Gladly learn and gladly teach and learn some more

Thirty-five years ago I saw a small print ad in The Chronicle of Higher Education for a teaching position at Illinois State University. Even though I am a native of Illinois, I didn't really know much about the school.

The name Illinois State was a good sell. Its then-motto ‘...and gladly would he learn and gladly teach’ was even better. It was Chaucer’s description of the scholar of Oxford. I actually studied Chaucer in Oxford, Ohio, so I thought there might be a fit.

Graduation is called commencement or beginning. graduating seniors don’t like to be told that their life of learning is only beginning, that their diplomas are really a letter of transfer to the University of the Real World. College success is not about the stuff we teach but in the development of those tools to take on those life lessons.

As a beginning junior professor, I knew just about everything of importance.

So I thought.

But life experience, both success and failure, has taught me much. I hope I have gained some measure of wisdom. I know I have grown in the humility department. Failure can be a tough teacher but, like commencement, we Americans see it as opportunity for a new beginning.

My business is investment with its glory and disaster. First let’s consider the glory. The Dow began at 40 points in 1896 and is now more than 10,000. That very unsteady rise combines short-run emotional volatility and long-run rationality.

The heights of the 2000 irrational exuberance (over 11,000), the depths of late winter 2009 despair and the recent 1,000 intraday flux illustrate this. The emotions are lightheaded euphoria (2000), fear (2010) and greed (2007). The long-run rational reality is that our free market system, for all its faults, is the greatest engine of human creativity and wealth creation ever known.

In the February 2009 gloom, the Dow fell from more than 14,000 to 6,400, a greater percentage loss than the crash of 1929. If my analysis was correct, it was time to buy. I did. Caterpillar was $35 (now $63), Allstate $17 (now $32), UPS $47 (now $65) and Zebra Technologies (they make bar codes) was $18 (now $28).

Aren’t I smart and brave? Well, not always.

Let us return to those thrilling days of yester-year. It is late winter 2000, the millennia have come and I am watching Wall Street W with Louis Rukeyser, one of my favorite shows. The special guest was the only guy I ever saw on the show who did not wear a tie, but he made up for it with an earring. Technology, technology, technology was his theme. The solid companies of old were just that – old. Our future was floating in cyberspace. The numbers showed he was right.

The NASDAQ was sailing over 5,000. Taunts from this guy, friends and colleagues rang out. “Carson, you are the last dinosaur ... You have a farm but where’s the dot-com?”

In 1997 I bought Motorola at $17 per share and it was then at $62. Reason and intuition told me that this good company was trading for more than double its real worth. Should I sell at least a third of this overvalued holding? I gave in to the taunts and held on. It’s now below $7. The lesson is a repeat of something we learned as children about sticks and stones.

In 2008, General Motors celebrated its 100th anniversary and its annual report included an upbeat look to the future. For the money, its cars were as good as any on the road, and all that tradition. The reputation of Toyota and others for superior quality control was no longer reality. Excessive labor costs, including $1,500 in healthcare cost per vehicle, were a fixable problem.

GM had traded for more $70 per share but plummeted to $9. I bought. But with the severe recession and $4 gas, car sales slowed to a new car every 25 years. That was the end of GM as we knew it. My old shares are worthless. GM has restricted, with the union and government as the new owners.

In hindsight my investment was risky but rational. In making money, so goes the lesson, one must learn to tolerate occasional losses. I had previously learned, as usual the hard way, about diversity. I own something over 25 stocks and each one is about 2.5 percent of my portfolio. The GM loss was affordable.

Some of the hard-knock lessons were not so gladly learned, but benefit the gladly teach part of my life.

Carson Varner is a professor of finance, insurance and law at Illinois State University.