The Center for Economic Research
Columbian College of Arts & Sciences

WORKING PAPER SERIES

Celebrating America's Declaration of Independence and The Wealth of Nations at 250 Years: A Lowcountry View of Capitalism, Deviations from Efficient Markets, and the Future of Global Forecasting of Earnings

John B. Guerard, Jr.

Juan Chen

Working Paper No. 2026-003

March, 2026

THE CENTER FOR ECONOMIC RESEARCH
Department of Economics
Columbian College of Arts & Sciences
The George Washington University
Washington, DC 20052
https://cer.columbian.gwu.edu/

Celebrating America's Declaration of Independence and *The Wealth of Nations* at 250 Years: A Lowcountry View of Capitalism, Deviations from Efficient Markets, and the Future of Global Forecasting of Earnings

John B. Guerard, Jr.
Co-Director of Research
Pacific Spirit Investments,
Bluffton, SC 29910
jbg@pacificspiritinvestments.com

and

Juan Chen
University of Miami
Jxc3029@miami.edu

March 2026

Abstract

It is well known that America is celebrating its 250th birthday. The United States of America began with Mr. Jefferson writing its Declaration of Independence, in which the 13 colonies agreed to break away from England, their mother country, which was signed July 4th, 1776, in Philadelphia. The American Revolutionary War was fought to ensure the colonies' independence, and won on the battlefield at Yorktown, Virginia. Independence was formally recognized with The Treaty of Paris in 1783. It is our contention that the many of the colonial leaders that signed the Declaration of Independence were successful merchants who had created an economic system in Europe that was brought to the Colonies, as reported in Adam Smith's *The Wealth of Nations* (1776) and enhanced by the colonists, acting in their own interest. Mr. Smith's "invisible hand" was particularly effective in the South Carolina Lowcountry area, such that great wealth was achieved. Capitalism and its private property and American religious tolerance were the driving force of the Colonies' wealth. In 2026, as we prepare for the great American birthday party, capitalism still reigns supreme, and the authors report that the US Russell 3000 stock index has for the January 2006 – November 2025 period achieved a higher return-to-risk tradeoff than the World All Country World Investible (ACWI). Capitalism has allowed the US to reign supreme in global stock indexes. However, as the authors reported in early-2026, the Russell 3000 stock universe can be enhanced by creating a more global portfolio irrespective of current global universes. True Markowitz diversification can be achieved in global stocks. For US and intelligent global investors, the best is yet to come!

Celebrating America's Declaration of Independence and *The Wealth of Nations* at 250 Years: A Lowcountry View of Capitalism, Deviations from Efficient Markets, and the Future of Global Forecasting of Earnings

In June 1776, there were 13 North American colonies under British rule. The first colony, Virginia, had been established in 1607, at Jamestown. The thirteenth colony, Georgia, was established in 1673. The 13 colonies were not originally traditional British colonies, but were chartered colonies to facilitate trade with England. The Huguenots, French Protestants, who emigrated from France around 1680-1690 had substantial commercial and mercantile skills. The Huguenots were highly successful bankers in Europe. The author intends to establish is a link between the British monarchy, the financing of English invasions, wars, and the founding of the Bank of England, with substantial Huguenot influence. .The creation of the North American colonies, particularly South Carolina, benefited from merchant emigrants cited in Adam Smith's *Wealth of Nations* for their effective and passionate work ethic. The Lowcountry of South Carlina, created great wealth through its trade with England. John Locke wrote the first constitution for the colony of South Carolina in 1669, when it was a proprietary colony. Locke's *Two Treatises of Civil Government* (1690) greatly influenced Thomas Jefferson and the Declaration of Independence. Mr. Jefferson founded one of the most influential universities, the University of Virginia, which began teaching Adam Smith's T*he Wealth of Nations (TWON)* in the early 19th century. Jeffersonian political economy has long been associated with prosperity and capitalism.

A subtitle could be "The Declaration of Independence and Adam Smith's Invisible Hand at 250 Years: Free Merchants, Free Trade, and Free Markets!".

This manuscript seeks to celebrate both the Declaration of Independence and *The Wealth of Nations* in three sections. The first section discusses the history role of the Huguenots in creating the Bank of England and their role in developing the economic engine of the colony of South Carolina. The authors introduce the reader to the Declaration of Independence and the creation of the United States of American. The final section of section one addresses the role that the *Wealth of Nations* and Capitalism played in early-economic education American universities and colleges. The second section discusses free trade in Capitalism and enhancing economic growth. The World Economic Conference is used as an example in

section two as to how the US did not actively pursue a free trade policy in 1933 and its impact on possibly deepening the Depression. The third section updates a stock selection model for US and global securities and reports that although the US stocks in the Russell 3000 have outperformed the MSCI All Country World Investible (ACWI) universe on an index basis, during the 2006 -11/2025 period. A combination of US and international stocks with earnings forecasts may greatly enhance global wealth.

1.1 English Banking History and the Huguenots Arrive in South Carolina

We begin this article with a very brief discussion of royal English interests in the New World, North America, for the English, and how English prosperity was advanced and its relevance for the English-speaking peoples. A subtitle for this remembrance could be "Free Merchants, Free Markets, and Free Trade"! Queen Elizabeth was born of the marriage of Henry VIII and Queen Anne Boleyn on September 7, 1533. She became Queen on November 17, 1558, at 25 years of age.[1] Her reign would launch the exploration of North America and propel England to greatness among world powers. Queen Elizabeth succeeded Queen Mary upon her death amidst the British Reformation. Elizabeth spoke six languages, read Latin and Greek, and enjoyed archery and hawking. Good Queen Bess chose William Cecil as her First Minister, when he was 38 years old, and they had daily collaboration for 40 years, ending with his death. Queen Elizabeth was raised Protestant and resisted both marriage and the Catholic Church, headed by Pope Pius V, who excommunicated Elizabeth with a Bull excommunication proclamation in 1570, following Elizabeth's suppression of an attempted coup by the Lords of Northumberland and Westmoreland in 1569, whose heads were placed on the gates of London. On August 23, 1572. Huguenots, were massacred in Paris on the eve of the feast St. Bartholomew. Elizabeth gave secret support and subsidies to the Huguenots that fled to England the Netherlands .[2] In 1588, as the King Philip prepared to launch the Spanish Armada of 130 ships and 30,000 soldiers for an invasion of England, the Spanish fleet was opposed by 65 English ships and 6000 soldiers. [3] Queen Elizabeth was desperate for funds. Twelve corporations supplied 25,000 pounds, including 5000 pounds from the "Merchant Strangers", the Huguenot merchants of London (Threadneedle Street). [4]John Houblon, a French Huguenot who family settled in The Netherlands before emigrating to England.

---

[1] In this section, I rely upon Sir Winston Churchill's *History of the English-Speaking Peoples*, a one-volume arrangement by Henry Steele Commager, 1965. My personal copy is the 1983 Greenwich House edition. See pages 131 and 144-145 for this footnote.

[2] French Admiral Gaspard II de Coligny, Admiral of France (l. 1519-1572) was murdered on 22 August 1572, at the start of the massacre on the orders of Henry, Duke of Guise. The support for the Huguenots would greatly aid Englsnd, as the Huguenots would finance English resistance to invasions and continental wars from 1588 to 1730, Churchill, pages 148- 149.

[3] Churchill, pages 150-155.

[4] Lady Alice Archer Houblon*, The Houblon Family: Its Story and Times*, London, 1907), pages 55- 58.

contributed 100 pounds to the effort to finance the resistance to the Armada. The defeat of the Spanish Armada made England a world power. Queen Elizabeth would reward the Huguenots of London richly for their support in her hour of need.

John Houblon's grandson, Sir John Houblon, and his brother, Abraham, were among the 11 contributors who gave the maximum amount of 10,000 pounds, in 1694 to the creation of The Bank of England. Sir John Houblon became the first Governor of the Bank of England, created by Royal Assent, 25 April 1694[5]. Mr. Houblon also served as Mayor London. Four of the first 25 members of the Court of Directors were Huguenots.[6] The Bank of England was first situated in Mercers' Hall in August 1694, and opened for business with a staff of just nineteen, before relocating to Grocers' Hall after taking out an eleven-year lease in December 1694 for the cash sum of £500 and a loan of £5,000 without interest for the duration of its tenancy. The Bank did not renew this lease, but instead the Directors took the decision to build new premises of its own. Some years earlier, in 1724, an estate in Threadneedle Street had been purchased for the sum of £15,000. The most significant building on this plot had been the house and gardens of Sir John Houblon. After the death of Lady Houblon in 1732 it was agreed 'to build a new public office for the Bank, upon the bank's estate in Threadneedle Street'. The Houblon house, although spacious, had restricted access as the only path leading to it was a narrow alleyway, and this led to a decision being taken to raze the house to the ground and clear an area for a new building to house the Bank. In time the site of the church of St Christopher-Le-Stocks and the adjoining graveyard were to be cleared to further the expansion of the Bank.

The Bank of England financed the victorious continental wars of the Duke Marlborough under King William (of William and Mary) in the early 18th century, The capture of Gibraltar and the Malbrough victory of Louis XIV at Blenheim on August 13, 1704 gave greater public confidence in the Bank and its previously issued interest-bearing bills.[7] The Bank of England had been founded on the sanctity of private property, and the "Protestant Ethic".[8] Sir

---

[5] In 1694 action was at last taken when Charles Montagu, Lord of the Treasury and newly appointed Chancellor of the Exchequer, sponsored the proposal put forward by William Paterson to establish the Bank of England. Source: "Huguenots and the World of Finance". The Huguenot Society of Great Britain and Ireland. August 2022.

[6] John Giuseppi, *The Bank of England: A History of its Foundation in 1694* London: Evans Brothers Limited, 1966, pages 17-18. Sir John Houblon was the Director of The Bank of England until his retirement in 1697.

[7] John Guiseppi, *IBID.* page 36.

[8] John Giuseppi*, IBID.* page 73. The 1685 revocation of the Edict of Nantes was among Louis XIV's greatest blunders. Issued by Louis's grandfather, Henry IV (1589-1610) in 1598, the edict had granted religious freedom to the French Calvinists, also called the Huguenots. Their renewed persecution under Louis XIV proved a blessing for the Electorate of Brandenburg. By inviting the forced emigrants to his territory – still depopulated by the Thirty Years War (1618-1648) – Frederick William ("the Great Elector") (r. 1640-1688), himself a staunch Calvinist, initiated a highly effective settlement program (though most of the Huguenot refugees settled in lands other than Brandenburg-Prussia). A massive loss for France, the emigration of the Huguenots gave Brandenburg, and eventually Prussia, an invaluable infusion of manpower and skills, and proved a great public relations victory among the Protestant powers of Europe. In a famous

John Houblon passed away on January 10, 1711. His portrait still hangs in the Bank of England Committee Room.[9] From 1588 to 1711, John Houblon, the Dutch Huguenot, and Sir John Houblon, Governor of The Bank of England, financially supported the English monarchy. The Bank continued to support William Pitt (the Younger) and his wars. The Bank of England was to remain in private hands until an Act of Parliament came into law on the 14 February 1946 which enabled all the Bank stock to be brought into public ownership. In 1994, a new fifty-pound note was issued to commemorate the 300th anniversary of the Bank of England with the image of the first Governor of the Bank of England, Sir John Houblon, on the reverse side. If you look closely at the word 'Fifty' you will notice the Huguenot Cross is printed repeatedly to form a pattern within each letter, in recognition of the refugee families who aided the creation of the Bank.

1.2 Lowcountry Merchants and Trade

The French workers of Rouen, in Normandy, in the 16th and 17th centuries, were recognized by Adam Smith in *The Wealth of Nations* (1776), for their industry. Smith chastised France for its lack of trade and industry, noting the Rouen and Bourdeaux as the exceptions to his observations in the parliament towns of France and the inferior

---

etching, Frederick William receives the exiled Huguenots, who fall to their knees and bow before him in gratitude." Etching by Daniel Chodowiecki (1726-1801), 1782.
Marthe de Roucoulle was born in Normandy, France, into a family described as "of gentle blood" but not wealthy. As a Protestant, she belonged to the French Huguenot community, which faced severe persecution following the 1685 revocation of the Edict of Nantes. This act by Louis XIV made Protestantism illegal in France, forcing many Huguenots to flee to more tolerant regions. Marthe, then a young widow known as Marthe de Montbail, sought refuge in Prussia alongside her mother-in-law and daughter.

Prussia, under the leadership of Frederick William, Elector of Brandenburg, had become a sanctuary for Huguenots due to the Elector's Edict of Potsdam, which invited them to settle and contribute to the economy. Marthe's arrival in Prussia marked the beginning of her transformation from a destitute exile to an esteemed governess. She was welcomed at the Prussian court by the future Queen Sophie Charlotte, who recognized her intelligence, polished manners, and potential as a tutor. Marthe maintained a warm relationship with Frederick the Great throughout her life. Even after his ascension to the throne, Frederick treated her with respect and gratitude for her role in his upbringing. He made a point of visiting her salon weekly whenever he was in Berlin, where he displayed courteous and respectful behavior. Frederick's appreciation for Marthe extended beyond personal interactions. He granted her daughter a pension, ensuring the family's financial stability. These gestures reflected Frederick's acknowledgment of her contributions to his early education and the cultural enrichment she provided to the court.

Probably the largest Huguenot Church is in Berlin. The Französischer Dom, one of Berlin's landmarks, has a turbulent history that is closely linked to the growing French community in the city. It was built between 1705 and 1706 by Jean Louis Du Guercy and originally served as a church for French Huguenots who fled to Berlin in the 17th century due to religious persecution. The church, built in the French Baroque style, symbolized tolerance and integration in the Prussian capital. It quickly became the center of French life in Berlin.

[9] Lady Alice Archer Houblon, *The Houblon Family: Its Story and Times*, London, 1907), page 326. The bank later financed the wars of William Pitt (the Younger, the Earl of Chatham).

ranks of people, chiefly maintained by the expense of the courts of justice, "were in general idle and poor".[10] Several of the leading families in Rouen were Huguenots, supported by the English Crown offered acreage in North America for their development. The Enlightenment, taking hold in Western Europe, would take hold in North America, and Virginia and South Carolina in particular. In 1663, the crown or royal government under King Charles II empowered a small of group of eight men, known as proprietors, to establish a colony called Carolina and to erect therein a system of government based on English precedents and customs. The proprietors had recently helped Charles II regain the crown after years of civil war and experimental government, and the king expressed his gratitude by granting them a sizeable tract of the North American continent. Because the eight grantees were all titled men of the English aristocracy, they were commonly identified as the Lords Proprietors of Carolina. As the individual proprietors died or retired, they bequeathed or sold their shares to subsequent generations of men who inherited the mantle of proprietorship in the Carolina venture. The period during which the colony existed under the direct management of these shareholders is known as the "Proprietary Era" of Carolina history.[11] The Lords Proprietors were authorized to establish ports of entry and to assess and impose customs and subsidies for the goods imported. They were authorized to build forts, castles, cities, and towns, and to appoint governors, magistrates, sheriffs, and other officers, civil and military; to grant charters of incorporation and erect markets and marts and fairs and to hold courts baron. They were given power to make war and pursue their enemies; to exercise martial law in case of rebellion, tumult, or sedition.

In 1666, John Locke, met Anthony Ashley Cooper, later known famously as The Earl of Shaftesbury. Mr. Locke served as the physician to Lord Ashley's household and tutor to his grandson. In 1669, John Locke wrote the first constitution for South Carolina.[12] Rene Petit and Jacob Guerard, gentlemen from Normandy, on 10 February 1678-79, presented a petition to the Lords of Trade and Plantations, asking leave to settle 80 families, "skilled in ye manufacture of silkies, oyles, wines, &etc." in Carolina requesting, 2000 pounds for the necessary outlay to be reimbursed from the first money accruing to the King's customs by bringing into England the commodities of the

---

[10] Adam Smith, *The Wealth of Nations*, 1776. The author's edition was edited by C.J. Bulloch, New Tork: Fall River Press, 2022.

[11] The Proprietary Period governors included James Colleton, Wiiliam Sayle, and Joseph West, who served multiple terms. Edward McCrady, *The History of South Carolina Under the Proprietary Government, 1670-1719* (London: The Macmillan Company, 1897.

[12] In 1690, Mr. Locke published his famous *Two Treatise of Civil Government,* in which he wrote that Adam, had, neither by divine right of fatherhood, or positive donation from God, any authority over his children or dominion over the world. If he had, his heirs had no right to it. Mr. Locke explicitly rejects "The Devine Right of Kings". The natural state of men is a state of perfect freedom to order their actions and dispose of their possessions as they see fit. There is also a state of equality in which no one has more than another. Source: John Locke, *Two Treaties of Civil Government* (London: Dent, 1690). My edition is published *in* 1970, page 117.

e

new colony . Consent was given on March 5, 1678 by the Lords Proprietors. A third petition was required for a group of 50-60 families that were ready to go immediately, but that petition was not granted, and the refugees were required to remain in England. A subsequent petition was presented in October 1679 and was granted. The Richmond was commissioned to make the voyage to Carolina, after touching down in Barbados, and delivering freight. Both Petit and Jacob Guerard were granted 4000 acres in payment for their successful trip. [13]

The Huguenot families, the weavers and merchants of Rouen, left France about the time of Louis XIV's revocation of the Edict of Nantes, which had established religious tolerance. Many of these families aboard the Richmond created the merchants and planters that made South Carolina a very wealthy colony, which we will shortly discus.[14] The Huguenots grew cotton, rice, and indigo in South Carolina. Both cotton and rice had been exported from Carolina before the end of the seventeenth century. Hewatt and Ramsay credit Landgrave Smith with the introduction of rice culture. The former gives an interesting story of a bag of seed rice, obtained by him from a brigantine from the Island of Madagascar, touching here on the way to Great Britain in 1693, and his distribution of it between Stephen Bull, Joseph Woodward, and some other friends, who agreed to make the experiment, and planted their several parcels in different soils. The South Carolina Assembly in 1691 conferring a reward upon Peter Jacob Guerard, inventor of a " Pendulum engine " for husking rice, which it was said was superior to any. machine previously used in the colony.[15] Rice was, with indigo, one of the plants to be tried by West on the experimental farm under instructions of July, 1669. By 1715, as we shall see, the Huguenots became the some of the leading drivers of the economic engine of the southern North American colonies.

The 1720 to 1775 period was one of great wealth creation in South Carolina. There was an active merchant community in Charleston. Many of the merchants were planters, growing rice, indigo, and cotton. The merchants were active in community affairs, serving on Vestry of churches and in the South Carolina House of Commons. The

---

[13] Arthur H. Hirsch, *The Huguenots of Colonial South Carolina* (Columbia, South Carolina: University of South Carolina Press, 1999). The book was originally published by Duke University Press, 1928.

[14][14] The 45 families of the Richmond included Bonneau, Bounetheau, Bordeaux, Benoist, Boiseau, Bocquet, Bacot, Chevalier, Cordes, Couterier, Chastaigner, Du Pre, De Lysle, Du Bose, Du Bois, Deveaux, Dutarque, De la Consiliere, De Leiseline, Douxsaint, Du Pant, Du Bourdieu, D'Harriette, Faucheraud, Foissin, Faysoux, Qaillard, Gendron, Gegnilliat, Guernrd, Godin, Giradeau, Guerin, Gourdine, Horry, Huger, Jeannertte, Legare, La Roche, Lenud, Lansac, Marion, Mazyck, Manigault ,Mouzon, Michau, Neufville, Prioleau, Peronneau, Perdriau, Porcher, Postell, Peyre, Poyas, Savenel, Royes, Simons, Sarazin, St. Julien, Serre, and Tresvant. Source: Edward McCrady, *The History of South Carolina Under the Proprietary Government, 1670-1719* (London: The Macmillan Company, 1897, page 330.

[15] Edward McCrady, *The History of South Carolina Under the Proprietary Government, 1670-1719* (London: The Macmillan Company, 1897, page 349.

Laurents fled Annonay, France, to England, then Ireland, and crossed to New Jersey and New York. By 1715, Henry Laurens, the grandson of Andre Laurent, was born in Charleston 24 February 1724. At age 20, Henry he clerked for James Crolatt, a London merchant. He returned to Charleston shortly after his father's death. In 1749, Laurens became the partner of George Austin in Austin & Laurens. Laurens, later declared (1777) "I abhor slavery", yet made a fortune off the slave and rice trade. Laurens was a vestryman at St. Philips Episcopal (now Anglican) Church during much of the 1750s. Mr. Laurens served as a commissioner for various causes, eliminating smallpox, Firemaster, the South Carolina Society and the Charleston Library Society. Mr. Laurens served in the South Carolina Commons House, where he represented St. Philip's Parish (1765-1768). Mr. Laurens represented St. Philip & St. Micheal's parishes in the First and Second Provincial Congress, which elected him its President in 1775. Mr. Laurens was elected to the Continental Congress in July 1777 and was elected its President. His greatest accomplishments in Congress were securing the French Alliance, following the Patriot victory at Saratoga, and signing the Articles of Confederation.[16]

Henry Laurens became one of the richest men in the Southern colonies, July 1777. He would sign the Declaration of Independence, serve as President of the Continental Congress. Mr. Laurens would be chosen to negotiate the peace treaty with England in 1783. In 1779, Mr. Laurens was captured by the British on a diplomatic mission to Holland and would spend one year in The Tower of London; the only colonist to serve time in The Tower. In 1783, he was exchanged for General Lord Cornwallis. Lord Cornwallis was sent to India, then a new British colony, and he would "restore order" to that colony within The Empire.[17] Henry Laurens died in 1792. Mr. Laurens is often a forgotten figure in American history.

A widely studied Charleston merchant is John Guerard. John Guerard's *Letterbook*, which details his indigo, rice, pitch, turpentine, and slave trading activities during the 1752 -1754 period. The Guerard family were Huguenots and weavers from Rouen, who came to Charleston on the "Richmond" in 1680. Jacques Guerard, the Patrich of the family, is listed in the First Families of South Carolina, and was a founding member of the Huguenot Church, which stands in Charleston. Mr. Guerard served on the building committee of the church circa 1685. His son John Guerard was a passenger on the Richmond who was a member of two partnerships engaged in the Indian

---

[16] *Biographical Directory of the South Carolina House of Representatives. Volume II, The Commons House of Assembly, 1692-1775*, Walter B. Edgar and N. L. Bailey, Columbia: University of South Carolina Press. 1977, pages 390-394. S. B. Bates and H.C. Leland. *French Santee* (Baltimore, MD: Otter Bay Books, 2015), pp, 201-206.

[17] The tomb of Lord Conrnwallis in St. Paul's in London cites his excellent work as the Viceroy of India, His defeat at Yorktown is not mentioned.

trade, Lewis Pasquereau & Company and later his own firm with Benjamin Godin and Benjamin de la Conseillere as partners. Mr. Guerard owned a 750-acre plantation on the Cooper River. John Guerard served in the House of Commons for Berkeley and Craven counties, 1710-1714, He died while serving. John Guerard's son is the John Guerard, 1706 -1764, of the *Letterbook*. [18]John Guerard was a merchant, and with Richard Hill, his brother-in-law, formed Hill & Guerard (1736-1746), which dealt in Indian and slave trades. Following the death of Mr. Hill, Mr. Guerard continued to deal in slaves and furs. He prospered such that he could purchase 10,500 acres of land, with four working plantations.[19] Mr. Guerard was a vestryman at St. Philip's and junior and senior warden during the 1750s. Mr. Guerard gave the land for St. Paul's cemetery. Mr. Guerard was a tax assessor, and a member of the South Carolina Society and the Charleston Library Society. He served in the House of Commons for St. Philip's, 1754 -1760.[20] Mr. Guerard was named by the House to serve as one of the commissioners with Henry Laurens to regulate trade with the Creeks.[21] In April 1758, King George II appointed John Guerard to the South Carolina Royal Council (1758 -1760). As a councillor, Mr. Guerard led a successful fight to defeat a bill to levy an import duty on slave trade. Mr. Guerard married Elizabeth Hill, with whom he had six children, He married Marianne Godin, with whom he had six children following his first wife's death.[22] John Guerard died in 1764.

Charleston was the busiest North American port for shipments to England, measured in tonnage, during the 1735 - 1772 period, see Table 1. Boston and Hampton, Virginia, were second and third, respectively in shipments to England.

---

[18] The Guerard *Letterbook* records John Guerard/ exports during the April 1752 to 1754 period. On April 14, 1752, the "Caroline", a ship, was loaded with 360 barrels of rice, 108 barrels of turpentine, 152 barrels of pitch, and 41 bundles of (deer) skins. John Guerard was repsented by Mr. Thomas Rock & Company of London.

[19] R,C. Nash, "Trade and Business in Eighteenth Century South Carolina: The Career of John Guerard: Merchant and Planter", *South Carolina Historical Magazine* 96 (1995), pages 6-26.

[20] *Biographical Directory of the South Carolina House of Representatives. Volume II, The Commons House of Assembly, 1692-1775*, Walter B. Edgar and N. L. Bailey, Columbia: University of South Carolina Press. 1977, pages 295-298. See Jack P. Greene, *The Quest for Power*. New York: W. W. Norton, 1972, page 479.

[21] The commission reported to his majesty, 22 March 1760. The Lowcountry merchants wrote to the King of their respect, as he protected their trade and wished him "those Pleasures which the voice of any People can neither give nor destroy" *The Papers of Henry Laurens*, Volume 3, 1759 -1763.

[22] The author descended from Mr. Guerard's second marriage to Miss Godin, the daughter of his partner.

Table 1: Shipments to England, Tonnage

Year	Boston	New York City	Philadelphia	Hampton, VA	Charleston, SC
1772	6,178	4,280	3,123	5,454	15,610
1771	5,750	4,830	3,222	4,530	15,792
1770	5,819	4,665	3,208	3,184	11,727
1769	6,707	3,955	4,049	4,110	14,681
1768	6,428	5,130	4,134	5,252	15,873
1739		795			
1735		838			7919
1727		1030		2046	

Source: Vol 2 of Statistics of the United States from Hathi Trust, page 1179.

The Southern colonies of North America led the colonies in trade. Virginia, VA, Maryland , MD, Massachusetts, MA, South Carolina, SC, Pennsylvania, PA, North Carolina, NC, and Georgia, GA, produced shipments to England exceeding 2 percent of the 13 colonies.

]Shipments to England, 1770

Colony	Tonnage
VA	25,123
MD	17,067
MA	13,778
SC	12,467
PA	7,999
NC	7,393
NY	7,357
GA	3,460
NH	1,910
RI	955
CT	426
NJ	0

Source :Vol 2 of Statistics of the United States from Hathi Trust, page 1180

The French Huguenots had remained in France comprised 10 percent of the population, but owned more than 12.5 percent of French wealth, working more hours, due to their work ethic, desire for greater-wealth accumulation,

and observing fewer religious holidays. The Huguenots of Rouen and Bordeaux were specially noted. Fewer poor were among the Huguenot French population than other religious groups. [23]

1.3 Mr. Jefferson and the Declaration of Independence

President Thomas Jefferson was always regarded as an enigma. Mr. Jefferson's tomb in lists his accomplishments as author of "The Virginia Statue for Religious Freedom", author of "The Declaration of Independence:", and the Founder of the University of Virginia. There is no mention of his Presidency. Mr. Jefferson is a man with few peers in American history; the youngest member of The Continental Congress; chosen to be among the five men drafting the Declaration of Independence; Minister to France; the first Secretary of State; the President who doubled the size of America in his first term; the first President to impose a trade embargo; one of six Presidents to be reelected receiving over 92 percent of the Electoral College votes; and the founder of a great university whose students still revere him as a near-deity.[24] On July 1, 1776, The Continental Congress elected a five-person committee to prepare a draft of the Declaration of Independence, composed of Benjamin Franklin (Pennsylvania), John Adams (Massachusetts), Roger Sherman Connecticut), Robert Livingston (New York), and Thomas Jefferson (Virginia).[25] Fifty-six men from 13 colonies signed the Declaration of Independence on July 4th, 1776. Mr. Jefferson's Preamble to the Declaration borrows heavily from John Locke's *Two Treatises of Civil Government*. "We hold these truths to be self-evident, that all men are created equal; that they are endowed by their Creator with unalienable Rights; that among these are Life, Liberty, and the pursuit of Happiness." Mr. Jefferson listed the 23 grievances with King George III. While it is true

---

[23] Warren C. Scoville, "The Huguenots in the French Economy, 1650-1750", *The Quarterly Journal of Economics* 67 (1953), pp. 423-44.

[24] Almost every graduate of The University of Virginia has a picture of The Rotunda, the centerpiece of The Lawn at The University of Virginia, which Mr. Jefferson modeled on Hadrian's Pantheon in Rome. Mr. Jefferson speak many languages and was a great amateur architect.

[25] Mr. Jefferson was elected to this committee because of his earlier publication, entitled "A Summary View of the Rights of British America", pages 103-122, reprinted in *Thomas Jefferson: Writings* (New York: The Library of America), 1984).

that only John Adans and Mr. Jefferson were the only Presidents to sign the Declaration of Independence, six of its signers served as President under the Articles of Confederation or President of The Continental Congress.

- John Hancock - Served as the first president of the Continental Congress and signed the Declaration prominently.
- Samuel Huntington - President of Congress from 1779 to 1781, he was a signer of the Declaration.
- Thomas McKean - Served as president in 1781 and was also a signer of the Declaration.
- John Jay - Held the presidency in 1778 and was a signatory of the Declaration.
- Henry Laurens - President from 1777 to 1778, he signed the Declaration as well.
- Nathaniel Gorham - Served as president in 1786 and was a signer of the Declaration.

The reader notes the presence of Mr. Laurens of South Carolina.

The Declaration of Independence is still recognized as the document that declared independence of a colony from its Mother country. When the American Revolution was won at the Battle of Yorktown, the Treaty of Paris (1783) officially recognized the United States of America and the agreement between England and America sought to:

to forget all past Misunderstandings and Differences that have unhappily interrupted the good Correspondence and Friendship which they mutually wish to restore; and to establish such a beneficial *and satisfactory Intercourse between the two countries upon the ground of* reciprocal. *Advantages and mutual Convenience as may promote and secure to both perpetual Peace and Harmony….*

In a truly historical sense, UK and US relations were not tested until the Fall of 1941 when Sir Winston Churchill, Prime Minister, and US President Franklin Delano Roosevelt (FDR) met on a submarine off the coast of Newfoundland. [26]

[26] Mr. Churchill and President Roosevelt met at Placentia Bay, Newfoundland, to confer on issues ranging from support for Russia to threatening Japan to postwar peace on August 12, 1941. England stood alone in May 1941 against Germany. The two leaders signed The Atlantic Charter in August 1941 which when finally ratified by 26 nations in January 1942, would comprise the founding principles of the United States. FDR's Secretary of State, Cordell Hull, would win the Nobel Peace Prize for his role in creating the UN in 1945. Mr. Churchill would win the Nobel Prize in Literature in 1953. FDR was a Huguenot on his mother's side. Source: The History Channel, February 24, 2026.

1.4 Mr. Smith's The Wealth of Nations, Capitalsim, and American Education

Why did the French merchant Huguenots of Rouen, in Charleston, and the Dutch merchant Huguenots in London the acquire wealth? The merchants knew their business advantages and preferred employment that were most advantageous to society. Adam Smith also held that every individual naturally employs his capital to support domestic industry, and give revenue and employment to the greatest number of people in his home country.[27] Adam Smith moved to the notion of the" invisible hand".

> "By preferring the support of domestic to that of foreign industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intension."[28]

Adam Smith also stated :

> "In Carolina, where the planters, as is other British colonies, are generally both farmers and landlords, and rent consequently is confused with profits, the cultivation od rice is found to be more profitable than that of corn, though their fields produce only one crop per year, and though, from the prevalence of customs of Europe, rice is not there the common and favorite vegetable food of the people."[29]

> Mr. Smith believed in free men, free markets, and free trade. The invisible hand required free trade for economic efficiency.

As America and The Wealth of Nations celebrate their 250th anniversary, let us pay particular to several other influential economists regarding capitalism. In a recent 2022 book, *Adam Smith's America: How a Scottish Philosopher became an American Icon for Capitalsim,* Professor Gloria Liu traces the history of the introduction of *The Wealth of Nations* to the great universities of America in the early 19th century. Professor Liu's book is excellent, but her chapter 2 discussion of the University of Virginia and *The Wealth of Nations* could be enhanced.

---

[27] Adam Smith, *The Wealth of Nations*, 1776. The author's edition was edited by C.J. Bulloch, New Tork: Fall River Press, 2022, pages 298-299.

[28] Adam Smith, *IBID*, page 300.
[29] Adam Smith, IBID, page 139.

Professor Liu correctly mentions Georg Tucker as the first professor at the University of Virginia to teach The Wealth of Nations in hos political economy course. Let us taka a closer look at Mr. Jeffersons University through the writings of Professor Tipton R. Snavely (1967) and Professor David McCord Wright (1951). Mr. Jefferson created the University of Virginia in 1819. On April5, 1824, The Board of Visitors at The University of Virginia created eight professorships, including one for the School of Law to include "the principles of government and political economy". [30] Mr. George Tucker was appointed to the Chair of Moral Philosophy on October 6, 1826. Professor Tucker, Mr. Tucker hereafter, was born in Bermuda in 1775, of a prominent family on that island for more than 200 years. He emigrated to America in 1795 and completed his law education at the College of William and Mary. Mr. Tucker received a B.A, degree in 1797. Bishop James Madison was teaching The Wealth of Nations in his political economy course at William and Mary, and was the first teacher of political economy in America. [31] Mr. Tucker was not required to be successful at the practice of law as he married very well, financially, twice, His first wife died within two years of marriage, and his second wife, Maria Ball Carter, was the granddaughter of Betty Lewis, sister of George Washington. Mr. Tucker married Ms. Carter in 1802. In 1819, Mr. Tucker was elected to Congress as a moderate Jeffersonian Republican. Mr. Tucker's second wife passed in 1822 and, with no opposition, could have served a fourth term in Congress but instead accepted the invitation of Mr. Jefferson and Madison to take the Chair of 0Moral Philosophy at the University of Virginia for 1825. Mr. Tucker taught courses in ethics, logic, political economy, statistics, rhetoric, and English Composition. *The Wealth of Nations* was listed in the academic catalog of 1832-1833 for the political economy course along with Say's *Treatise on Political Economy*.[32] Mr. Tucker commented on the drinking and gambling of the students as an annoyance and source of youthful problems in slave-holding states.[33] Mr. Tucker authored four books while on the UVa faculty before he retired in 1845 at age 70.[34]

In 1942, David McCord Wright joined the Economics Department at The University of Virginia. Mr. McCord was brilliant. Mr. Wright was originally a Savannah, Georgia native. Educated at The Citadel and The University of Pennsylvania (BS in architecture), the University of Virginia in law, and Harvard, in Economics, where he won the David A. Wells Award for his dissertation, *The Creation of Purchasing Power* (1942).[35] Mr.

---

[30] Tipton R. Snavely, *The Department of Economics at The University of Virginia, 1825 – 1956. Charlottesville: The University Press of Virginia, 1967, page 3.*

[31] Snavely, *IBID*, pages 6-7. Bishop James Madison was not be a future US President. Tom Willett and T.R.Snavely, "William and Mary: Cradle of Academic Economics in America?" *Southern Economic Journal*, April 1968, page 572.

[32] Snavely, *IBID*, page 12. Legend at the University of Virginia has it that Professor Say, of Say's Law, "where supply creates its own demand", declined a teaching position at The University because of the isolation of Charlottesville, Va.

[33] Snavely, *IBID,* page 26.

[34] Mr., Tucker retired in 1845. His appointment was "for life" and The University of Virginia reduced his salary from $1500, annually, to $1000. Source: Snavely, IBID. page 27.

[35] Mr. Wright taught both law and economics courses at the University of Virginia, 1942 - 1955. He was noted for his anti-trust writings

Wright studied under Joseph Schumpeter, to whom he dedicated his Wells Award-winning monograph. Professor Schumpeter and Paul Samuelson, a classmate of Mr. Wright's at Harvard, also won the Wells Award. Mr. Wright taught at The University of Virginia until 1955, when he left for a chair at McGill University. We now address Mr. Wright's analysis of Adam Smith, and Mr. Jefferson in his *Capitalism* (McGraw-Hill, 1951). Mr. Wright stated that "the mere introduction or planning or of equal incomes will not serve to eliminate insecurities, pressure groups, or conflicts in a growing world".[36] Any society seeking to achieve a higher living standard must deal with pressure groups directly. There can never be enough of everything to satisfy everyone. Absolute freedom from social conflict and coercive action is impossible. Modern social life cannot avoid all conflict and make all mem happy unless we save them from an incorrect opinion, Marxism assumes that a single right opinion exists on every subject and is recognized by all free men.[37] All countries that have economic growth must be willing to forego current consumption and enjoyment to accumulate more skills, machinery, and equipment, whether capitalistic, socialist, or communist. Anyone in any society that develop or evolves a new technical or social program that implements it, in practice, is an entrepreneur. [38]A manager merely carries out routine decisions or technologies. Henry Ford, by inventing a cheap automobile, greatly enhanced general standards of production and made himself rich. This is harmony.[39] Wright suggests that we follow Mr. Jefferson and interpret "equality" to mean equality if opportunity; if men are unequal in their endowments, equality of opportunity will result in inequality for the more able individual. [40] M. Wright defined Capitalism as an economic system which, "on average, much of the greater portion of economic life, and particularly net new investment, is carried on by private units…under conditions of active and substantially free competition….under the incentive of a hope for profit". [41] Capitalism has been one of the most productive systems ever known, but as absolute wealth increases, relative wealth may not. Mr. Wright says that American culture may not make adequate provisions for the psychic needs of the less successful in our economy.[42] Income inequality has always produced critics of Capitalism. It is like a successful father whose children may receive preferential treatment. [43]

There are some businesses so risky that they require a higher rate of profits. Mr. Wright's example was the planting of rice or Sea Island cotton on the islands of Georgia and South Carolina in the 1790s, where some planters

---

[36] D. M, Wright, *Capitalism* (New York: McGraw-Hill Book Company, 1951), page 24.
[37] Wright*, IBID,* pages 26-27.
[38] Wright*, IBID,* page 35.
[39] Wright, *IBID*, page 39.
[40] Wright, *IBID*, page 52.
[41] Wright*, IBID*, page 57.
[42] Wright*, IBID*, page 68. The reader must be reminded that Mr. Wright's *Capitalism* was published in 1951! This very topic is mentioned nightly in the evening TV news.
[43] Wright*, IBID*, page 52.

made 200 or 300 percent profit in a given year.[44] Mr. Wright's observation is outstanding, but his time frame could have been extended back to 1740. [45]

2. The Case for (Free) Trade

America was founded on trade, particularly with England. Adam Smith maintained that the Mercantile system sought to encourage exports to enrich every country and discourage imports, ultimately creating an ad were upon the importation advantageous balance of trade.[46] The encouragement of the materials imported for manufacturing, by bounties, were primarily confined to the materials imported from American plantations. The first American bounties in the early 18th century were upon American naval stores; timber for masts; hem, pitch, and turpentine. The second bounty was granted for indigo from the British colonies. When plantation indigo was worth three-quarters of the price of the best French indigo, an Act of Parliament made indigo entitled to a sixpence bounty per pound.[47] There were additional commodities which received bountied, when imported from other countries were subjected to considerable duties.[48] The interest of our American colonies is the Mother Country's interest. "Their wealth ids our wealth!". [49]Whenever money was sent to the colonies, it came back to England by the balance of trade, and Adam Smith stated that the King could not believe that England was poorer. A tax of 5-10 shillings per pound on the export of every tod of wool produced a very considerable revenue for the sovereign and hurt the interests of the growers by a somewhat lesser amount. [50]The British system of laws was established for the

---

[44] Wright, *IBID*, page 110.

[45] Allan Meltzer was another, more recent, proponent of Capitalism. Professor Meltzer, of Carnegie Mellon, stated that democratic capitalism has great strengths. It is the only system that achieves economic growth and individual freedom. It can be adapted by all diverse cultures, even making great inroads in China since the late-1970s. Voters can choose the tax rates and reduce potential income inequality, if the majority of voters support it. Capitalism works with the rule of law to protect property rights .Capitalism embraces competition. Capitalism gives participants the incentive to act in their own interest, as society desires, and generally rewards hard work, intelligence, persistence, and innovation. Capitalism has successes and failures, but is the only system producing economic growth and freedom. Voters can act collectively to provide public goods other than defense and police protection. Indeed, they can vote (for candidates) to redistribute income. Regulation can be socially useful when it aligns public and social costs, as with the reduction of air and water pollution, public goods. People are not perfect, and their choices may not be perfect. Allan Meltzer, *Why Capitalism?* (Oxford: Oxford University Press, 2012).

[46] Adam Smith, *The Wealth of Nations.* 1776. Chapter 8, "Conclusion of the Mercantile System", page 363.

[47] A, Smith, *IBID*, pages 364-365.

[48] A. Smth, *IBID*, page 366-367.

[49] A. Smth, *IBID*, page 367.

[50] A. Smth, *IBID*, page 373.

management of our American and Indian colonies, and the interest of the home country consumers was sacrificed to that of the producer. A great empire has been established for the sole purpose of raising a nation of consumers who should be obliged to buy from shops of different producers all the goods that they can supply. For the sake of a little price enhancement which this monopoly might afford producers, the home consumers have been burdened with the whole expense of maintaining and defending the empire. New debt of more than 170 million pounds has been contracted for in foreign (colonial) wars. The interest on that debit has exceeded the whole of the extraordinary profits by the monopoly of the trade.[51]

In 1763, the colony of Georgia, exported 7500 barrels of rice, 9633 pounds of indigo, 1250 barrels of Indian corn , with deer and beaver skins, timber and naval stores that amounted to 27,021vpounds, sterling. By 1773, Georgia exports were 121, 677 pounds sterling., and rivaled its more powerful and opulent neighbor, Soth Carolina. [52]

The authors have noted the effectiveness of the Lowcountry merchants who exported rice, indigo, and cotton to England to become wealthy. Mr. Laurens went from a very successful merchant to be a President of The Continental Congress. Agricultural interests in South Carolina, and the south, as a region, wanted free trade. The South wanted free trade during the 1789 -1859 period, opposing trade restrictions, including tariffs. [53] Cordell Hull, remembered primarily as the longest serving US Secretary of State under FDR, was Chairman of the House Ways and Means Committee which wrote the first income tax bill in 1913. He also favored free trade in the House and also as a Senator from Tennessee. Senator Hull believed that free trade allowed nations to dispose of their surplus goods.[54] The US was the greatest producing nation and our exports were essential for maintaining employment and growth. Senator Hull believe that US growth and profits would be driven. by exports. [55]

---

[51] A, Smith, IBID, page 380.

[52] Hewatt, *An Historical Account of the Colonies of South Carolina and Georgia*, London: Printed for Alexander Donaldson, No, 48, St. Paul's Church-Yard. 1779.

[53] Douglas Irwin, *Clashing over Commerce*, Chicago: The University of Chicago Press., 2018). The Morill Tariff of 1859 increased tariffs substantially, using the "infant industries" argument to protect domestic manufacturing. Alexander Hamilton, the Secretary of Treasury, used that argument to create Patterson, New Jersey, in 1791 as a community established to develop manufacturing and secure economic independence from British manufacturers. Patterson is now known as one of the first communities of the "rust belt" of America.

[54] W. R. Allen, "The International Trade Philosophy of Cordell Hull, 1907-1933", *The American Economic Review* 43 (1953), pages 101-116.

[55] The Hull position that tariffs favored the weakest and most inefficient industries and created monopolies. Hull believed that all bank panics post the Civil War were caused by Republican high-tariff administrations. Senator Hull initiated a reciprocal trade program that led to lower tariffs in the second half of the 20nd century. The anti-protectionist argument had been voiced earlier by William Graham Sumner, in his *Protectionism: The -ism that Teaches that Waste Makes Wealth* (New York: Henry Holt and Company, 1885). Tariffs created

3. Security Selection Estimation and Portfolio Construction for the US Investor in Global Markets

The identification of fundamental and quantitative information must be statistically and managerially processed and identified. Thirty years ago, Harry Markowitz and his research team at Daiwa Securities Trust Company addressed the question of professional management by examining the value of financial information and efficient markets. Guerard and Takano (1992), Guerard, Takano, and Yamane (1993) and Bloch, Guerard, Markowitz, Todd, and Xu (1993) reported mean-variance efficient portfolios for the Japanese and U.S. equity markets that were composed of a robust regression-weighted composite model of fundamentally-based active management factors of earnings, book value, cash flow, sales, and their relative variables.[56] Markowitz Mean-Variance analysis was applied

---

monopolies and enriched the owners of non-competitive firms. An excellent analysis of the recent President Trump war on free trade is E. Tower, T. Willett, and J. Gilbert, "Mr. Trump's Tariff War on the World*", Journal of International Commerce, Economics, and Policy*, forthcoming 2026.

[56] Do earnings matter? The consensus among most economists is yes. Benjamin Graham and David Dodd (1934), in their classical *Security Analysis*, presently theory of stock valuation. In Chapter 27, "The Theory of Common-Stock Investment." Graham and Dodd discussed their explanation for the departure of the public from rational common valuation during the 1927-1929 period. Graham and Dodd attributed much of the valuation departures to the instability of intangibles and the dominant importance of intangibles (p. 301). Graham and Dodd in their various editions of *Security Analysis* considered earnings integral in establishing intrinsic value and stock purchasing opportunities. Graham and Dodd used earnings and intrinsic value determination in the Graham-Newman Corporation portfolio management objectives. John Burr Williams (1938), in his dissertation at Harvard, proposed that the value of a stock should equal the present value of its expected future dividends, which are paid earnings. Williams included the Graham and Dodd low price-to-earnings strategy and the Graham and Dodd net current asset value (buying stocks for their "liquidation" or break-up value) strategy.

When researchers test whether earnings matter, they are inevitably stating to testing the "low P/E" or high EP model. In 1960, Francis Nicholson, vice president of Provident Tradesmens Bank and Trust Co., Philadelphia, documented the effectiveness of the low price-earnings (PE) strategy during the 1934 -1959 period in the *FAJ.* Using a sample of 100 common stocks of high quality of trust bank investment quality, observed that smaller PE stocks substantially and consistently outperformed higher PE stocks by over 40 percent. Nicholson did not include utilities, banks, finance or insurance companies. In his second sample, Nicholson used a sample of 29 chemical firms using the 1937 – 1954 period and reported similar results, with the lower PE chemical stocks outperforming the higher PE chemical stocks. The Nicholson results, based upon 100 industrial stocks and 29 chemical companies confirmed the Graham and Dodd low PE strategy that currently known or immediately prospective earnings are a major factor in the outlook for market prices of common stocks.

James McWilliams (1966) of The Continental Illinois National Bank & Trust Co. reported results of a price-earnings ratio test using data from the Standard & Poor's 900 Industrial Company Compustat tape. The McWilliams sample universe composed companies with December fiscal years. A complete 12-year history of April 30 prices had to be available on each stock exchange - listed company, 1952-1964. Application of these criteria reduced the total sample to 390 companies. McWilliams reported that the lowest deciled PE stocks had an average return of 23 percent during the 1952 -1964 period, whereas decile 10, the highest deciled PE stocks had a 15 percent annual return. The average stock return was 17 percent. The McWilliams study confirmed the Nicholson study, with a larger stock universe. Victor Niederhoffer and Patrick Reagan (1972) examined 1253 common stocks listed on the New York Stone Exchange (NYSE) during 1970 -1971. The NYSE was far more volatile than the Dow Jones Industrial Average (DJIA) stocks, with almost one-half of the NYSE stocks gaining or losing at least 20 percent, whereas the DJIA stocks averaged a 4.8 percent gain in 1970. Niederhoffer and Reagan selected the 50 best and the 50 worst (price) performers for closer scrutiny, on the assumption that the earnings/performance relationship would be magnified under such a sample. The earnings predictions were taken from the March 31, 1970 edition of the Standard and Poor's "Earnings Forecaster". Profitability was the most important factor separating the best from the worst-performing stocks. In terms of reported 1970 earnings compared to year-earlier results, 45 of the top 50 registered increases, a feat achieved by only four of the bottom 50 stocks.

to the US top 1000 stocks in market-capitalization, and Japanese TOPIX stocks, the portfolios outperformed their respective equity benchmarks by approximately 400 basis points annually. The extension of these models to the Russell 3000, MSCI All Country World (ACW), MSCI China A-Shares, and MSCI Emerging Markets (M) stock universes was reported to *Wilmott* readers in Guerard et. al (2020), The authors reported that the models could be estimated and optimized for regional global stock universes, many of which outperformed their benchmarks with higher Sharpe and Information Ratios than the US stock universes, both on essentially equally-weighted and capitalization-weighted portfolio construction. The authors report that relevant information for active management is present and persistent across global markets, that security selection efforts can produce portfolios that add value in excess of a cap-weighted benchmark, and that portfolio construction provides significant benefits to security selection skill.

The optimized portfolios produced higher Sharpe Ratios than the benchmarks in Japan and the United States; the U.S. survivor-biased-free Sharpe Ratio was 1.20 whereas the benchmark was 0.96. Markowitz and Xu (1994) tested the composite model strategy and found that its excess returns were statistically significant from a variety of models tested, and the composite model strategy was not the result of data mining. The sophisticated regression model, the weighted latent root regression model, WLRR, addressing outliers and multicollinearity, produced the highest information coefficients and geometric returns on mean-variance efficient portfolios. Thirty years later the authors (2026) reported to *Wilmott* readers that the WLRR model continued to perform as well as Least Angle Regression (LAR), and LASSO, modern statistical techniques. The first rule of Markowitz backtesting in February 1990 was that researcher must only use "what the little man inside the computer could see with the available databases". In this analysis, we continue to test regression models for stock selection in US and global stocks, 2005-2025. We intend to address the Arnott, Harvey, and Markowitz (AHM, 2012, 2019) backtesting protocol and offer enhancements using robust regression. Analysts' forecasts of corporate earnings per share continue to drive stock prices and returns. [57] For

Furthermore, 20 of the top 50 recorded earnings gains of at least 25 per cent, whereas all but six of the bottom 50 stocks suffered declines in excess of 25 per cent. The superior and the inferior performers also differed greatly when actual earnings were compared to the forecasts. Niederhoffer and Reagan summarized their results that the common characteristics of the companies registering the best price changes included a forecast of moderately increased earnings and a realized profit gain far in excess of analysts' expectations. The worst-performing stocks were characterized by severe earnings declines, combined with unusually optimistic forecasts.

[57] The initial research of Elton, Gruber, and Gultekin, and their NYU students, led to the creation of the I/B/E/S database, monthly electroinc set of files containing security analysts' EPS forecasts and stock prices. Prior to 1976, there was no electronic database of consensus (by brokerage firm) or detailed (by analyst) database. The I/B/E/S database of analysts' earnings per share (EPS) forecasts is created in the early 1980s and this resource allows academicians to test larger samples of earnings, forecasted earnings, and over much longer periods of time. Analysts become more accurate as time passes during the year, and quarterly data is reported. Elton, Gruber, and Gultekin (1981) created a database of 919 one-year-ahead consensus analysts' eps forecasts and 696 two-year-ahead consensus analysts' eps forecasts of 1973, 1974, and 1975 that would evolve into the I/B/E/S database, with (US) data starting in January 1976. Elton, Gruber and Gultekin (EGG, 1981) tested whether analysts' forecasts, their expectations, were incorporated into share prices. EGG asked the

further references on forecasted EPS Revisions, the reader is referred to Guerard and Markowitz (2018) and Guerard, Thomakos, Kyraizi, and Beheshti (2024, 2026). See Lee, Finnerty, Lee, Lee and Wort (2013) for an MBA text discussing anomalies. Do earnings matter? Yes! Hence, we have our research motivation; an economic. Point one of AHM (2018) is addressed.

The reader is referred to Ziemba (1991, 2016, 2020) and Ziemba and Schwartz (1992). Guerard, Thomakos, Kyriazi, and Beheshti (2024). estimated four stock selection models, tracing model enhancements during the 1993 -2024 period.

Let us define the variables tested in this study:

TR=total returns (monthly) on stocks
EP = earnings per share / price per share
BP = book per share / price per share
CP = cash flow per share / price per share
SP = sales per share / price per share
REP = current EP / average of 60 previous months EP
RBP = current BP / average of 60 previous months BP
RCP = current CP / average of 60 previous months CP
RSP = current SP / average of 60 previous months SP
FEP1 = one-year-ahead forecast earnings per share / price per share
FEP2 = two-year-ahead forecast earnings per share / price per share
RV1 = one-year-ahead forecast earnings per share monthly revision / price per share
RV2 = two-year-ahead forecast earnings per share monthly revision / price per share
BR1 = one-year-ahead forecast earnings per share monthly breadth / price per share
BR2 = two-year-ahead forecast earnings per share monthly breadth/ price per share
CTEF = Equal-weighted FEP1, FEP2, BR1, BR2, REV1, REV2
PM71 = price momentum = price (t-1)/price (t-7).

---

question whether excess returns could be earned by selecting stocks on the basis of the highest consensus growth rate. The answer was "no". Share prices were incorporated into stock prices. However, investors with perfect forecasting ability could make risk-adjusted excess returns. An analyst selecting among the top 30% of the firms that have the most underestimated "true" earnings, could earn a 4.54% excess return if selects correctly 50% of the time.

In 1988, Bruce Jacobs and Kenneth Levy, published a study of some 25 anomalies previously identified in the financial literature from January 1978 to December 1986 and reported that the low PE, the past three months of EPS estimate revisions, the sales-to-price, the one-month and two-month residual reversal in stock price, and the size variables were highly statistically significant variables. Jacobs and Levy ran generalized least squares regressions on the 108-month anomalies to determine the "naive" effects, using univariate regression analysis, and "pure" effects, using multivariate regression to account for all other anomalies and industry effects. The low PE, the past three month estimate revisions, the sales-to-price, one-month residuals, and size variables were statistically significant in the pure anomaly results. Less than one-half of the previously reported anomalies was statistically significant in the Jacobs and Levy (1988) study. Levy (1983) and Bernard and Thomas (1989) produced additional empirical evidence on financial anomalies.

Analysts' forecasts and forecast revisions are most often qualitative factors in determining stock valuation. Breadth, the net upward number of analysts revising forecasts, relative to the number of total forecasts, is a mere calculation, see Lang Wheeler (1994).

In the recent replication issue of Wilmott, Chen and Guerard (2025) validated the Tukey Bisquare regressions of Guerard and hid co-authors during the 1991 - 2024 period. Chen and Guerard extended the statistical modeling by reporting that the 85, 95, and 99 percent robust regression efficiency criteria produced virtually identical estimate a monthly model for the December 2006–December 2025 period:

$$TR_{t+1} = a_0 + a_1EP_t + a_2BP_t + a_3CP_t + a_4SP_t + a_5REP_t + a_6RBP_t + a_7RCP_t + a_8RSP_t + e_{t+1} \quad (1)$$

We will refer to the eight-factor regression model, the original model of Bloch, Guerard, Markowitz, Todd, and Xu (1993) in (1) as REG8.[58]

We estimate a second expected returns model that incorporates reported earnings, book value, cash flow, and sales, the corresponding relative variables, with an equally weighted composite model of earnings forecasts, revisions, and breadth, denoted CTEF. This model was developed and estimated in Guerard and Mark (2003, 2020). The nine-factor regression model in (2) is referred as REG9.[59]

$$TR_{t+1} = a_0 + a_1EP_t + a_2BP_t + a_3CP_t + a_4SP_t + a_5REP_t + a_6RBP_t + a_7RCP_t + a_8RSP_t + a_9CTEF_t + e_{t+1} \quad (2)$$

We estimate a third expected returns model in which an intermediate-term momentum model, PM_{71} are

[58] The REG8 model was referred to as WLRR in Guerard and Takano (1992). The REG8 was also referred to as the Composite Model. In 1991, one of the Guerard Berkeley Program in Finance comparisons of the US and Japanese fundamental variable studies was published in *The Security Analysts Journal of Japan*. The article used the Japanese-only modeling results.

[59] Guerard and Miller (1991) reported a nine-factor model where WLRR regression determined the eight-factor weights and CTEF was at least 25%.

above defined variables at time *t* and *e* is randomly distributed error term.[60] REG10 is defined as:

$$TR_{t+1} = a_0 + a_1EP_t + a_2BP_t + a_3CP_t + a_4SP_t + a_5REP_t + a_6RBP_t + a_7RCP_t + a_8RSP_t + a_9PM71_t + a_{10}CTEF_t + e_{t+1} \quad (3)$$

We traced the development of the CTEF, REG8, REG9, and REG10 models of expected returns tested in this research update. Points two, statistical modelling, and four, cross-validation, including post-publication modeling, of AHM (2018) are addressed in this section.

Chen and Guerard (2025) initially ran the robust regression models with the 99% efficiency level. Chen and Guerard (2025) reported that the 95% efficiency level, used in Guerard et al (1993) and Guerard et a. (2024) worked as well as the 99% efficiency level in both the Tukey Bisquare and Huber algorithms. See Maronna, Martin, Yohai, and Salibian-Barrera (2019). Robust regression is a highly (appropriate) statistically significant technique to use in recreating expected returns.[61] The authors modeled outliers; we not exclude the, Robust regression is preferred to the winsorization, see Martin, Guerard, and Xiao (2024) for a discussion of this very important result. We go beyond Point three of AHM (2018).

The average reader, who should be earning an income sufficient to pay taxes to his /her country, might wonder about global investing. If an investor was alive in January 1994, reading Bloch et al. (1993), Guerard, Takao, and Yamane (1993), and Ziemba (1992), the investor might ask a very intelligent question: how much of the world should he / she invest in? The great thing about that question is that you know the answer when you get

[60] Most of the variables used in equation one and two have been recognized as financial anomalies in the work of Jacobs and Levy (1988, 1990 2017), Dimson (1998), Haugen and Baker (1996, 1999, and 2010), and Levy (1999, 2012).

[61] The quarterly and monthly regressions are plagued with approximately twice the number observations outside the 95 percent confidence interval as one might expect given a normal distribution of residuals. These aberrant observations, or outliers, lead us to re-estimate the monthly regression lines using a Beaton-Tukey bi-weight or Bisquare (or robust, ROB) regression technique, in which each observation is weighted as the inverse function of its ordinary least squares (OLS) residual. When the BiSquare weighting is enhanced with latent root regression (LRR), the weighted latent root regression, WLRR, technique is used, as it was in Bloch et al. (1993). The application of the Beaton-Tukey Bisquare (ROB) procedure addresses the issue of outliers, see Beaton and Tukey (1974), Andrews, Bickel, Hampel, Huber, Rogers, and Tukey (1972), Keaz and Ready (1997), Maronna, Martin, Yohai, and Salibian (2019). The weighted data is plagued with multicollinearity, the correlation among the independent variables, which may lead to statistically inefficient estimates of the regression coefficients. The data of 1974 - 1990 was plagued with outliers; the data of 1975 -2003 was plagued with outliers; and the data of 2001-2020 was plagued with outliers. Statistics may scoff at the Andrews et al. (1972) references, but these models produced statistically significant models in 1991 and the fact that SAS integrated 10 of the weighting schemes from the Andrews *et al.* (1972) book into its Proc Robustreg algorithm is evidence that the world of business needs robust regression. Furthermore, when John Guerard tested the 10 different SAS robust weighting schemes on USER data in 2018, he reported that the different robust weighting schemes were virtually identical in prediction total stock returns and all robust regression model of REG10 were highly statistically significant, see Guerard, Xu, and Wang (2019).

there (at a particular point in time). If an investor decided to invest in three stock index returns: the Russell 3000, the MSCI All Country World Investable, ACWI, and the MSCI Emerging Markets (EM), for the February 1994 – November 2025, what would the investor have fared in the US dollar (USD) investment? In Table 3, the Rusell 3000 Index performed much better than the ACWI and almost identical to the EM index.

Table 3: Index Returns in USD

Time Period: 2/1994 - 11/2025	Russell 3000 Gross Return	Cash Return (90-Day T-Bill)	ACWI (USD)	EM (USD)
Mean	0.1130	0.0242	0.0917	0.1147
STD	0.1531	0.0060	0.1508	0.1513

However, a true global portfolio need not be created from index returns, but from individual stocks to achieve Markowitz diversification! The active Wilmott reader should immediately remember the global-appended stock universe-appended regressions of Chen and Guerard (2025) and US Russell 3000 and TOPIX-appended stocks of Guerard, Thomakos, Kyriazi, and Beheshti (2025). The Russell 3000 and Russell 2500 stock universes and MSCI AWCI, Emerging Markets, EM, and International, INTL, stock universes produce highly statistically significant ICs during the December 2006 – December 2025 period.[62]. The authors report the individual average fundamental-based variables, EP, BP, CP, SP, and the five-year relative variables in Table 4. The REG9 model features the introduction of CTEF, the earnings-based forecast variable, that greatly enhances REG9 relative to REG8. The addition of price-momentum, PM71, in REG10 is far less important than the earnings variable in the Russell 3000, ACWI, Global-Appended universe composed of Russell 3000 and INTL Global_FE universe, using all stocks with FactSet corporate EPS forecasts. CTEF dominates in all stock universes reported in Table 4. In the Global_FE regressions, the EP, REP, RCP, CTEF and PM71 are statistically significant, see Table 4. The Adjusted R-squared statistics reported in Table 5 support the CTEF domination of the regression results, as was the case in Martin, Guerard, and Xia (2024). The 99% and 95% efficiency robust regression are virtually identical, as was the case in Chen and Guerard (2025).

[62] Subscription issues ,subscription costs, imposed a 20-year analysis in this study, as opposed to the analysis of Guerard, Thomakos, Kyriazi, and Beheshti (2024). Our results are virtually identical.

The three-month ICs of the CTEF and REG10 models report highly statistically significant stock selection. The authors report the several US Russell universe estimations of the REG8, REG9, and REG10 monthly Information Coefficients, ICs, Sharpe Ratios, ShRs, and Information Ratios, IRs. and corresponding t-statistics in an Executive Summary of the FactSet Alpha Tester results, presented in Table 6. We report further 20-year summaries of the report the MSCI All Country World Investible (ACWI) universe, the Japanese TOPIX, MSCI Emerging Markets, EM, and MSCI International, INTL, universe, defined as the MSCI WorldexUSA stock universe. We additionally present a Global universe of over 20,000 stocks composed of all global stocks with FactSet data on corporate earnings per share (FE). The Global_FE universe is the universe for greater global analysis in the opinion of the authors.[63] The estimation of all regression models in Guerard and Mark (2020), Markowitz, Guerard, Xu, and Beheshti (2021), and Martin, Guerard, and Xia (2024) addressed Points 5 and 6 of AHM (2018) model addresses the AMH (2018) Points 5 and 6, model dynamics and complexity issues, but minimizing possible overfitting. US stocks in the Russell 3000 have outperformed the MSCI All Country World Investible (ACWI) universe on an index basis, during the 2006 -11/2025 period. A combination of US and international stocks with earnings forecasts may greatly enhance global wealth.

4. Summary and Conclusions and Implications for Future Research

On July 4th, 1776, America celebrates its 250th birthday, dating from its Declaration of Independence. John Locke and his *Two Treatise of Civil Government* (1690) greatly influenced Thomas Jefferson and the Declaration of Independence. The American experience was an outgrowth of the Enlightenment and many of its politicians were

[63] The reader often hears of several estimation techniques that have been reported by many authors to be useful in stock selection: Weighted Latent Root Regression (WLRR), Least Angle Regression (LAR), LASSO, the Leamer Sturdy (S) regressions, and the Martin mOpt techniques. There are many modern approaches to identifying the best-subsets of variables for linear regression models. Guerard, Xu, and Markowitz (GXM, 2021) tested WLRR, LAR, LASSO, and Sturdy regression modeling techniques. The GXM (2021) tests confirmed that that the WLRR model was a dynamically effective as the Machine Learning LASSO and LAR models. WLRR and the Sturdy regression of Professor Leamer emerged as produced the highest ICs and the authors optimized portfolio geometric means in Guerard, Blay, Mo, Hung, and Chen (2026). Efron, Hastie, Johnstone, and Tibshirayi (2004) introduce LAR to the reader by discussing automatic model-building algorithms, including forward selection, all subsets, and back elimination. One can measure the goodness of fit in terms of predictive accuracy, but we will use a different manner. We will build time series out-of-sample portfolios using expected return based on the previous selected variables and estimated coefficients. The regression and variables selections techniques are evaluated by how well the portfolio is done for the 25 years period. All regressions are carried out twice and variables are normalized to have unit length one at each regression. First it is the standard OLS, from which Beaton-Turkey weight is generated for next regression to combat the outliers in the observations. We apply LRR, LASSO, S-regression to weighted observations. The regression methods used here are a form of data mining because they drop some variable at some estimate period t. The differences between them are how they drop the independent variables

successful merchants. Adam Smith's *The Wealth of Nations* was also published in 1776. Americans embraced Capitalism and its great universities taught Mr. Smith's book, particularly Mr. Jefferson's The University of Virginia, where Capitalism was defended in the 20th century. The author established links between French Protestants, the British monarchy, invasions, wars, religion, the founding of the Bank of England; the creation of the North American colonies, John Locke, the merchants cited in Adan Smith's *Wealth of Nations* for their effectiveness, and their role in the creation of the colony of South Carolina. The Lowcountry of South Carlina, created great wealth through its trade with England. Mr. Laurens of South Carolina serves as a President of The Continental Congress Jeffersonian political economy has long been associated with prosperity and capitalism. Capitalism is associated with business failures and successes, primarily successes.[64] No other economic system protects property rights and produces economic growth and personal freedom! The inclusion of consensus analysts' forecasts, revisions, and breadth variable has become more important in identifying U.S. stocks that consistently outperformance their benchmarks. Robust regression models of fundamental factors and earnings forecasting factors continue to enhance portfolio returns. US stocks in the Russell 3000 have outperformed the MSCI All Country World Investible (ACWI) universe on an index basis, during the 2006 -11/2025 period. A combination of US and international stocks with earnings forecasts may greatly enhance global wealth. The authors report that expanded universes of all FactSet-forecasted earnings stocks is a universe for future research and implementation for enhancing stockholder wealth!

The author still likes the subtitle could be "The Declaration of Independence and Adam Smith's Invisible Hand at 250 Years: Free Merchants, Free Trade, and Free Markets!".

Acknowledgements: The authors gratefully appreciate Bijan Beheshti, at FactSet, who implemented much of the Beheshti, Guerard, and Mercs (2020) methodology for the automation of expected returns within FactSet universes. The author appreciates the proofreading of Renee Marshall. The author thanks Dr. Robert Betts, for his computer transcriptions of pages photographed in the Guerard *Letterbook*, which are otherwise virtually impossible for a senior citizen independent researcher to read. Any errors remaining are the sole responsibility of the primary author.

[64] As General Patton says in the monologue to the movie "Patton", "Americans love winners and cannot tolerate losers".

References

Arnott, R., C. R. Harvey, and H. M. Markowitz. 2012. "A Backtesting Protocol in the Era of Machine Learning", SSRN. *The Journal of Financial Data Science* Winter 2019, 1 (1) 64 - 74

Bartram, S. & Grinblatt, M. .2021. "Global Market Inefficiencies". *Journal of Financial Economics*, Vol. 139, 2021 (1): 234-259.

Beaton, A. E., & Tukey, J. W. 1974. The fitting of power series, meaning polynomials, illustrated on band-spectroscopic data. *Technometrics 16*, 147-185.

Beheshti, B., J.B. Guerard and C. Mercs. 2020. "Truly Active Management Requires a Commitment to Excellence: Portfolio Construction and Management with FactSet."
Chapter 7 in Handbook of Applied Investment Research, World Scientific Publishing Co. Pte. Ltd.

Bernard, V. L. & Thomas, J. K. 1989. Post-earnings-announcement drift: Delayed price response or risk premium? *Journal of Accounting Research* 27 (supplement): 1-36.

Bloch, M., J.B. Guerard Jr., H. M. Markowitz, P. Todd, P., & G. Xu. 1993. "A Comparison of some Aspects of the U.S. & Japanese Equity Markets." *Japan & the World Economy*, Vol. 5: 3-26.

Blin, J., J.B. Guerard, Jr., &A. Mark. "The Risks You Know—and Those You Don't," *Wilmott Magazine*, March 2021, issue 112, 16–37.

Bruce, B. R. a& C. B. Epstein. 1994. *The Handbook of Corporate Earnings Analysis*. Chicago: Probus Publishers.

Chava, S. and J.B. Guerard, Jr. 2022. "The Development of Mean Variance Efficient Portfolios: 30 Years Later", *Journal of Investing* 30, 1-19.

Chen, J. and J.B, Guerard, Jr. 2025. "Replicating Financial Anomalies in Portfolio Selection" *Wilmott Magazine*, November, 8-13.

Cragg, J.G. & B.G. Malkiel. 1968. "The Consensus and Accuracy of Some Predictions of the Growth of Corporate Earnings". *Journal of Finance* 23, 68-84.

Dimson, E. 1988. *Stock Market Anomalies*. Cambridge: Cambridge University Press.

Domowitz, I. and A. Moghe. 2018. " Donuts: A Picture of Optimization Applied to Fundamental Portfolios/", *The Journal of Portfolio Management*, Winter.

Efron, B. T. Hastie, I. Johnstone, & R. Tibshirani. 2004. "Least Angle Regression". *The Annals of Statistics* 32, 407-499.

Elton, E.J. & M. J. Gruber. 1972. "Earnings Estimates and the Accuracy of Expectational Data". *Management Science* 18, 404-424.

Elton, E.J., M.J. Gruber & M.N. Gultekin. 1981. "Expectations and Share Prices". Management Science 27, 975-987.

Fama, E.F., & K.R. French. 1995. "Size & the Book-to-Market Factors in Earnings & Returns. Jour*nal of Finance* 50, 131-155.

Fama, E. F., & K. R. French. 2008. "Dissecting Anomalies." *Journal of Finance*, 63, 1653-1678.

Graham, B., D. Dodd, & S. Cottle. 1934, 1951. *Security Analysis: Principles & Technique*. New York: McGraw-Hill Book Company. 1st and 3rd editions.

Graham, B., D. Dodd, & S. Cottle. 1998. *Security Analysis: Principles & Technique*. New York: McGraw-Hill Book Company. 5th edition.

Guerard, J.B., Jr. & Takano, M. 1992. "The development of mean-variance –efficient portfolios in Japan and the U.S." *Journal of Investing* 1, pp. 48-54.

Guerard, J.B. Jr., M Takano, & Y. Yamane. 1993. "The Development of Efficient Portfolios in Japan with Particular Emphasis on Sales & Earnings Forecasting." *Annals of Operations Research* 45, 91-108.

Guerard, J.B., Jr., H.M. Markowitz, & G. Xu. 2015. "Earnings Forecasting in a Global Stock Selection Model & Efficient Portfolio Construction & Management." *International Journal of Forecasting*. 31: 550-560.

Guerard, J.B., Jr. & A. Mark. 2020. "Earnings Forecasts & Revisions, Price Momentum, & Fundamental Data: Further Explorations of Financial Anomalies", in C.F. Lee, Editor, *Handbook of Financial Econometrics*. Singapore, World Scientific Handbook in Financial Economics.

Guerard, J.B. & Ziemba, W.T. 2020. *Handbook of Applied Investment Analysis*. Singapore: World Scientific Publishing, Co.

Guerard, J.B., S. Deng, R. A. Gillam, H. M. Markowitz & G. Xu "Investing in Global Equity Markets", *Wilmott Magazine*, March 2020, issue 106, 56-75.

Guerard, J.B., Jr. , G. Xu & Markowitz, H. M. 2021. A further analysis of robust regression modeling and data mining corrections testing in global stocks, *Annals of Operations Research* (2021) 303:175–195.

Guerard, J.B., Jr., Thomakos, D.D., Kyriazi, F. and Beheshti, B. 2024. "The Development and Evolution of Mean-Variance Efficient Portfolios in the US and Japan: 30 Years After the Markowitz and Ziemba Applications", *Annals of Operations Researc*h, forthcoming.

Guerard, J.B., Jr., Thomakos, D.D., Kyriazi, F. and Beheshti, B. 2025. "What Harry and Bill Want Quants to Know 30 Years After the Markowitz and Ziemba Applications: The Development and Evolution of Mean-Variance Efficient Portfolios in the US and Japan." *Wilmott Magazine* 135, 22-35.

Guerard, J.B., Jr., , Blay, K., Sheung Yin Kevin Mo & J. Chen. 2026. "Information, Security Selection, and Portfolio Construction: The Determinants of Active Equity Management", Unpublished Invesco Working Paper, February 2026.

Gunst, R. F., J.T. Webster, & R.L. Mason. 1976. "A Comparison of Least Squares & Latent Root Regression Estimators." *Technometrics* Vol. 18: 75-83.

Gunst, R. F., & R.L. Mason. 1980. *Robust Regression and its Applications: A Data-oriented Approach*. New York: Marcel Dekker, Inc.

Harvey, CR, Lin, Y and Zhu, H 2016…the cross-section of expected returns. *Review of Financial Studies* 291, 5-69.

Harvey, C.R. 2017. Presidential Address: The Scientific Outlook in Financial Economics. *Journal of Finance* 72, 1399- 1440.

Hastie, T., Tibshirani, R. and Friedman. J. 2016. *The Elements of Statistical Learning: Data Mining, Inference, and Prediction*. New York: Springer, 2nd edition, 11th printing.

Haugen, R.A. & N. Baker. 1996. "Communality in the Determinants of Expected Results." *Journal of Financial Economics,* Vol. 41: 401-440.

Haugen, R.A. 1999. *The Inefficient Stock Market*. Upper Saddle River, N.J.: Prentice Hall.

Haugen R.A. 2001. *Modern Investment Theory*. Upper Saddle River, N.J.: Prentice Hall. 5th edition.

Haugen, R.A., & N. Baker, N. 2010. "Case closed". In J.B. Guerard, Jr., Editor, *The Handbook of Portfolio Construction: Contemporary Applications of Markowitz Techniques*. New York: Springer.

Jacobs, B. I. & K. Levy. 1988. "Disentangling Equity Return Regularities: New Insights & Investment Opportunities." *Financial Analysts Journal*, Vol. 44: 18-43.

Jacobs, B. I. & K. Levy. 2017. *Equity Management: The Art & Science of Modern Quantitative Investing*. New York: McGraw-Hill. Second Edition.

Latane, H. A. 1959. Criteria for choice among risky ventures. *Journal of Political Economy* 67, 144-155.

Leamer, E.E. 1978. *Specification Searches: Ad Hoc Inference with Nonexperimental Data*, Wiley, New York.

Leamer, E. E. 2016. S-values: Conventional context-minimal measures of the sturdiness of regression coefficients. *Journal of Econometrics* 193.

Lee, C.F., J. Finnerty, J. Lee, A.C. Lee & Wort, D. 2013. *Security analysis, portfolio management, and financial derivatives*. Singapore: World Scientific Publishing, Co.

Levy, H. 1999. *Introduction to investments*. Cincinnati: South-Western College Publishing. Second Edition.

Levy, H. 1979 . Risk and return: An empirical analysis. *International Economic Review*, 119-149.

Levy, H. 1983. The Capital asset pricing model: Theory and empiricism. *The Economic Journal* 369, 145-165.

Levy, H. 2012. *The Capital Asset Pricing Model in the 21st Century*. Cambridge: Cambridge University Press.

Lin, D. D.P. Foster, and L.H. Ungar. 2011. "VIF Regression: A Fast Regression Algorithm for Large Data", *Journal of the American Statistical Association* 106, 232-247.387-412.

Little, I.M.D. 1962. "Higgledy Piggledy Growth", *Oxford University Institute of Statistics* 24, 387-412.

Malkiel, B.G. & J.G. Cragg, 1970. "Expectations and the Structure of Share Prices". *American Economic Review* 60, 601-617.

Malkiel, B.G. 2023. *A Random Walk Down Wall Street* 6th ed. New York: W.W. Norton & Company.

Markowitz, H. M. 1952. Portfolio selection. *Journal of Finance*, *7*, 77-91.

Markowitz, H. M. 1959. *Portfolio Selection: Efficient Diversification of Investment.* Cowles Foundation Monograph No.16. New York, John Wiley &Sons.

Markowitz, H.M. 1976. Investment in the long run: new evidence for an old rule. *Journal of Finance*, *31*, 1273-1286.

Markowitz, H.M. 2002. Efficient portfolios, sparse matrices, and entities: a retrospective. *Operations Research* 50, 154–160.

Markowitz, H.M. and J. B. Guerard . 2019. "The Existence and Persistence of Financial Anomalies". Presentation at the Q-Group, The Institute of Quantitative Research meeting, Fall. Published as Markowitz, H.M., J. B. Guerard, Jr. G. Xu, and B. Beheshti 2021. Financial anomalies in portfolio construction and management. J*ournal of Portfolio Management* 47, 51-64.

Markowitz, H.M. & G. Xu 1994. "Data Mining Corrections." *Journal of Portfolio Management* 21, 60-69.

Maronna, R. A., Martin, R. D., Yohai, V. J. & Salibian-Barrera, M. 2019. *Robust Statistics; Theory & Methods with R.* New York: Wiley.

Martin, R.D., Guerard, J.B., & Xia, D. 2024. "Resurrecting Earnings-to-Price with Robust Control for Outliers", *Journal of Portfolio Management* 50, .

McWilliams, J.D. 1966. "Prices, Earnings & P-E Ratios." *Financial Analysts Journal* 22, 137-142.

Niederhoffer, V. & P. J. Regan (1972). "Earnings Changes, Analysts' Forecasts & Stock Prices." *Financial Analysts Journal*, 28, 65-71.

Sharpe, W. F. 1963. A simplified model for portfolio analysis. *Management Science* 9, 277-293.

Sharpe, W.F. 1964. Capital asset prices: a theory of market equilibrium under conditions of risk." *Journal of Finance* 19, 425-442.

Tibshirani, R. 1996. "Regression Shrinkage and Selection via the Lasso*". Journal of the Royal Statistical Association*, Series B., 58, 267-288.
Williams, J. B. 1938. *The Theory of Investment Value*. Cambridge: Harvard University Press.

Ziemba, W.T. 1991. Fundamental factors in US and Japanese stock returns. Berkeley Program in Finance. September. Santa Barbara, CA.

Ziemba, W.T. and S. Schwartz. 1992. *Invest Japan*. Chicago: Probus Publishing Co.

Ziemba, W. T. 2016. *Understanding the US index futures stock market using research.* Tutorials in Operations Research. INFORMS.

Ziemba, W. T. 2020. William T. Ziemba's contributions to portfolio theory and practice, *Wilmott Magazine*, 105, 46-57.

Table 4: Tukey Bisquare Regression Analyses of US and Global Stock Universes
Period of Analysis: December 2006 -November 2025

Universe	Efficiency	Variable	REG8 %Stat Sign	REG8 Avg T-Statistic	REG9 %Stat Sign	REG9 Avg T-Statistic	REG10 % Stat Sign	REG10 AVG T-Statistic
R3000	95	EP	0.41	0.88	0.41	0.69	0.39	0.68
R3000	95	BP	0.64	-0.46	0.62	-0.39	0.62	-0.33
R3000	95	CP	0.37	-0.03	0.37	-0.12	0.38	-0.11
R3000	95	SP	0.64	0.44	0.65	0.32	0.64	0.35
R3000	95	REP	0.41	0.84	0.40	0.77	0.37	0.77
R3000	95	RBP	0.39	-0.25	0.37	-0.13	0.31	-0.03
R3000	95	RCP	0.35	1.06	0.36	1.07	0.37	1.07
R3000	95	RSP	0.62	-0.80	0.59	-0.59	0.52	-0.43
R3000	95	CTEF			**0.64**	**2.06**	**0.62**	**1.87**
R3000	95	PM71					0.68	0.96
R3000	99	EP	0.42	0.85	0.41	0.66	0.40	0.65
R3000	99	BP	0.62	-0.46	0.61	-0.38	0.62	-0.32
R3000	99	CP	0.40	-0.03	0.40	-0.12	0.38	-0.11
R3000	99	SP	0.64	0.47	0.65	0.35	0.65	0.38
R3000	99	REP	0.40	0.81	0.38	0.74	0.36	0.74
R3000	99	RBP	0.39	-0.24	0.36	-0.13	0.30	-0.02
R3000	99	RCP	0.37	1.05	0.36	1.06	0.36	1.06
R3000	99	RSP	0.62	-0.80	0.59	-0.60	0.52	-0.42

R3000	99	CTEF			**0.65**	**2.05**	**0.61**	**1.86**
R3000	99	PM71					0.68	1.00
ACWI	95	EP	0.53	0.61	0.49	0.21	0.47	0.20
ACWI	95	BP	0.56	-0.40	0.56	-0.43	0.54	-0.44
ACWI	95	CP	0.32	0.18	0.33	0.04	0.34	0.03
ACWI	95	SP	0.51	0.04	0.51	-0.10	0.51	-0.09
ACWI	95	REP	0.39	0.03	0.38	0.14	0.36	0.13
ACWI	95	RBP	0.41	-0.61	0.38	-0.38	0.31	-0.41
ACWI	95	RCP	0.25	0.37	0.27	0.44	0.27	0.43
ACWI	95	RSP	0.53	-0.13	0.50	0.04	0.44	-0.02
ACWI	95	CTEF			**0.64**	**2.30**	**0.64**	**2.25**
ACWI	95	PM71					0.74	-0.11
ACWI	99	EP	0.52	0.60	0.49	0.19	0.47	0.18
ACWI	99	BP	0.56	-0.37	0.54	-0.40	0.55	-0.41
ACWI	99	CP	0.33	0.17	0.33	0.04	0.33	0.03
ACWI	99	SP	0.52	0.06	0.52	-0.08	0.51	-0.07
ACWI	99	REP	0.40	0.03	0.38	0.13	0.37	0.13
ACWI	99	RBP	0.42	-0.61	0.36	-0.39	0.29	-0.40
ACWI	99	RCP	0.25	0.36	0.26	0.44	0.25	0.43
ACWI	99	RSP	0.53	-0.12	0.50	0.04	0.45	-0.01
ACWI	99	CTEF			**0.65**	**2.33**	**0.64**	**2.27**
ACWI	99	PM71					0.73	-0.06
Global Appended	95	EP	0.50	1.05	0.46	0.67	0.43	0.66
Global Appended	95	BP	0.63	-0.34	0.62	-0.32	0.59	-0.28
Global Appended	95	CP	0.39	0.07	0.39	-0.06	0.39	-0.06
Global Appended	95	SP	0.65	0.44	0.63	0.27	0.62	0.30
Global Appended	95	REP	0.47	0.69	0.46	0.71	0.44	0.74
Global Appended	95	RBP	0.46	-0.52	0.42	-0.30	0.35	-0.21
Global Appended	95	RCP	0.38	1.08	0.40	1.13	0.40	1.13
Global Appended	95	RSP	0.60	-0.85	0.59	-0.61	0.52	-0.52
Global Appended	95	CTEF			**0.64**	**2.74**	**0.62**	**2.53**
Global Appended	95	PM71					0.71	0.79
Global Appended	99	EP	0.49	1.03	0.46	0.64	0.45	0.64
Global Appended	99	BP	0.63	-0.34	0.62	-0.32	0.59	-0.27
Global Appended	99	CP	0.38	0.07	0.39	-0.07	0.39	-0.07
Global Appended	99	SP	0.67	0.49	0.64	0.31	0.61	0.34
Global Appended	99	REP	0.47	0.68	0.47	0.70	0.44	0.72
Global Appended	99	RBP	0.46	-0.51	0.42	-0.29	0.34	-0.19
Global Appended	99	RCP	0.39	1.08	0.40	1.13	0.41	1.12
Global Appended	99	RSP	0.60	-0.85	0.59	-0.61	0.53	-0.52
Global Appended	99	CTEF			**0.64**	**2.75**	**0.62**	**2.53**

Global Appended	99	PM71					0.72	0.84
Global FE	95	EP	**0.81**	**2.99**	**0.75**	**2.05**	**0.73**	**1.97**
Global FE	95	BP	0.74	-0.46	0.75	-0.30	0.75	-0.14
Global FE	95	CP	0.65	1.53	0.64	1.20	0.63	1.14
Global FE	95	SP	0.77	0.62	0.73	0.13	0.74	0.21
Global FE	95	REP	**0.70**	**2.32**	**0.70**	**2.23**	**0.70**	**2.22**
Global FE	95	RBP	0.71	-2.21	0.68	-1.74	0.64	-1.17
Global FE	95	RCP	0.63	2.47	0.65	2.55	0.64	2.51
Global FE	95	RSP	0.72	-1.97	0.72	-1.58	0.67	-1.05
Global FE	95	CTEF			**0.90**	**6.78**	**0.90**	**6.16**
Global FE	95	PM71					**0.87**	**3.70**
Global FE	99	EP	**0.80**	**2.92**	**0.74**	**1.98**	**0.72**	**1.90**
Global FE	99	BP	0.74	-0.48	0.76	-0.32	0.76	-0.15
Global FE	99	CP	0.66	1.51	0.63	1.18	0.63	1.11
Global FE	99	SP	0.75	0.73	0.74	0.23	0.75	0.31
Global FE	99	REP	**0.71**	**2.26**	**0.70**	**2.17**	**0.71**	**2.16**
Global FE	99	RBP	0.70	-2.14	0.67	-1.66	0.63	-1.07
Global FE	99	RCP	**0.63**	**2.44**	**0.65**	**2.52**	**0.62**	**2.49**
Global FE	99	RSP	0.72	-2.00	0.71	-1.61	0.68	-1.05
Global FE	99	CTEF			**0.90**	**6.83**	**0.90**	**6.19**
Global FE	99	PM71					**0.87**	**3.86**

BOLD Denotes Statistically Significant at the 10% Level

Table 5: Tukey Bisquare Regression Analyses of US and Global Stock Universes
Period of Analysis: December 2006 -November 2025

Universe	Efficiency	REG8 AdjR2	REG8 F-Statistic	REG9 AdjR2	REG9 F-Statistics	REG10 AdjR2	REG10 F-Statistic	Avg. Number Obs
R3000	95	0.037	**16.08**	0.040	**15.36**	0.046	**15.9**	2960.3
R3000	99	0.037	**16.08**	0.040	**15.36**	0.046	**15.9**	2960.3
ACWI	95	0.039	**14.79**	0.043	**14.76**	0.053	**16.44**	2631.4
ACWI	99	0.039	**14.79**	0.043	**14.76**	0.053	**16.44**	2631.4
Global Appended	95	0.029	**20.14**	0.032	**19.63**	0.037	**20.99**	4874.2

Global Appended	99	0.029	**20.14**	0.032	**19.63**	0.037	**20.99**	4874.2
Global FE	95	0.011	**29.83**	0.012	**29.17**	0.015	**31.56**	20028.6
Global FE	99	0.011	**29.83**	0.012	**29.17**	0.015	**31.56**	20028.6

BOLD Denotes Statistically Significant at the 5% level.

Table 6: Information Coefficients, Sharpe Ratios, and Information Ratios
Time Period: 12/2006 - 12/2025

	Q1 -Q5		Q1 Returns						
Universe	CTEF	REG10	EP	BP	DP	CTEF	REG8	REG9	REG10
Global_FE	20.93	22.67	13.26	4.80	11.79	22.67	14.48	19.79	22.67
EM	17.64	13.17	8.87	8.24	10.63	15.65	9.34	12.33	12.83
TOPIX	1.75	10.35	10.95	12.82	12.71	10.71	13.28	14.19	13.45
INTL	13.39	9.84	7.48	7.67	9.76	12.59	7.90	10.56	10.61
ACWI	13.13	9.66	8.77	8.58	10.75	24.40	9.03	12.23	14.30
R2500	10.32	8.79	10.68	10.51	7.86	13.89	9.74	11.38	12.17
R3000	9.68	7.72	10.19	8.37	9.10	13.83	10.31	11.89	12.14
R1000	4.74	3.53	9.50	9.50	9.70	12.66	10.76	12.54	11.58

	Q1 Sharpe Ratio		Q1 Inform. Ratio		3-month IC	
Universe	CTEF	REG10	CTEF	REG10	CTEF	REG10
Global_FE	0.830	0.670	1.160	0.740	**0.051**	**0.096**
EM	0.630	0.480	1.740	0.990	**0.072**	**0.076**
TOPIX	0.770	0.880	1.030	1.090	0.028	**0.068**
INTL	0.560	0.430	1.390	0.790	**0.057**	**0.042**
ACWI	0.680	0.520	0.890	0.470	**0.055**	**0.039**
R2500	0.570	0.430	0.880	0.360	**0.059**	**0.065**
R3000	0.590	0.430	0.370	0.150	**0.045**	**0.059**
R1000	0.580	0.400	0.250	0.100	0.019	0.017

BOLD DENOTES STATISTICALLY SIGIFICANT AT THE 5% Level

Author Bios

John Guerard, PhD, is an independent researcher living in Bluffton, South Carolina. John was a member of the McKinley Capital Management Scientific Advisory Board and has served as an Affiliate Instructor in the

Department of Applied Mathematics, the Computational Finance and Risk Management Program, The University of Washington, Seattle, WA. He served almost 15 years as Director of Quantitative Research at McKinley Capital Management, in Anchorage, Alaska, retiring in June 2020. John previously worked at Drexel, Burnham Lambert, and Daiwa Securities, where he was co-Portfolio Manager, with Dr. Harry Markowitz, who was awarded The Nobel Prize in Economic Sciences in 1991, on Fund Academy and The Japan Equity Fund. John was awarded the first Moskowitz Prize for outstanding research in socially responsible investing in 1997. John earned his AB in Economics from Duke University, MA in Economics from the University of Virginia, MSIM from the Georgia Institute of Technology, and Ph.D. in Finance from the University of Texas, Austin. John taught at The University of Virginia, in its McIntire School of Commerce, and at Lehigh University. John has published several monographs, including *Quantitative Corporate Finance* (Kluwer, now Springer, 2007, with Eli Schwartz; the third edition is recently published, 2022), *The Handbook of Applied Investment Research* (World Scientific Publishing, 2020, with William T. Ziemba), and *The Leading Economic Indicators and Business Cycles in the United States* (Switzerland: Palgrave Macmillan, 2022). John is under contract to publish *Financial Forecasting* in 2026, Oxford University Press. Dr. Guerard has published in peer-reviewed and practitioner journals, including *Management Science, Annals of Operations Research, The International Journal of Forecasting (IJF), The IBM Journal of Research and Development, Interfaces, The Journal of Portfolio Management,* and *The Journal of Investing (JOI)*. He served for over 30 years as an Associate Editor of the *JOI* and *IJF*. John has contributed several articles to *Wilmott* support the stock selection and financial modeling research. John edited a Special Issue of *Annals of Operations Research* to honor Harry Markowitz, published in March 2025.

Juan Chen is an undergraduate student at the University of Miami, Herbert Business School, majoring in Business Analytics and Finance. His research interests center on business technology and quantitative finance, with a focus on data-driven modeling and robust regression methods for investment decision making. He has contributed to faculty research on international trade and quantitative modeling and completed a business analytics internship at Miami-Dade County Water & Sewer Department, where he developed automation tools and interactive dashboards to support construction contract management