

Bull! A History of the Boom, 1982–1999: What Drove the Breakneck Market—and What Every Investor Needs to Know about Financial Cycles. By Maggie Mahar. New York: HarperBusiness, 2003. xxii + 486 pp. Tables, notes, index. Cloth, \$27.95. ISBN 0-06-056413-X.

Reviewed by Maury Klein

It would be ridiculously easy to take a cheap shot at a book entitled *Bull!*, and in this case it would be thoroughly unwarranted. Maggie Mahar, a veteran financial writer and former English professor, delivers a lively, engaging, and incisive account of the most durable secular bull market in American history. Intended for a general audience, it provides enough analysis and data to reward the business historian as well. Using a nice mix of interviews, source materials, and statistics, she enhances the narrative with portraits of many key players and concludes with a survey of the lessons learned and their value for future investing. “The history of the stock market,” she observes, “shows that magnificent bull markets beget brutal bear markets” (p. 361). Her study also sustains the “hard truth” that “the market cannot grow that much faster than gross domestic product” (p. 360).

Mahar casts her story in the context of long-term cycles and finds close similarities to the pattern of 1920–32. After its dismal performance between 1969 and 1982, a moribund stock market roared back to life in three stages, embracing 1982–89, 1990–94, and 1995–99. Where pensions and mutual funds had earlier driven the market, corporate stock buybacks, leveraged buyouts (LBOs), and takeovers fueled the surge that became the Great Bull Market and in the process changed the capital structure of corporate America to one favoring less equity and far more debt. The crash of 1987, Mahar notes, was remarkable chiefly for its aftermath: “Nothing happened. The economy did not collapse” (p. 72). The LBO craze faded away, but during the 1990s individual investors—by rushing 401(k) funds into the market—spurred the Bull’s resurgence. By 1992 “Americans with incomes under \$75,000 owned 42 percent of all publicly traded stocks” (p. 105).

The rise was spectacular. It required seventy-six years for the Dow to reach 1,000 in November 1972, and another fourteen years to touch 2,000 in January 1987. In the spring of 1991 the Dow hit 3,000 and passed 4,000 in February 1995. Nine months later it broke the 5,000 barrier. Middle-class investors flocked into the market. The recession of 1990–91 pushed many baby boomers into the stock market in search of returns that would enable them to buy homes or create meaningful retirement accounts. One survey revealed that a third of households with financial assets of \$25,000 to \$100,000 bought their first stock or mutual fund between 1990 and 1995. Even more revealing, and predictable, another 40 percent of this group (and 68 percent of those with financial assets below \$25,000) first ventured into the market after January 1996. They entered near enough to the peak to be ripe for the fall. In March 1999 the Dow reached what seemed to many the magical 10,000 mark.

As in the 1920s, a relentless drumbeat of media hype fueled the market's rise. However, the varieties and voices of media in the 1990s were far more numerous and influential than in earlier years. Mahar chronicles the role of CNBC and other cable channels in promoting the bull market, and profiles several of the figures who emerged as a new breed of cheerleader/soothsayer panting breathlessly over the stock du jour. As in past bull markets, buyers developed a herd mentality that closed their eyes and ears to the warnings of cautionary or pessimistic analysts, who, like messengers throughout history, were, if not shot, at least fired. Wall Street's grip on reality also suffered from a decline in critical thinking and forensic accounting after 1975, when deregulation opened brokers' commissions to competition and "turned the economics of Wall Street research upside down" (p. 182).

The "pointillist perspective of most real-time reporting," as Mahar aptly calls it, "ignored the market's longer cycles" (p. 163) to focus instead on daily and quarterly performance. This truncated vision in turn created an insatiable appetite for good news that led corporate officers into a host of dubious accounting practices to feed its demands. And the money kept coming. By 1996 individual investors were pouring an average of \$25 billion a month into the market. A record \$208 billion flowed into some 6,000 mutual funds, an increase of 60 percent from 1993. "The market's spiral not only pushed prices to unsustainable heights," noted Mahar; "it also fostered a corrupt corporate

culture hooked on high growth” (p. 270). By 1998 financial chicanery riddled corporate America. As the bubble expanded, Alan Greenspan was hardly alone in his unwillingness to burst it, with the result that the Federal Reserve Board behaved much as it had in 1929.

In Mahar’s view, the inevitable bear market arrived, not in March 2000 but sometime in 1999. Insiders began exiting as early as September 1999, leaving middle America to catch the brunt of the collapse. By February 2002 some 100 million investors had lost \$5 trillion, or 30 percent, since the spring of 2000. The bull market was dead, and the inevitable finger pointing began. In debunking some of its myths, Mahar cites the conclusion of one analyst that “stocks outperformed long-term treasuries by a paltry 1% a year” (p. 358) for the entire period from February 1969 through March 2003—hardly a ringing endorsement for the value of stocks as a long-term investment.

The structure of *Bull!* is somewhat disjointed. Too often the narrative doubles back on itself, resulting in some repetition, but the tale it tells is riveting. Mahar has produced a book that is intriguing, informative, and instructive. As the fullest and most compelling autopsy to date of the grandest bull market of them all, it should satisfy scholars and general readers alike.

Maury Klein is professor of history at the University of Rhode Island and the author of Rainbow’s End: The Crash of 1929 (2001). His most recent work is The Change Makers: From Carnegie to Gates, How 26 Great Entrepreneurs Transformed Ideas into Industries (2003).