

Book Review: 'A Random Walk Down Wall Street'

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I am going to write a book review on one of classics on stock investing, Burton G. Malkiel's *A Random Walk Down Wall Street*. I am reviewing the tenth edition of this book, the latest one which added evaluations on financial crisis in 2007. This book gives a very critical evaluation on what most people say about the stock market and explain why some of their sayings are not suitable for the real world. It also provides suggestions and information on how individual investors should make their investment decisions. What I am interested in is what information inside can really help me on my course study and personal financial management.

There are four main parts of this book. In the first part, the book describes off two investing theories: the firm foundation theory and the "castle in the air" theory. Malkiel considered that both of them might be right at different times. In subsequent chapters, Malkiel gives anecdotes of amusing historical financial 'crazes' like Tulip-Bulb Craze and the South Sea Bubble. The following two chapters continue this entertaining theme. Here, Malkiel points out his main idea in the whole book that stock markets are pretty efficient; any inefficiency would be eventually weeded out of the market. In part two of this book, Malkiel critically discussed the two forms of market analysis: Technical and Fundamental analysis. Obviously, Malkiel prefers Fundamental analysis. In the next part, Malkiel move on the new investment technology. Malkiel generally agrees with the modern portfolio theory that investors should maximimse returns subject to a risk constraint. However, he also believes that risk minimisation is not always the best strategy. In order to explain this he introduced beta. He also analyzes the behavioral finance and efficient-market theory. In the final part, this book gives a practical guide for investors, like seeking professional advice, considering the investment expense and index funds, etc.

This book is easy to read and contains a huge amount of information about investing on the stock market. Too much information is sometimes present which can be confusing. However, the author did a very brilliant job on explaining the basic concepts you need to know when you begin to learn about financial markets. This is very helpful for a beginner. There are also many other perspectives of financial markets. One book cannot include all of them. So if you want a further more study, you may also need to read other books.

- **Authors:** Burton G. Malkiel
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