Passive Aggressive Investing

from Barron's and Randall Forsyth, Is It Time to Return to Active Stock-Picking?

> *What's needed, say some outspoken active investors, is a return to old-fashioned Houseman–Smith Barney securities selection, rather than the tide of passive investing washing over the financial markets. "Passive investing is in danger of devouring capitalism," Paul Singer wrote in the second-quarter letter to his Elliott Management hedge fund investors.*
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> *That recalls last year's rather histrionic paper from Bernstein, "Why Passive Investing Is Worse Than Marxism." The gist of both attacks on index funds is that, without active investors diligently working to allocate capital and to hold managements accountable, our economic system would be in peril.*
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> *"What may have been a clever idea in its infancy has grown into a blob that is destructive to the growth-creating and consensus-building prospects of free market capitalism," Singer is quoted by Bloomberg News as having written.*
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> *The market is facing other pressures, too. As stock-picking has declined in recent years, so has the number of stocks. In a recent column, The Wall Street Journal's Jason Zweig makes this startling observation: "There were 7,355 U.S. stocks in November 1997, according to the Center for Research in Security Prices at the University of Chicago's Booth School of Business. Nowadays, there are fewer than 3,600."*

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Everybody cannot be passive. It is not self fulfilling, it is self defeating.