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## Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble

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## Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble

### Description

Review of *Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble* / Mills, D. Quinn. New York: Prentice-Hall Financial Times, 2002.

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# Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble

Posted on **October 1, 2002** by **Editor**



By **Jeffrey Barlow** <barlowj@pacificu.edu>

Editor, *Interface*

Mills, D. Quinn. *Buy, Lie, and Sell High: How Investors Lost Out on Enron and the Internet Bubble*. New York: Prentice-Hall Financial Times, 2002.

This is one of what is bound to be an increasing number of books dealing with the economic events beginning with the crash of the Internet New Economy bubble in 2000 and covering the continuing decline of the Telecom industry and of the stock market in general as of this writing in October of 2002. Mills, however, writes with unusual authority: he is Professor of Business Administration at Harvard, has taught at the Sloan School of Management at M.I.T., and had overall responsibility in the federal government for wages and prices in the construction industry from 1967-74.

This is, simply put, a wonderful book for those interested in the impact of the Internet and who wish to understand the interplay between the .com New Economy and the American socio-economic and political systems. Moreover, for those with interests more restricted to business practices, the book contains first-person accounts from a number of individuals who worked with particular firms of importance to the New Economy. In addition, Mills is something of an expert in the German New Economy and makes many fascinating comparisons between American and German practices.

Mills analysis stands on a very clear and cogent explanation of the manner in which value is created in the economy. In the past, "value" came from the economic worth of a firm: its track record, its expert management, its understanding of its market, and from a relatively slow and

methodical construction of that value. But during the bubbles, value was created by the financial markets, whose main interest lay not in the long-term value of a firm but in rapidly taking it public and then “flipping” it, that is, selling the now overly valued stock to late comers into the market.

Mills feels that many of the financial maneuvers of many of the players in the creation of the bubble may be illegal, and if not, they certainly should be. In his analysis, the bubbles were economically catastrophic. Among the damages done he lists:

- The world economy has been tipped into recession.
- High technology is today starved for capital.
- Much less venture capital is available than is necessary and most of the investments made during the bubble were in fact bad ones in that they rewarded bad firms and punished good ones.
- Vast amounts of investment dollars were wasted.
- The investments that were made were poor ones and amounted to an inefficient allocation of capital on a gigantic scale.
- The bubble undermined incentives to save.
- The bubble undermined good management. (pp. 188-89)

Mills indictment is detailed, scathing, and well founded in evidence. If you want to understand the New Economy bubble from a professional's perspective, start with *Buy, Lie, and Sell High*. At the same time, it is not an easy book. While Mills carefully defines his terms and continually lays the groundwork for understanding in an almost arch tectonic fashion, it requires careful reading. For those willing to put in the time, however, this will prove to be a very rewarding work.

Reviewed by Jeffrey Barlow

Editor, *Interface*

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4 THOUGHTS ON “BUY, LIE, AND SELL HIGH: HOW INVESTORS LOST OUT ON ENRON AND THE INTERNET BUBBLE”

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