

Point Counterpoint

In commemoration of the 60th anniversary of the founding of a profession, we are reprinting excerpts from a formative debate between Benjamin Graham and Lucien Hooper, which appeared in the January 1945 issue of the Analysts Journal.

AGREE



Graham

The advantages of a rating system may be summarized thus: Those dealing with a Q.S.A. [Qualified Security Analyst] will know he has met certain minimum requirements in regard to knowledge of his field and has professional competence. They will know also that to retain his designation of Q.S.A., the analyst will have to observe rules of ethical conduct which no doubt will become increasingly definite and stringent as time unfolds. These benefits will apply both to the direct employers of security analysts and to the clients of such employers.

The analyst who qualifies for the rating will have the obvious advantages of prestige, improved ability to get a job and the chance for higher pay. In addition, he is likely to develop a more professional attitude towards his work and a keener interest in maintaining and advancing the standards of his calling.

There is in this discussion no desire to minimize the practical difficulties faced by the rating proposal. However, it does not seem that these problems are essentially different from those met in the fields of accounting, law, medicine, and other professions. If these analogies appear too elevated, we can point to the licenses or Certificates of Fitness required, in various areas, for real estate brokers, insurance salesmen, and customers' brokers employed by Stock Exchange houses. It is hard to see why it is sound procedure to examine and register customers' brokers but not sound to apply corresponding standards to security analysts.

The crux of the question is whether security analysis as a calling has enough of the professional attribute to justify the requirement that its practitioners present to the public evidence of fitness for their work. The publication of this *Journal* is in itself an assertion of professional status for security analysts. It would seem to follow, almost as an axiom, that security analysts would welcome a rating of quasi-professional character, and will work hard to develop this rating into a universally accepted warranty of good character and sound competence. //

Known as the Dean of Wall Street, Benjamin Graham was the author of the landmark books Security Analysis (published in 1934 with David Dodd) and The Intelligent Investor (1949).

DISAGREE



Hooper

Mr. Graham's admirably prepared statement concisely outlines the details of the proposal. His answers to those objections which he attempts to rebut are presented fairly. However, there always are two sides to every question.

From the beginning, a number of members of our Society have opposed the suggestion to establish a professional rating for security analysts. The opposition has not been merely against this plan, but against any plan. Our objections are fundamental and basic.

Unless our employers, the investing public or some governmental regulative body force regimentation upon us, we earnestly desire to remain free from this unnecessary formalism. The life of an analyst is complicated enough without the addition of any unnecessary appurtenances.

Those who employ security analysts, and the investors the profession serves, have evinced practically no interest in this proposal. The idea has been advanced in a more or less perfunctory manner, rather than with unremitting enthusiasm, by a comparatively small number of more serious-minded members of the New York Society of Security Analysts, Inc. The mass of the membership has been indifferent. It has been causally rather than keenly interested. There has been no

spontaneous response to the rating proposal either from within or from without the profession. This, in itself, is important because the success of the plan depends on its general acceptance and on the profession's enthusiastic determination to make it work.

To sum up, (1) there is no emphatic demand for a professional rating, either from analysts themselves or from their employers and clients, (2) there are no outstanding professional abuses to be corrected, (3) it is hard to prove that the proposal would hasten the development of a profession, which has made such amazing progress without any regimentation, (4) the cost in time and money would be considerable, (5) the idea should not be adopted in the absence of juniors now in the Armed Forces, and (6) to adopt a professional rating before a code of ethics is established is ill-advised sequence. //

Lucien Hooper was the founder and former president of the Security Analysts Federation and president of the New York Society of Security Analysts.

AGREE OR DISAGREE
Security analysts
should have a
professional rating.