By Mark Higgins

VALUE INVESTING is a philosophy defined by the discipline of purchasing assets only when prices fall comfortably below fair market value and selling them when prices exceed fair market value. Ben Graham is almost universally regarded as the founder of value investing; however, before he was born, a woman named Hetty Green also used similar methods to tame the wild markets of the Gilded Age. Further, Green developed these principles instinctively at an early age, enabling her to profit from several market panics that ruined many of her male contemporaries.

At the peak of her career, Green was the most creditworthy lender to America’s most respected stock operators, corporations and even city governments. Her accomplishments are extraordinary by any standard, but what makes them even more impressive is that she succeeded despite lacking the advantages afforded to men at the time. She could not purchase a seat on the New York Stock Exchange, serve as a director on a corporate board or even exercise the right to vote.

A Virtual Orphan

Henrietta “Hetty” Howland Robinson was born on November 21, 1834 in New Bedford, Massachusetts. The Robinsons were a wealthy family, as Hetty’s maternal great grandfather had amassed a fortune investing in the whaling industry. The family’s wealth ensured that Hetty was never deprived of material needs, but her emotional needs were another matter. Hetty’s father, Edward Robinson, longed for a male heir and was disappointed when his wife, Abby, gave birth to a girl; their second child, Isaac, died in infancy. Edward’s disappointment created marital tension, and Hetty’s parents responded by sending her to live with her aunt, Sylvia Howland, and grandfather, Gideon Howland, for most of her childhood.

Hetty showed a keen interest in mathematics and finance as a child. Her interest blossomed when Gideon’s failing vision prevented him from reading financial documents and newspaper reports relating to

“I buy when things are low and no one wants them. I keep them, just as I keep a considerable number of diamonds on hand, until they go up and people are anxious to buy.”

— Hetty Green, The Queen of Wall Street (1905)
Hetty Green’s thriftiness was legendary. Despite her exceptional wealth, she spent much of her life renting rooms in modest boarding houses in Brooklyn and Hoboken. Her business headquarters consisted of little more than an unreserved rolltop desk at the Chemical Bank, and she spent almost nothing on accessories.

Her critics failed to appreciate the important principle underlying her thrift—a principle she learned from her father. She explained it by recounting how she once saw her father reject a gift of a 10-cent cigar. When asked why, he replied, “I smoke four-cent cigars and I like them. If I were to smoke better ones, I might lose my taste for the cheap ones that I now find quite satisfactory.” The principle embedded in this response is that luxuries provide no satisfaction until one becomes conditioned to their presence.

Thrift is a powerful weapon for investors. Those who practice it experience little fear during financial panics because they know they can live comfortably on almost no income. High society women mocked Hetty’s aversion to luxuries, yet many wished they had adopted her habits when they were forced to sell their possessions during financial panics. On such occasions, Green was among the few individuals with spare cash. For this reason, investors, companies and even city governments relied on her as a lender of last resort during hard times.

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A Fish Out of Water

In her late teens, Hetty attended multiple boarding and finishing schools. The consistent theme during her late childhood was her rejection of societal norms. She cared little for her appearance, preferring to dress in old clothes. Her behavior frustrated her mother and Aunt Sylvia, as they feared what the future held for a woman who only felt at home on the docks of New Bedford.

When Hetty turned 20, Sylvia pressured her to find a spouse. Begrudgingly, Hetty journeyed to New York City to mingle with the upper crust of New York society. She attended many lavish balls but expressed little interest in finding a husband. Her relatives were exasperated when Hetty returned several months early to New Bedford with no wedding prospects.

Her father, however, was unable to contain his delight upon learning that Hetty spent only $200 out of her $1,200 budget, investing the remainder in high-quality bonds.

Within a few years of her return to New Bedford, Hetty’s father exited the whaling business and relocated to New York City. Hetty spent the next six years shuttling between New York and New Bedford. While residing in New York, she met her future husband, Edward Henry Green, who had amassed a substantial fortune of his own. Her father encouraged the marriage, as he was worried about Hetty’s ability to manage the family business independently when he was gone. In May 1865, Hetty and Edward announced their engagement, and they were married two years later.

The Princess of Whales

Soon after her engagement, Hetty’s father and Aunt Sylvia passed away. Although Hetty was the primary beneficiary on both estates, most of the assets were placed into trust, entitling Hetty only to the income. This enraged Hetty because she knew she could invest the assets more effectively and at much lower cost. She was especially angered by Sylvia’s will, and she initiated a drawn-out court case disputing its legitimacy. Although never proven, evidence strongly suggests that Hetty forged the signature on an addendum to Sylvia’s will, which claimed that Hetty was the direct beneficiary of almost the entire estate. The court rejected Hetty’s claim. Exasperated by the lawsuits, Hetty and Edward Green moved to London soon after their wedding in July 1867.

During her six-year stay in London, Hetty honed her investment skills. One of her more successful investments was in US railroad bonds. It was in this area that her meticulous due diligence proved especially valuable. During the decade following the Civil War, British investors were enamored with American railroad securities, but few could differentiate sound investments from worthless paper. In contrast, Hetty was not easily fooled by slick salesman, nor was she tempted by abnormally high yields. As if her investment activities were not enough, Hetty also gave birth to two children, Ned and Sylvia. The press would later criticize her parenting, but evidence suggests Hetty cared deeply for
her children. She also trained them from an early age in the art of frugality and the importance of a strong work ethic.

Mrs. and Mr. Hetty Green

The Greens returned to the United States soon after the Panic of 1873. By the start of the 1880s, the economy rebounded, and a flood of foreign capital drove massive overbuilding of railroads once again.

In the early 1880s, Edward Green had developed a solid reputation on Wall Street, but he had become overconfident. In 1884, Green had invested most of his personal fortune in the stock of the Louisville and Nashville Railroad (L&N), and he also used margin debt to leverage his position. In the spring of 1884, the United States experienced yet another financial panic. Simultaneously, the president of the L&N confessed to a massive fraud. The collapse of the L&N stock pushed Edward Green into insolvency.

Initially, Hetty may have viewed her husband’s failure as no more than a disappointment, but it became unforgivable after the sequence of events that followed. At the time, both Hetty and Edward held their securities in custody at the private bank of John J. Cisco and Son. Hetty also held $557,000 in a cash account. The problem was that the Panic of 1884 also hit the bank hard. Sensing trouble, Hetty

**Skepticism, Persistence and Patience: The Soul of the Value Investor**

“Before deciding on an investment, I seek out every kind of information about it. There is no secret to great fortune making. All you have to do is buy cheap and sell dear, act with thrift and shrewdness and be persistent.”

— Hetty Green

During the Gilded Age, British investors were easy marks for American stock promoters. This led to repetitive cycles of manias, frauds, panics and crashes. The cycle typically began with the discovery of a disruptive innovation. Attracted by the growth prospects, British investors purchased securities aggressively and drove valuations to absurd levels. Most securities ultimately proved to be of little value, and when the inevitable market shock arrived, investors withdrew their capital in a similarly indiscriminate manner. Disgusted by their losses, British investors pledged to never invest in American securities again. At this point, American investors scooped up securities in the few viable companies that remained for pennies on the dollar. In effect, Americans ended up owning their infrastructure without having to pay for it.

Hetty Green was one of the few investors who never fell victim to this cycle. She instinctively embraced the concept of “margin of safety,” which Ben Graham later cited as a cornerstone of value investing. She also left little to chance. When evaluating the prospects of potential investments, her due diligence went far beyond that of most investors at the time.
J. Pierpont Morgan once quipped that “Nothing so undermines your financial judgement as the sight of your neighbor getting rich.” In other words, ego is often the root cause of reckless financial decisions. Even worse, when investors are in a hurry to inflate their egos, they often use debt to expedite the process. During the Gilded Age, inflated egos and reckless use of margin debt were common.

Hetty Green possessed an uncanny immunity to these deadly sins. Although she aspired to be the richest woman in America, her objectives were always long term, and she cared little for her relative position at any moment. Her humility enabled her to ignore her status relative to others. This, in turn, provided her with the fortitude to shun the use of margin debt to accelerate the growth of her financial empire.

To this day, ego and debt torment even the most brilliant financial minds in America. The collapse of over-extended financial enterprises and implosion of overly acquisitive businesses are often seeded by a deadly combination of inflated egos and excessive use of debt to fuel them.

Hetty Green requested the closure of her accounts, but the bank demanded that she first cover her husband’s debt of more than $700,000. Hetty protested the unethical (and possibly illegal) action by the Cisco Bank, but she reluctantly covered Edward’s debts and transferred her assets to Chemical Bank. She then banished her husband to the Union Club of New York and reportedly put him on a modest monthly allowance. From that moment forward, the press ceased referring to Hetty as Mrs. Edward Green. Instead, she was known as Mrs. Hetty Green; occasionally, journalists referred to her husband as Mr. Hetty Green.

The Queen of Wall Street

On April 18, 1906, residents of San Francisco were jolted awake by a massive earthquake. Within days, most of the city was reduced to rubble. The earthquake also triggered a financial chain reaction that would shake the entire nation. The problem was the steady outflow of money from New York City banks and trust companies, which coincided with the typical autumn funding requirements associated with the agricultural financing cycle.

The Panic of 1907 began in earnest after a newcomer to Wall Street, Otto Heinze, borrowed heavily in a failed attempt to corner the stock of United Copper. The failed corner bankrupted several brokerages, which, in turn, triggered runs on trust companies and banks. If not for the leadership of J. Pierpont Morgan, the United States would have descended into a depression. Unbeknownst to many, Hetty Green also played an important role in stemming the panic, but her contributions are rarely discussed. Not only did she lend $1.1 million to the New York City government at the height of the crisis, but she also provided a loan for $4.5 million several months before the panic.

Hetty Green was well-positioned to lend to individuals and institutions in need because she foresaw the financial panic well in advance. Her foresight derived from several decades of experience serving as a lender of last resort. Even today, few investors can match her ability to visualize the ebbs and flows of credit—and this ability is what distinguished her most as a financial grandmaster.

Discreet Generosity

Throughout Hetty Green’s life, journalists portrayed her as a cruel miser. Like all people, Hetty was imperfect, but her transgressions paled in comparison to most Gilded Age financiers and stock operators. She made most of her money providing capital at reasonable interest rates. In fact, during many panics, she offered capital at below market rates. Outside of her business dealings, Hetty was
also a caretaker. There are countless stories of her caring for sick neighbors, and she also played the role of Good Samaritan to complete strangers. For example, while residing in London, she bandaged a delivery man who had fallen from his carriage, while onlookers seemed content to watch him bleed out. When asked why she was viewed as a miser, she responded:

I am not a hard woman, but because I do not have a secretary to announce every kind act I perform, I am called close and mean and stingy… I am a Quaker, and I am trying to live up to the tenets of the faith. That is why I dress plainly and live quietly. No other kind of life would please me.

Hetty Green passed away on July 3, 1916. Almost her entire estate, which was valued at more than $100 million, was split evenly between her two children, Ned Green and Sylvia Ann Wilks. Neither of her children had heirs, and upon their passing, Hetty’s wealth was distributed to 63 different charitable organizations.

A Belated Tribute to an American Legend

Hetty Green was one of the most talented investors ever to brave the unforgiving securities markets of Wall Street. She was a pioneer of the value investing philosophy. Her nerves were tested in the Panics of 1873, 1884, 1893 and 1907. Not only did she pass each test with hardly a flinch, but she profited from each crisis, while many men forfeited their fortunes. She refused to cheat investors by using market manipulation and insider trading tactics, which were the preferred weapons of Gilded Age stock plungers. She never yielded to the temptation to boost her returns by using margin debt, thereby avoiding the catastrophes experienced by most speculators—including her own husband. Finally, her modesty preserved her respect for the dignity of all human beings regardless of the size of their bank accounts.

It is uncommon for investors to possess any of these talents, but it is a true marvel when a single individual possesses all of them. There is no such thing as a perfect investor, but Hetty Green is a strong candidate for the one who came closest. At a minimum, this establishes her as the best female investor in US history, and among the best investors regardless of gender.

Mark Higgins, CFA, CFP® is a seasoned investment advisor with more than a dozen years of experience serving large institutional investors, such as endowments, foundations, public pension plans, and corporate operating reserves. He is also an avid financial historian and is publishing a book on the full history of the US financial system with Greenleaf Book Group in 2023.

Navigating Monetary Currents: The Telltale of a Financial Grandmaster

“I saw this situation developing three years ago, and I am on record as predicting it. I said the rich were approaching the brink, and that a ‘panic’ was inevitable.”

– Hetty Green

By the end of 1906, Hetty Green sensed that the monetary tide in America was receding, and she began raising cash aggressively to prepare for the inevitable crisis. Hardly any other investors appreciated what was happening. At the same time, Hetty also feared that trust companies were particularly vulnerable to a financial panic. When one of her friends asked for her opinion on the health of the Knickerbocker Trust in the spring of 1907, Hetty warned, “If you have any money in that place get it out the first thing tomorrow,” and then sarcastically added, “the men in that bank are too good-looking. You mark my words.”

Hetty Green was one of the only Americans with plentiful cash in October 1907. J. Pierpont Morgan is rightly credited for facilitating a heroic rescue of the financial system, but unlike Hetty Green, Morgan was caught by surprise. It was only after intense lobbying by several of his partners that Morgan finally grasped the gravity of the situation on October 19, 1907.

Recognizing her important role as a leading financier, Hetty Green was the only woman invited to attend a critical meeting at the Morgan Library during the height of the panic. If the times were different, perhaps she would have led this meeting.