports. It was a grinding routine, so I was not unhappy when I finally got a call from Ralph Renick.

“You’re ready,” he said, and the next week I started on Channel 4, CBS, in south Florida, owned by Wometco. They dominated the market and were not bashful about saying so. They were cocky but had good reason to be. Many Channel 4 personalities went on to successful careers on the network. I started off doing a daily in-depth stock market report on both the noon and evening news. Drexel Burnham was clearly identified audibly and visually during my segment. The exposure cost the firm nothing. The TV station paid me a talent fee.

“If 50 million people say a foolish thing, it’s still a foolish thing.”

—Anatole France

No Teleprompter, No Makeup The logistics involved in doing the noon report were bizarre. I was told to arrive at the station about an hour and a half before airtime. That would mean that my noon report would be current only up to 10:30 A.M., which was unacceptable to me. They wanted the hour and a half to type my handwritten script for the teleprompter (and apply makeup). I actually ended up getting to the station one to three minutes before it was my turn; sometimes it was less than a minute. I never had time to use makeup, no less the teleprompter. But I was never late and I never missed a broadcast.

My goal was to make my noon report as up-to-the minute as I could. It took 11 to 12 minutes for me to walk from my downtown Miami office to Channel 4. I went on the air at 12:15. Subtracting 12 minutes from 12:15 meant I left the office at 12:03. I would leave one minute earlier if it was raining. Waiting till 12:03 enabled me to get the noon averages off the Dow Jones newswires. Most television news was typed on a teleprompter in the studio well before airtime. Instead, I handwrote commentary, with information from the business newswires and the moving ticker tape, right up until the last minute.

The quirky part of my Channel 4 days was my daily jog from the office to the studio. My guess is that it was a routine unique among television newsmen. With my yellow legal pad in hand, I would rush out of the office and then walk as fast as I could, or jog or run, depending on whether I had an extra minute or two. My pace also varied depending on the weather, the traffic, and which cops were on duty (some knew me and held up traffic if I was really running late).

When I arrived at the station, I would go directly on the set, sometimes within a minute of being introduced. I read from my scribbled script rather than from the teleprompter, so I was doing a lot of looking down rather than looking straight ahead at the camera. Because there was no time to prepare visuals to complement my script, the viewer, in effect, was looking at a talking head. It was not slick television but I got away with it because the material was good (my eye-camera contact improved over time). No other TV station could come close to Channel 4's stock market coverage. We developed a large and loyal TV following.

In national competition, *The Dick Davis Stock Market Report* won the Janus Award for the best financial reporting on television in the country. I went to Washington, D.C., and received a trophy from Art Buchwald.

“That’s My Son” I took pride in my reports because they were the very best I could do. There was no slack. I left nothing on the table. My days were long and stressful but I never thought about it. My game plan had been simple: Think of a different way to fill a need, make sure it’s good, and then do whatever it takes to make it happen. It was an approach that I used over and over again, both in the years before and the ones that followed.

What was missing in my work was enjoyment. Working in front of the public on radio and television is supposed to be glamorous and exciting. I found it cut-and-dried and mostly unfulfilling. When I did something for the first time, I got a rush for maybe a week or two. Then it quickly settled into a routine. It was a means of earning a paycheck to support my family. I guess that's one reason why I was always looking to break the sameness with something new. Whenever I heard about someone who loved his work I was jealous. Being constantly driven to do your best and then doing it may be a source of satisfaction, but it's not fun. Also, there are no surprises. Once I'm committed, there's no uncertainty about it being done. We are all prisoners of our nature and mine is too serious and intense. I wish I were more like my brother and sister who are both skilled at "lightening-up," enjoying life, and having fun.

The popularity of my TV reports on Channel 4 enabled me to air another idea in which I *did* lighten up. I called it *Off-Beat Wall Street*. It was only five minutes but it had the highest TV ratings in the market because it was the lead-in to *60 Minutes* every Sunday evening. I covered a wide range of topics including popular personalities and how they spent their money (something like what *Lifestyles of the Rich and Famous* did later) and new products about to be introduced that looked especially interesting. I requested and received samples which, since the show was taped, I could use as visuals.

Off-beat Wall Street was the only thing I did on television that my kids watched because they knew I'd be coming home with the free product samples. My mother was more supportive. She was a pink lady in the hospital and at noontime she would walk into the patients' rooms on her floor, switch the channel to 4, and announce, "That's my son."

"No one can achieve real and lasting success or get rich in business by being a conformist."

—Unknown

Then I would get a critique from my mom, not about the report, but about my tie: "Why can't you wear a nice tie like Walter Cronkite?"

Career: Newspaper

I was on radio and television but not in the newspaper. The *Miami Herald* dominated the south Florida market but they were even more uppity

and independent than Channel 4. My strategy was the same that I used to get on Channel 4, namely, get exposure in smaller outlets first and acquire experience. I got published in Paul Bruun's *Miami Beach Sun*, then Lee Ruwitch's *Miami Review*, and then I went to the *Miami Herald*. They knew of my work, and business editor James Russell was a fan of my radio and TV reports. They agreed to try me out for six months. I ended up doing a three-times-a-week column for 10 years.

The column was syndicated nationally by Knight Ridder, which owned the Herald. It was the paper's first stock market-oriented column. The format was similar to the popular "Professional Opinion Corner" featured on my broadcasts. I excerpted the opinions and recommendations of the nation's leading newsletters. It was a winning formula; the information that was available only to paid subscribers was available to my readers free. (It was a formula I would use one more time, later on in my newsletter, with enough success to let me retire.) The column was simply titled "Dick Davis," even though I offered no opinions. The fact that I was responsible for conveying to my readers the best thinking on Wall Street, information that they would not otherwise be exposed to, made me feel good.

Now I was working on the leading radio station, TV station, and newspaper in south Florida. It was difficult for anyone following the stock market to avoid me. I did my best to turn out a high-quality product every day. As our following grew, so did the number of happy sponsors on radio and TV and so did the number of leads generated for the salesmen.

I was making money for others. I began to think about doing something on my own.

Career: Newsletter

A digest-format investment newsletter was an idea that naturally evolved from the popularity of the "Professional Opinion Corner" segment of my broadcasts. I enjoyed finding and exposing unusual bits of wisdom and clarity, and sharing well-thought-out stock recommendations. I had a good feel for finding them and for knowing just what to excerpt. The key was the willingness to spend the time necessary to get the okay from the newsletters and come up with consistently good material;

I knew the time commitment was no problem. (As I think back on it, I realize that all my life I have been sending articles to family and friends. I have this compulsion to share information that I think will be helpful. To prepare my kids, I write on the back of the envelope, “Ugh! Not another article!”)

So the digest was a format that fit my temperament. Most of all, it permitted me to dispense advice without having to be the adviser. I knew, of course, that interest in stock market advice was limited in bear markets. But I also knew that the market spends more time going up or sideways than going down, that in bull markets the investor wants to be part of the action, and that what he wants most are winning stocks. A cross section of outstanding stock ideas from the best-known market letters, all in one publication, seemed like a good idea. (Besides, I was blessed with a name that made for a great title for a digest-format newsletter, alliteration and all.)

I worked on the digest evenings and weekends so as not to interfere with my Drexel job. I already had relationships with a number of writers, including Zweig, Prechter, Granville, Weinstein, and others. I sent out a letter to about 200 of the leading investment advisory services, promising I would identify their publication in detail, including address, phone, and subscription cost, if they would send me a complimentary subscription and a letter authorizing me to publish excerpts. There was some initial resistance to making available free what their subscribers paid for. But I was just asking for an excerpt, and the advantages of exposure in a widely read, quality publication soon overcame the objections.

Investment newsletters get new subscribers mostly by buying mailing lists of prospects and sending them promotional literature. I dispensed with the promotional hype and simply enclosed the latest 12-page issue, the sales pitch being, “If you like it, subscribe.” This is seldom done because it is expensive and because clever use of words can make something sound better than it is (“sell the sizzle, not the steak”). I did it my way because I was extremely confident in the quality and appeal of the *Digest* and because it was a more honest approach.

We lucked out with our timing. We launched the *Digest* in June 1982, the very month that marked the beginning of an historic bull market. My brother and sister both helped with our initial mailings by

stuffing envelopes. Steve Halpern was my assistant and Carla Neufeld was my secretary/office manager. I could not have hired two more capable, loyal, hardworking employees. I knew little about computer technology and customer fulfillment; they knew everything. Many of the executive decisions that outsiders thought I made, I delegated to Steve and Carla because they were both smarter and faster than me.

It didn't take long for the *Digest* to take off. It was profitable almost from the beginning and I recovered my initial investment quickly. (The newsletter business, if successful, is a beautiful thing because the cash comes in up-front, one, two, or three years in advance.) When it became apparent that the *Digest* was a winner, Drexel Burnham advised me that they expected to be made a 50 percent partner without any investment. Their rationale was that I launched the *Digest* on their watch. I had worked on the *Digest* evenings and weekends using my own money but, technically, I did it while still employed by the firm. They did promise to put the firm's marketing muscle behind the *Digest* and spend money on future promotion. (As it turned out, they never spent a dime on the *Digest*.)

I could have turned Drexel down and gone off on my own. I thought about it, but with two kids entering college, I wasn't willing to risk a sure paycheck for one that was uncertain. It was a good deal for Drexel—they got something for nothing. But even at the reduced 50 percent, I had no complaints when I sold out years later. In the meantime, the business prospered and I drew a nice salary. I gave up my radio and TV broadcasting, turned over the newspaper column to Steve, and devoted myself full-time to writing and growing the *Digest*. I moved from my Drexel Burnham office in Miami to brand

“What's the use of happiness? It can't buy you money.”

—Henny Youngman

new space on Arthur Godfrey Road, Miami Beach, with “Dick Davis Digest” printed on the front door.

Putting the *Digest* Together In the early years, the routine I went through preparing each issue of the *Digest* (every two weeks) bordered on the bizarre, but it got the job done. Because I had to meet a deadline and because I worked so slowly and had so much to do, I simply had to block out time and work nonstop till I was finished. On alternate

Friday afternoons, I left the office with a carton filled with 200 to 300 newsletters from around the country. I didn't return until the following Tuesday afternoon. For those four days I holed up in my apartment and did not leave. I was isolated and focused with a clear mission. My job was to write the 12-page *Digest* in longhand and bring it into the office completed and ready to be typed.

I left the reviewing of the newsletters to the last. My biggest challenge was coming up with a dynamite idea for the page one "Personal Note" column that I wrote for each issue of the *Digest*. It was the first read of most subscribers and imparted a distinct flavor and personality to the publication. Sometimes it was Sunday before I came up with a topic that I thought was right. I mostly wrote about current happenings in the stock market and how they illustrated important but seldom-discussed universal truths of investing. The focus was often on behavioral or psychological influences. I made no market forecasts or stock recommendations. It took me typically two to two and a half days before, with a big sigh of relief, I finished writing the one-and-a-half-page "Personal Note."

The remaining one and a half to two days, I went through the pile of investment newsletters. I excerpted the 25 to 35 commentaries and stock recommendations that I thought were especially well written, provocative, timely, and insightful. Since there was no way of knowing which of the recommended stocks would go up, the bottom line was which would be the most interesting to the reader. I used a small fraction of the material I read. Over the next years, I went through 157 Friday-to-Tuesday lockup writing sessions. It was a self-indulgence that was made possible because I was not married at the time. My single status also allowed me to leave the office at the crazy hours I did: 1 to 2 A.M. during *Digest* preparation week and 10 to 11 P.M. otherwise.

Exposure in *Forbes* and *Money* Magazines The *Digest* continued to grow, reaching a circulation of some 35,000 (that's a lot for a mom-and-pop operation) with subscribers in every state and 58 foreign countries. The refusal of some newsletters, early on, to give authorization changed to complaints about not being quoted more often. Our list of cooperating newsletters grew to over 400, including expensive ones like the *Bank Credit Analyst* and the *Wall Street Transcript*.

The only source I used regularly that was not a paid-for publication was Robert Farrell, the head strategist for Merrill Lynch and a perennial all-star analyst. Farrell had a rare feel for the market and a gift for writing about it. I thought his analysis was the best on the Street. He always set the stage, giving the big picture and the most likely scenario based on history, fundamentals, and technicals. I made sure to include his comments in each issue (in the “Where’s the Market Going?” section of the *Digest*) so that subscribers could benefit from his insight.

The circulation of the *Digest* benefited from some unexpected sources. Many stockbrokers were subscribers. They passed the *Digest* on to their customers who would then call us and subscribe. The exposure the *Digest* received in the national media also gave a boost to circulation.

“It’s not your salary that makes you rich; it’s your spending habits.”

—Charles A. Jaffe

Forbes did a feature story and *Money* sent down a crew to take pictures and do a major piece. The *Digest* also benefited from appearances I made as a featured

speaker at large investment seminars (10,000 and up) across the country sponsored by Investment Seminars, Inc. (ISI), the nation’s largest producer of money shows.

Selling the *Digest* In my partnership contract with Drexel, my attorney had astutely included a buyout formula which Drexel was obligated to follow if I wanted out. I decided to exercise that option. After living and breathing the *Digest* for seven years, I took advantage of what was then a robust but cyclical business and sold my 50 percent back to the firm.

Drexel disputed some of the figures so I went to New York to make sure I received my due. The firm had ignored the *Digest* from day one and left everything to me. Now that the issue was about protecting their financial interest, I had the firm’s complete attention. In fact, I ended up dealing with James Balog, who was vice chairman of Drexel. I was surprised not only by the sudden interest of senior management but also by their concern over a relatively small amount of money. This was the same firm that was reaping hundreds of millions of dollars from the high-powered junk-bond operation of Michael Milken.

I sat outside Balog's office for two days, but when he finally saw me he was gracious, we signed an agreement, and I flew home to Miami, check in hand. The proceeds of the sale enabled me to retire at age 62. (Drexel later decided they didn't belong in the newsletter business and sold the *Digest* to a New York publishing firm. I had signed a noncompete clause; the new owners retained the name *Dick Davis Digest*, which is now in its 26th year.) A year after I received my cash payout, Drexel filed for bankruptcy and Milken went to jail. Talk about lucky timing!

On my living room table I keep a pile of all the *Dick Davis Digest* issues that I published—numbers 1 through 157. The pages are faded and discolored and the stack measures only three inches high. I keep it there because it reminds me every day of my good fortune and how one good idea backed up by hard work can change your life.

Post-Wall Street

I was retired from the *Digest*, but my mind kept working.

My first idea was to write a health digest newsletter better than what was out there. The idea for an investment digest worked; why not do the same thing with health? It took me a year to put together a sample. It was a comprehensive 40-page newsletter with lots of original features. I printed 200 and showed it to a few people but nothing came of it. Once I got it out of my system, I lost interest. Anyone can come up with an idea. The hard part is to implement it.

I also failed to follow through on an idea I had nursed for a long time for a radio/TV program. I called it *What Would You Have Done?* A conversation between a broker and a customer is featured on radio, TV, or a web site. The broker lists all the reasons why he's recommending a particular stock and then asks the customer for the order. Would you have bought the stock? The conversation is based on actual past written recommendations from brokers, magazines, newsletters, and the like, quoted in their entirety or excerpted. The broker would first set the stage by describing the big picture—where the market and the economy were at the time and what had led up to the conditions at the time of the recommendation. Also included would be short- and long-term charts of the stock and the market. It would be a re-creation of an

actual sales pitch, except this time the customer would likely have more complete information.

On the internet, a click would reveal exactly what happened to the stock in the months and years following the recommendation. The source of the sales pitch would not have to be identified (“a major brokerage firm”). There are thou-

“My uncle used to have a corner on the market. Now he has a market on the corner.”

—Alan King

sands of past write-ups to choose from. They all sounded like sure winners at the time. Some of the stocks selected would prove winners, others losers. The purpose would be both to entertain and to educate. On radio and TV there would be a commercial time-out following the question “What would you have done?” I made a demo tape for the Mutual radio network back in the 1970s but never mailed it.

CNBC, Bloomberg, and Merrill Lynch

I knew I had good ideas for improving the programming at CNBC. I submitted a lengthy report to management and followed it up with many phone calls. I never heard back. I have never been able to understand why people think that being in business gives them an excuse for ignoring the most basic common courtesies that are observed in other human relationships. Everybody has a right to be disinterested. But not to take a few seconds to have your assistant/secretary acknowledge a detailed report or repeated phone calls by simply saying you’re busy and will or will not call later, is not only insensitive, thoughtless, and rude, but borders on being mean-spirited. (I can’t tell you how much satisfaction I got just from writing that sentence!)

I next came up with an idea for an investment web site that I thought was dynamite. And it passed the crucial overnight test: It sounded as good the next morning as it did the day before. I thought it would be a natural for any of the major investment sites like a Yahoo! or Bloomberg. I called Michael Bloomberg cold turkey (one of his secretaries, tired of my constant calls, gave me his personal number). I left messages till one day he called me back (before he was mayor). He invited me to New York, where I found out that neither Bloomberg nor Yahoo! is a user of original content.

I then peddled the idea to Merrill Lynch for use on their web site, hounding David Komansky, Stan O'Neil, and others in top management. I finally got a letter back from retail marketing saying the idea was "thoughtful and innovative but not something Merrill would be willing to undertake at this time." Today, a decade later, no one has used this idea which I still think is a blockbuster. If it's so good, why isn't it being used? I don't know. Another long-held idea I worked on during this semi-retirement, prebook period had to do with the NYSE ticker tape. Why not broadcast an uninterrupted *verbal* reading of what comes across the tape on a small portable receiver? I took the idea to Sirius and XM but both were focused on music programming in their early years. When I learned that approval by the NYSE was a complicated legal matter, I lost interest.

In the years immediately preceding this book project, I spent most of my time writing articles (including one for *Barron's*), speaking, and teaching. My golf and tennis were cut short by a spinal cord injury so I made up the slack by volunteering to start a stock market class open to the public at the local Jewish Community Center. I prepared diligently for each class and it caught on quickly. The classroom gave me a platform to espouse the deeply held beliefs about stocks and investing that are in this book. Because so many of the students are snowbirds (seasonal visitors to south Florida), I get to interact with investors from all over the country.

Modesty Adds Credibility

So much for my background. It's already more than you want to know. I'll conclude on an introspective note that may explain why some of the core beliefs found in this book ended up here.

It has always surprised me that so many really smart people don't understand that, in most cases, saying "I don't know" or "I was wrong" makes them look *good*, not bad. Or maybe they do understand, but ego makes it impossible. For me, admitting I'm wrong or don't know has always come easy, probably because I've had so much practice. In fact, there are times when I'm falsely modest, proudly declaring that I don't know, only because I believe it sets me apart and makes my other opinions more credible.

The ability to acknowledge one's limitations is especially important in the investment advice business where being wrong is commonplace. The full disclosure found in all security prospectuses should serve as a model of candor. In addition to all the good stuff, the prospectus contains all the negatives and all the risks. The adviser, in my view, should aspire to this same level of disclosure; he should be as close to a walking, breathing prospectus as possible. Recognition of fallibility should be a routine part of his presentation, as in "I don't know," "I was or may be wrong," or "This may or may not work out." I hear this from some advisers, but not many. If I had a problem saying these words, the contents of this book would be very different.

When someone teaches a class or writes a book, the inference is that he's an expert on the subject. In the market advice field, we all know there is no such thing and that, in fact, the term *stock market expert* is an oxymoron. There are literally thousands and thousands of people in all areas of the investment business, including the financial media, that have a depth of fundamental and technical knowledge far superior to mine. Trust me, this is not false modesty. These super-sharp people are in a completely different league. And when they expound on program trading, option strategies, arbitrage, derivatives, currencies, stochastics, quantitative analysis, and so on, they leave me far behind. I make a point of this because I want you to know what you're getting and, more important, what you're not getting. (I am neither a certified analyst nor a financial planner).

However, I have learned that the mastery of complex financial subjects does not necessarily equate to sound judgment, common sense, or an understanding of human nature. I have had no formal training in psychology. But I *have* had some 40 years of interaction with the investment public. Many of my core convictions result from observing the behavior of investors over this long period. For any commentary on investing to be taken seriously, it must be a voice of experience. Lengthy exposure to the vagaries of the market, up, down, and sideways, is essential.

But an author attempting to give meaningful information to investors needs more than experience. After all, everyone at the end of their careers has experience. What's also needed is the ability to gain insight and a measure of wisdom from that experience. Brilliant scholarship is not uncommon but wisdom, insight, and judgment are hard to come by.

The cliché is that we get wiser as we get older. The truth is that the relationship between the two is tenuous at best.

I'm hoping, of course, that you will find some degree of wisdom in these pages. I'm emboldened to think you will because of the encouragement and support I received from students and colleagues in the investment media business. Their endorsement has reinforced my desire to undertake this project. I hope that what you read in the following pages merits the time you've just taken to learn something about the person who wrote them.

"Money isn't everything, but it sure keeps you in touch with your kids."

—*Milton Berle*

"It's pretty hard to tell what does bring happiness; poverty and wealth have both failed."

—*Kim Hubbard*

