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**IT REQUIRES KNOWLEDGE, EXPERIENCE,
AND FLAIR**

NOTHING IS MORE DIFFICULT, I truly believe, than consistently and fairly profiting in Wall Street. I know of nothing harder to learn. Schools and textbooks supply only a good theoretical background. Individuals, partnerships, and closed corporations have scored great successes for themselves in the handling of money in the stock market, but, as far as I know, none with a record of uniform success is available to the general public.

Into this field the outsider turns for quick and easy profit, or a high income, or a haven of safety. On the average, he gives it less thought than most of his activities, and he is usually careless as to whom he consults or through whom he deals. Frequently he fails to distinguish between results obtained by chance and those secured through knowledge. Often he is "sold" something instead of buying it on his own decision, and often he is the victim of sharp practice.

Knowledge born from actual experience is the answer to why one profits; lack of it is the reason one loses. Knowledge means information and the ability to interpret it marketwise. But, in addition, making money in the market demands a lot of "genius" or "flair." No amount of study or practice can make one successful in the handling of capital if one really is not cut out for it.

The engineering student attends a school and is taught certain rules regarding stresses and strains. In later life these rules always apply. True, there may be several answers to a given problem, and one man may solve it quicker or in a more ingenious way than another, but an answer based on sound principles always holds.

There is no such thing as a final answer to security values. A dozen experts will arrive at 12 different conclusions. It often happens that a few moments later each would alter his verdict if given a chance

to reconsider because of a changed condition. Market values are fixed only in part by balance sheets and income statements; much more by the hopes and fears of humanity; by greed, ambition, acts of God, invention, financial stress and strain, weather, discovery, fashion, and numberless other causes impossible to be listed without omission.

Even the price of a stock at a given moment is a potent influence in fixing its subsequent market value. Thus a low figure might frighten holders into selling, deter prospective purchasers, or attract bargainseekers. A high figure has equally varying effects on subsequent quotations.

Where is the institution or individual who can guarantee successful investment? How many can stand on their records? Who can show a worthwhile return over a sufficiently long and varied number of years in a high proportion of investments with purchasing power maintained and reliable liquidating values always growing? There are those who will step forward and claim the distinction, but, as in the case of perpetual motion, something will always be missing.

This, then, is the problem which the "Man on the Street," often far from a success in his own field, thinks he easily can solve. A few minutes in a broker's office, a visit from a bond salesman, a small fee to an "advisory service," and he is buying something, or letting someone sell him something. If he makes a "profit" on his first transaction, he probably thinks himself a smart man or is certain Wall Street is simple. Naturally he wants more. If he loses, he loses so quickly that he is sure he can recover equally fast. He usually knows next to nothing about this broker or dealer or adviser. How long have they been in business? What do their balance sheets look like? What are their records? He has only the sketchiest knowledge, if any at all, of the thousand and one ways they might cause him to lose his money.

Any way one looks at it, nothing is more difficult than succeeding in Wall Street, yet nothing is attempted by such poorly equipped people or is considered as easy.

This being the case, what can we do about it? What is the bright side, if such a gloomy picture has a bright side? What are the virtues of Wall Street? Is the subject worth studying at all?

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The principal virtues of Wall Street are its continuous quotations and the comparatively satisfactory liquidity of selected securities. There is no alternative form of investment, such as, for example, real estate, which can give the "Man on the Street" the ease and low cost of purchase and sale, the ready and frequent appraisal, the high liquidity and the protection from fraud possessed by the active security dealt in an auction market.

Therefore, by all means, don't pass up Wall Street; but try to make the best of it; realize its pitfalls; don't expect the impossible.

There are *some* rules that hold, and my first is to buy only something that is quoted daily and can be bought and sold in an auction market daily. The greater the volume of trading and the broader the market in a particular security, the closer to a fair price at a given moment that security is likely to be. Then, too, there is a great value in knowing whether one is making or losing. There is a great value in being able to realize the profit or cut short the loss. There is the greatest protection in all the world in the ability to shift capital quickly and at small cost.

Money has been made in securities that are not regularly quoted. Money has been made in securities that at the start, at any rate, couldn't be resold. But my object is to point out how the greatest risks and pitfalls of the stock market can be eliminated, and, in my opinion, if the average man avoids securities for which there is no ready market, he saves himself from a host of dangers with which he probably cannot cope. It is more difficult for the dealer to charge a false price for an actively quoted security. It is more difficult for him to obtain an abnormal fee or margin of profit. It is more difficult to hide from a client a subsequent loss or at least delay its discovery.

Without in any way minimizing the hazards, I regard the listed markets as the best field for the attempted enhancement or preservation of surplus funds. Therefore, the more one learns about them, the more chance he has to preserve something. It is like anything else in life. Only a few amass fortunes. Only a few become really competent professional men or achieve real success in any line of endeavor. The great majority go about their daily lives performing their daily tasks, including the humblest, in far from an ideal manner.

It remains for each of us to strive to do better, and this applies to investment just as it applies to anything else. The extent to which one realizes one's distance from perfection is the real measure of how successful one may become in Wall Street. It is the realization of the danger that is important: "Fools rush in," and in Wall Street that is fatal.

There is no line of endeavor in the world where real knowledge will pay as rich or as quick a monetary reward as Wall Street.