
THE LEGACY OF JACK TREYNOR: FRIENDS REFLECT

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1 Jack Treynor remembered

At the 2017 *Journal of Investment Management (JOIM)* Spring Conference a distinguished panel paid tribute to the legacy of Jack Treynor and shared their personal memories. The panel, moderated by Marty Leibowitz, included Gifford Fong, Mark Kritzman, and Harry Markowitz.

Treynor, who passed away on May 11, 2016 at the age of 86, straddled the worlds of academia and industry. Yet he didn't bother to get a PhD and he shunned a lucrative Wall Street career. According to the *Wall Street Journal*, "An academic on the outer margins of academia, Mr. Treynor nonetheless helped pioneer the use of math to measure the risk-adjusted performance of fund managers, advancing techniques that encouraged investors to embrace index funds rather than stock pickers" (Hagerty, 2016). Treynor spent 12 years as editor of *Financial Analysts Journal* and most recently was Senior Editor and Advisory Board member of the *JOIM* and Senior Fellow of the Institute for

Quantitative Research in Finance. Prominent academics have speculated that had his early work on the Capital Asset Pricing Model been published promptly in the early 1960s, Treynor would have most likely shared the Nobel Prize in Economics.

2 Marty Leibowitz's reflections

Leibowitz highlighted some of the comments in the 2008 collection of essays, *Treynor on Institutional Investing* (Treynor, 2008). Leibowitz commented: "Simply put, Jack Treynor is one of the giants in modern financial theory, having generated a virtually continuous flow of deep insights that have advanced our understanding of how investors behave and how markets evolve. However, because he was so often well ahead of his time, his work and its influence on the field has not been as broadly recognized as it should be." Other comments from this volume:

- Mark Rubenstein (Professor of Finance, University of California at Berkeley): "*Along with Fischer Black, Jack has one of the most creative minds ever to think about financial economics. He has ideas, and more ideas, and like Fischer he swings at losers, but once in a while*

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he really cracks one out of the park. Sometimes Jack is so far ahead of the umpire of the day that what first looks like a foul ball turns into an in-the-park homer, after one takes the time to inspect the replay more carefully. So step up to the plate with Jack, and take a swing.”

- Donald Tuttle (retired Vice President, CFA Institute): “*Unbelievable in scope and breadth for a single author, Treynor has pioneered thinking in nine major capital market topics.*”
- Craig French (Director of Risk & Quantitative Research, Corbin Capital Partners): “*Treynor on Institutional Investing is matchless. Jack Treynor, enigmatic market observer and participant, collects most of his investment wisdom—developed over a lifetime. Treynor is the missing link in financial economics; one whom many had overlooked and yet who, as the protégé of Franco Modigliani and as the mentor of Fischer Black, first invented the Capital Asset Pricing Model.*”
- Mark Kritzman: “*Jack Treynor is the quintessential giant upon whose shoulders we have stood to peer further into the mysterious and complex world of modern finance. Always ahead of his time, Jack challenges us to question conventional wisdom, and with the benefit of hindsight, our appreciation for Jack’s wisdom has grown deeper.*”
- Jeff Diermeier (former President and CEO, CFA Institute): “[*Treynor is*] *one of the most independent minds to tackle the financial market landscape. . . The principle, he believed, should not be what could be sold in the market for the benefit of Wall Street but the intrinsic value of the investment to the end user—whether beneficiary of a pension plan or mutual fund investor. We at CFA Institute also believe that the ultimate owner should be the prime beneficiary of the work we do. . . Equally important to Treynor’s public contributions, but impossible to quantify, is the individual guidance and advice that he gave*

to individuals. Many of us can share stories of how Jack Treynor helped and influenced us on a personal scale.”

- Charley Ellis (former Chair of the Board of the Institute of Chartered Financial Analysts): “*Jack has been a leader in the process of developing our knowledge and our understanding, and he has taken us with him.*”

Leibowitz highlighted many of the characteristics, not as well known, of Treynor as an individual, which are not usually associated with someone as intellectual as Treynor. He noted that Treynor was extremely athletic and was a swimmer (he used to regularly swim 100 laps every morning), a runner, and a boxer in college. Treynor was not the neatest person; Leibowitz described Treynor’s office as a mammoth cave with piles of books rising to the ceiling like stalagmites. Treynor had curious loves including Jaguar cars as well as model trains, and was even known to regularly attend a well-known model train exhibition in York, Pennsylvania, (where Leibowitz happened to have grown up). Treynor was fascinated by residential architecture and he and Leibowitz would go through books looking at pictures of houses that appealed to them but that they couldn’t afford—they were most dismayed that one of their favorites was owned by a UCLA professor of Finance. Leibowitz described Treynor as a kind man, gracious and generous to newcomers in the field. Leibowitz personally greatly enjoyed their many lunches together. The conversation would often veer off in long tangents, but almost always ending up with many fruitful insights. Leibowitz noted that Treynor’s wife, Betsy, is an extraordinary women, and no one was more nurturing or supportive of her husband’s unique quirks—Treynor was very fortunate to have had many happy years of marriage with her. Finally, he noted that Treynor loved both the *JOIM* and The Institute for Quantitative Research in Finance (Q Group) conferences,

and in 2014 was particularly honored to have the Q Group institute a prize in his honor. Treynor felt strongly that finance, well done, could serve higher goals and act “as a special window on the world—on economics, on politics, and on the psychology of leadership.” Treynor was a passionate seeker of truth for its own sake, not seeking credit or monetary reward. His primary goal was to shed light on the landscape of financial problems.

3 Gifford Fong’s reflections

Fong recalled his first meeting with Treynor, when Fong was at Wells Fargo Bank working as an analyst in the Management Science department. He first learned of Treynor when he and his colleagues received mimeographed copies of Treynor’s famous unpublished (at the time) paper conceptualizing what is now known as the Capital Asset Pricing Model. Treynor’s work made a big impression on Fong. Fong met Treynor a few years later at a University of Chicago Center for Research in Security Prices (CRSP) conference. Fong spotted Treynor alone at a coffee break and seized the opportunity to ask Treynor—already an icon in the finance area—a question. While Fong couldn’t recall the question, he felt it was a “dumb” one, but Treynor, in his graceful way, listened, paused for a moment, and made some comments which got at the heart of the answer without embarrassing Fong. It impressed Fong that this famous individual would take the time to help so many people at the beginning of their finance career.

Fong stayed in touch with Treynor, and was on the Q Group program committee with Treynor, who didn’t say much, but when he did everyone listened—especially when he presented any new research he was working on. While not the best presenter given his idiosyncratic style, whatever he said, if you listened carefully, you would learn something.

Treynor provided Fong with sound advice and encouragement when Fong was offered the editorship of *Financial Analysts Journal*. And it was Treynor who encouraged Fong to start the *JOIM*—and who graciously provided the name he had previously picked-out. Treynor was the Journal’s inaugural Case Studies editor, doing over 50 case studies, two Insights, and also published a paper. Treynor was always concerned for the practitioner with making sure research was grounded in sound principles, academically disciplined, but at the end of the day, practical. The profession and academia has Treynor to thank.

4 Mark Kritzman’s reflections

Kritzman relayed a number of stories. When Treynor completed his term as *Financial Analysts Journal* editor, from 1969 to 1981, Fischer Black wanted to surprise him by writing “An Open Letter to Jack Treynor” (Black, 1981) in the last edition of the Journal in which Treynor was editor. In it Black wrote: “*You are leaving the Journal. This is a good time to look back at the great impact you have had on financial analysts and on people doing research in finance. Your own research has been very important. You developed the capital asset pricing model before anyone else. You discovered that unemployment is more closely related to changes in inflation than to inflation. You explored the many ways in which information comes to the market. You produced an endless stream of informal papers, all full of insights. But perhaps your greatest contribution has been through the work of others, as editor of Financial Analysts Journal. Balancing academic interest, readability and practical interest in a unique way, you guided issue after brilliant issue toward publication. With helpful comments for those whose papers were rejected, and thoughtful changes in the papers you published. Of course, your influence on the profession started long before you became editor of the Journal. For example, look*

at how you have influenced my life. You started me out in finance and showed me the beauty of the way markets balance bulls and bears, speculators and investors. You taught me to look for buried treasure rather than surface nuggets in the unexplored wilds of research. You listened patiently to my random thoughts, and helped to make them less random. I cannot repay my debt to you. I assume that you will continue your contributions to the profession. I hope the profession will be able to repay you in some way. May your stocks always go up, and may time be good to you and your family.”

Much later, around 1995, at a conference Kritzman had organized in Boston, he invited Treynor to attend and present a eulogy to Black, who had recently passed away, and Treynor readily accepted. Kritzman thought that a great introduction would be to read to the audience Black’s comments. He was surprised how overwhelmed Treynor became and that he couldn’t finish his eulogy. Then Kritzman found out that was the first time Treynor had ever heard or read Black’s letter, written over 14 years previously!

Kritzman relayed a story that got at Treynor’s quirks. During one presentation at a University of Chicago’s CRSP conference, the set-up was that the audience sat at tables, with a microphone at each table, and Jim Lorie, who was overseeing the conference, had a panel with lights indicating which table wished to speak, so he could determine which microphone was activated. As Treynor was presenting a paper called “Double-Entry Bookkeeping,” Treynor handed-out sheets with lemmas and proofs, all in calculus. According to Kritzman, no one had any idea what Treynor was talking about. After the presentation it came time for questions but Lorie noticed that nothing was lighting up on his panel—there were even numerous esteemed accounting professors who had no questions to ask. Finally, after a long

pause, Art Williams pressed his button. Lorie was excited and he activated Williams’s microphone. Then Williams asked Treynor a question: “Jack, do you still put the debits on the left?” Treynor looked up and replied, “Yes, Art.”

Kritzman also recalled a presentation that Treynor made at a Q Group conference. Treynor was using a portable blackboard to explain IS-LM curves and how Keynes had made a mistake about interest rates, and as he was putting up equations, Treynor ran out of space. Undeterred, he kept speaking and used that other side of the blackboard without turning it around, so all the audience could see while he was speaking were Treynor’s feet going by underneath the blackboard.

A final anecdote that Kritzman shared was about the last time Treynor attended the *JOIM* conference. In a light-hearted conversation while sitting at a table with Betsy, Treynor told Kritzman that he had met Albert Einstein, which was surprising to Kritzman because on several occasions Treynor told Kritzman that Harry Markowitz was the smartest person he ever met!

5 Harry Markowitz’s reflections

Markowitz began by noting that he wasn’t going to summarize Treynor’s technical work, which would be monumental, but instead he wanted to reflect on spouses—what his wife, Barbara, has meant to him and what Betsy meant to her husband, Jack. Both Barbara and Betsy regularly attended presentations by their spouses, but for different reasons. According to Markowitz, Barbara was a technical person while Betsy was her husband’s caregiver—his guardian angel.

Barbara was “the other Dr. Markowitz” in the house, with an EdD (Doctor of Education). Barbara wrote a computer program for her dissertation, using the SIMSCRIPT language that her

husband developed. Markowitz conjectured that his wife might have thought that the closest way to a man's heart is through his programming language! He was soon a "goner" and they have been happily married for 47 years. Since much of Markowitz's research and many of his presentations were in the area of Operations Research, Barbara was eager to attend and listen, with technical interest.

In contrast, Markowitz noted that Betsy wasn't a technical person (but she was a Smith College graduate in German literature who typed her husband's papers (Hagerty, 2016)). Markowitz relayed an anecdote about a conference organized by Rob Arnott, at which Treynor was presenting. He was using an overhead projector, and at one point interrupted his presentation to say, "Betsy, I can't find slide number three. . . Oh, never mind, I've got it." The notion that somehow Betsy might know where slide number three was while her husband didn't confirmed to Markowitz that Betsy was the perfect caregiver for Jack, and

that he and Treynor both had exactly the right wives they both needed.

6 Dedication

Fong indicated that the reflections in this article are dedicated to Treynor's wife, Betsy. Leibowitz noted that Treynor's feelings for her are best summed up in his *Treynor on Institutional Investing* book dedication: "To Betsy Glassmeyer Treynor, who changed my life from black and white to Technicolor."

References

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