

# Bloomberg by Bloomberg - A Book Review

James A. Kyprios / Originally published at <https://hollywoodprogressive.com/> March 1, 2020

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## Bloomberg by Bloomberg

I am an international banker now engaged in consulting and expert witness work—my specialties include corporate finance and banking having worked in senior management positions for both domestic and international banks I have watched banking and finance evolve over the years and, to some extent, am familiar with Mr. Bloomberg and his company. After he announced late last year that he was running for President, I wanted to know more about him. This included reading his autobiography originally published over 20 years ago but updated last year.

Recently, Mr. Bloomberg announced that he was suspending his Presidential campaign. But he will no doubt play a major role financially in support of the Democrats leading up to the election. Should the Democrat candidate win the election, Bloomberg undoubtedly will continue to provide support not only financially but also by taking advantage of his knowledge, experience, and worldwide contacts.

Reading the book was an enlightening and even an exhilarating experience and I would like to share my thoughts and impressions with you, the reader.

My interest in reading the book was primarily to understand what exactly Mike Bloomberg did to make all his money and to make a success of his company which he founded in 1981. I knew that he worked for Salomon Brothers and became a partner and then, at the age of 39, he was “fired” with a \$10 million severance package. I was also somewhat familiar with the famous Bloomberg Terminal but at the time I thought that it was just a nice toy for traders.

Reading the book gave me a much more nuanced view of what Bloomberg achieved and how he changed the financial field. I was not prepared to be impressed when I started reading the book and I, in fact, suspected that Bloomberg took advantage of the computer software that Solomon Brothers had developed. The truth, I found out, is more complicated. Bloomberg was responsible for the creation and development of the Bloomberg Terminal which has had a major impact on the financial services industry.

I am reminded of the advertisement by Smith Barney in the late 1980s which went something like this: a dapper and snooty looking English type facing the camera in the ad says the following to the audience in a heavy, condescending British accent: “At Smith Barney, we make money the old-fashioned way.” There is a pause and then he adds: “We earn it.” “Earn” is drawn out for maximum effect.

**In plain English, he built a better mouse trap and as Emerson said, they all beat a path to his door to get it. It really is that simple.**

After reading this book, [Bloomberg by Bloomberg](#) I am convinced that Mike Bloomberg through his vision, persistence and ingenuity has deservedly earned his \$60 billion. His father was a bookkeeper who never earned more than \$6,000/year. This is a great American success story and once again makes one proud to be an American. In plain English, he built a better mouse trap and as Emerson said, they all beat a path to his door to get it. It really is that simple.

Bloomberg got very early training in good values and hard work from his parents and his days as a Cub Scout and Boy Scout. He loved science and technology and spent a lot of time at the Boston Museum of Science. He was always a serious, no-nonsense type of guy who never believed "it couldn't be done." He did not like the "hot shot" pseudo experts and made it a point of pride to not listen to them.

He went to Johns Hopkins where he studied engineering and then went to Harvard Business School (HBS) and graduated in 1966. At that time, HBS graduates were not enamored of Wall Street. He got an interview with Goldman Sachs and one with Salomon Brothers. He felt much more at home with Salomon Brothers than at Goldman, so he took a job at the former for \$9,000 a year as opposed to an offer of \$15,000 from the latter. He was the only HBS graduate at Salomon and started out at the very bottom.

Very soon, he understood that industry methods of collecting data (e.g., gov't bond prices) were very primitive and incomplete and pretty much akin to the horse and buggy days. He worked in all major areas of stocks and bonds dealing in the secondary markets. He was not an analyst and not an investment banker. He was involved primarily in the trading area which then was considered the lowest rung of Wall Street but in which Salomon Brothers excelled. He told management that they would do much better if they could develop a system of giving their customers more and better information knowing that this would move some of the power from the sell side to the buy side but also understanding that if Salomon did this it would have a monopoly of information, and this would lead to many more customers.

Senior management was impressed with his idea and gave him the go ahead to head up the effort to develop the new hardware and software for this innovative system- with the proviso that he keep his trading job and work on this endeavor after hours. He made a big success of the project and at the age of 37 became the head of the computer/back-office department that continued to develop the black box which revolutionized the industry.

Then in 1981 Salomon Brothers was sold to Phibro, a commodity trading company. Quite a few partners lost their jobs including Bloomberg, but he did so with a cash severance of \$10 million.

He and three others from Salomon organized a company to continue to develop the black box which became indispensable to traders of stocks, bonds, currencies, commodities, and derivatives. The timing was good because of the following factors:

under the guise of “supply-side” economics, the Reagan Administration ran huge deficits which greatly increased activities in the government bond markets; high yield (“junk”) bonds were becoming more important in the 1980s thanks in no small part to the activities of Drexel Burnham spearheaded by Mike Milken; and derivatives came into prominence. In addition, this was a period of steadily decreasing interest rates which led to higher and higher prices for stocks and bonds and an increasing appetite for these investments worldwide including from the retail sector.

When Bloomberg set up his company, he got Merrill Lynch to put up 30% of the equity. Armed with the proprietary data from the Bloomberg Terminal, Merrill Lynch, which for a while had an exclusive arrangement with Bloomberg, soon became a major player in all aspects of investment banking. In the past, it had been primarily a retail seller of securities in the secondary market. Merrill Lynch’s business support was instrumental in the early success of the new company.

It is worth taking a minute to review what the Bloomberg Terminal offered to the user. It gave him or her price information never before available on a real time basis on all sorts of securities and other financial assets including government bonds, stocks, commodities, derivatives, and currencies. It gave the user detailed information on companies including terms, conditions, and covenants on bond issues. The user needed no other source of information for research. Also, it gave the user sophisticated analytics to be able to determine and map out yield curves, economic conditions and “what if” scenarios to determine what the possible profitability would be on an investment. The machine could be configured to the personal needs of the users.

In addition, the machine provided a method of closing transactions with records of all transactions recorded including detailed histories of transactions. I recall that one trader said the Bloomberg Terminal was the “mother milk” of the trader. The Bloomberg Terminal was responsible for getting rid of massive amounts of paper and the “runners” on the street. It brought the financial services industry out of the horse and buggy age into the digital age.

The very fact that the Bloomberg Terminal was in wide use changed the markets for securities and other financial assets so there was much more emphasis on trading. I saw this happen when I was in banking in the 1980s and 1990s. What was before a set of rigid private markets became over time a market where almost anything could be traded. I recall hearing this refrain more than once: “If it is gradable, it is tradable.” There is no doubt in my mind that over the years, the distinction between investment and commercial banking has become blurred. This is due in part to regulatory changes but also due, from what I can tell, to the transparency which came about as a result of Mike Bloomberg’s creation.

Eventually Bloomberg saw that he was producing more and more comprehensive data than anyone else and he took the next step to get into the media business including the establishment of Bloomberg News. Bloomberg had the data which surpassed that of the Wall Street Journal, Reuters, and the Associated Press regarding business and financial matters. He also understood very well that reporters were more interested in wars and politics than in business and financial matters and as a result those reporters covering business and financial matters were not well versed in the field. He hired a leading person from the Wall Street Journal to run his media business. He expanded internationally as the world-wide economy, including capital markets, became more and more integrated.

Back in the 1990s, James Carville who then worked for Bill Clinton, commented that if he were to come back to the world in a second life, he would want to come back as the Bond Market. This is because every time any fiscal policy discussion took place people were always cautioning that we need to take into consideration how this would affect the Bond Market. I have a sneaking suspicion that the increased power of the Bond Market was to some extent due to the success of the Bloomberg Terminal.

Bloomberg in his book shows that he has some unorthodox views of business. But you cannot argue with success as they say. For example, he does not believe in detailed Business Plans. He says that he agrees with Nike's motto: just do it. Also, he does not have much faith in long-term projections. He thinks it is better to be prepared for eventualities and opportunities as they come. He does not like to expand by buying companies; he expands by creating companies which in his view is much cheaper.

Michael Bloomberg is a no-nonsense factual type of person who believes in data. That is very obvious from reading his book. It is also obvious he does not believe in small talk and persuading by charisma. He believes in results and his record is a testimony to his very simple philosophy.

I enjoyed the book and learned a lot by reading it. Bloomberg is not an entertainer- he is a doer. And yes- he made money the old-fashioned way! I understand that in recent years he gives himself a salary of \$10 million a year, which is a figure his father could not have come close to imagining earning in a lifetime. Undoubtedly Mike Bloomberg's financial situation is abhorrent to the Bernie Sanders and Elizabeth Warrens of this world. Nevertheless, it would be very helpful to have Mike Bloomberg's financial support if the Democrats want to regain control of the Presidency and the Senate. He has stated that his first priority is to defeat Donald Trump and he will support the Democratic nominee no matter whom it is.