

I.

The Biggest Plunger Wall Street Ever Saw



The first installment of the *Saturday Evening Post* articles does not appear in the book published a year later. In the magazine, Lefèvre introduces his readers to the subject of his series of 12 articles, Lawrence Livingston. Although later articles show that Livingston was skilled at both buying and selling stocks, in this installment he is described as one of Wall Street's biggest "plungers." This was the term used in the nineteenth and early twentieth centuries for a short seller.

Before the Securities Exchange Act was passed, short selling was practiced much more liberally than it is today. Traders who thought a stock could fall in price could easily begin selling, creating a self-fulfilling prophecy by forcing down the stock. Once the process began, the momentum could be hard to break because, unlike today's practice, shorting could be accomplished on a "down tick." The price did not need to tick up, meaning that someone had to buy shares before it could be sold again, so a downward momentum could be established by the short sellers that could be sharp, quick, and profitable.

The technique could also be used effectively in a "bear raid," an established market practice. A concentrated and concerted effort was made to sell a stock short by a group intent on lowering its price. The reasons were often known only to the group itself. Reaction to it outside the marketplace was mostly hostile. Politicians and commentators saw it as a way that companies could be gouged by speculators, leaving them virtually worthless. A stock that had been raided was much cheaper for potential buyers or creditors to seize.

Short selling became understood as a means through which companies could be stolen from the rightful owners by those intent on destroying their value.

Lefèvre begins his tale in a brokerage office during a dismal market. He recounts a rumor that the market had been inspired by a particularly adroit short seller named Lawrence Livingston. He was, in the parlance of the day, the reason for the “market break,” a term used to describe a downward trend in prices after a particularly strong market phase. But the year was 1922: The market already had grown too big and broad to be dominated by one man, especially one known for selling short. Volume was too large and the investor base too broad for one trader to have such a profound effect on prices.

Yet the presence of legendary speculators could not be taken lightly. When rumors began that a plunger like Livingston decided to short a stock, other small investors also plunged in. These were the proverbial “suckers”: small investors of various stripes who never had a distinct idea about the market except to follow someone else’s lead. If the suckers began shorting the same stock, one could bet that Livingston or other big traders were already out of their positions. The leaders profited while the suckers lost their bets.

Although he became known as the “Boy Plunger” for his activities, Livingston also bought many stocks in addition to selling

short. He noted that he would “...rather play on the long side. It is constructive, and it is nicer to share your prosperity with others. The public does not take kindly to short selling.” The idea that someone could sell something that he or she did not own and buy it later to cover at a lower price seemed alien to many people in the early twentieth century. This was especially true in the Midwest where shorting was common in the futures markets. Although various attempts had been made since the late nineteenth century to close the futures markets, considered places of ill repute, the markets had survived. But the public aversion to them and their peculiar ways was well-known to market operators.

Despite the aversion to trading and gambling in rural America in the early 1920s, New York and Chicago had no such qualms. They were places where Livingston (Livermore) and other notable traders like Michael Meehan, Joseph P. Kennedy, Bernard Baruch, Arthur Cutten, and Ben Smith made a handsome living. And there were also the legions of suckers who began picking up the magazine to read about themselves, only to discover that they were playing a game they could not win. Not that a story would stop them from trying, however. Lefèvre’s account would certainly prove that there was never a dull moment in the market nor was there a lack of new speculators trying to make a killing.

C.G.

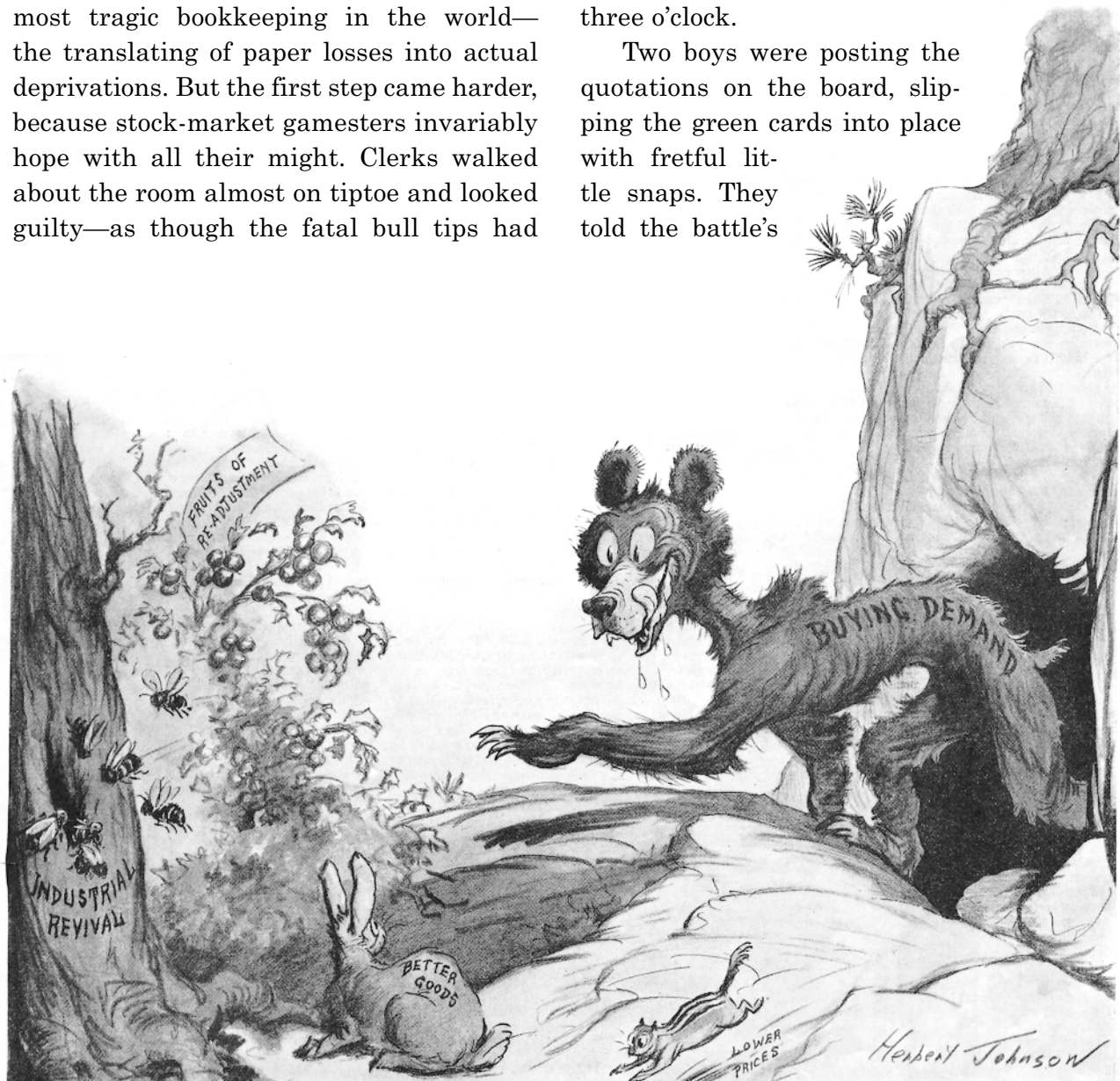
Reminiscences of a Stock Operator

June 10, 1922

THE market was so weak that you could see the customers counting their dead hopes. Presently they would enter upon the second stage of the most tragic bookkeeping in the world—the translating of paper losses into actual deprivations. But the first step came harder, because stock-market gamblers invariably hope with all their might. Clerks walked about the room almost on tiptoe and looked guilty—as though the fatal bull tips had

come from them and a reckoning were demanded. But if you had asked one of the customers about the weather outside he would have answered that it was not yet three o'clock.

Two boys were posting the quotations on the board, slipping the green cards into place with fretful little snaps. They told the battle's



Awake and hungry

story in mournful numbers, the little cards did! The falling fractions were shots striking below the water line, and the ship, loaded with its phantom freight of hearts' desires, was sinking. Paper profits! Paper pleasures!

Going down!

At first it was the speculative favorites that crumbled, like Siam Oil or Acme Motors. But presently the picture became that of a Satanic torchbearer racing down an avenue of hayricks, setting fire to one after another. And how they blazed!

Up in smoke!

The quotation boys had to hustle like mad now. You could see that the ticker was leaving them behind. Some of the stocks began to break whole points at a time. Once the man by the ticker yelled "T.M. 51! 50½! ½! 49!" and then, as though all their heads had been pulled by one string, everybody turned to look at a sharp-nosed, thin-lipped chap with tortoise-shell goggles. Then they all looked away, as though it were indecent to watch his face. He was long five thousand shares of that stock, and had often laughed at them for piking.

It brought back the old days to me so that I could have sworn I heard once more the exultant yells of the winning bears in the board room. And I saw again a seething mass of winners and losers—winners pushing their luck, and losers bent on not losing any more than they could help—help at the top of their voices. A carnival of audible greed! Fear straight from six hundred throats! I remembered the Northern Pacific panic of 1901, when I had heard and seen—

"It reminds me of old times, Bill," I told the head of the firm.

He was sticking close to me, I suspect, so that nobody would be ill-bred enough to ask him embarrassing questions—for instance, whether he thought the break had gone far enough. But he shook his head.

"Times have changed," he muttered absently, as though this were the first time in years that the ticker had relapsed into ancient vices.

What had happened was that after a dull, drooping market for a few weeks the bulls had begun to tell themselves that the worst was over. The little daily bleeding of the past fortnight, they hoped, would obviate the need of total amputation. Then—the crash! Unexpected, as always, by those who having expected to win had forgotten everything else.

I took another look at the customers. I saw men young and old and middle-aged, short and tall, thin and fat—and all of them strangers to me. Not one of the dozens who had traded in that office when I had an account there a few years before was left. And yet these, their successors, were curiously familiar. It was the eyes. They all had the dazed, hurt look of men who dread to admit that they are wrong.

A parasitical office man, extremely well dressed, as all salesmen of bunk naturally feel they must be to hold their jobs, was circulating about the room, skillfully registering both condolence and resignation. It was really too bad, but you had to expect sudden showers in April! Of course it was a beastly shame it should pour on the holiday that you had planned to go to the links. He did it very well. Practice!

One of the customers was moved to speech. He asked with a cheerfulness that

anyone could see was sheer bravado, "Say, Fred, what's the news?"

"No news," answered the omniscient Fred, who in balmy weather always began his remarks with "I hear."

Lawrence Livingston's Raid

PERHAPS the customer remembered this habit, for he asked, "What do you hear?"

"Nothing," answered Fred. The customer frowned. Fred, who was paid by the firm to abstain from silence, went on: "The less you hear the better. It's all bear lies anyhow. If you listen you'll hear nothing but calamities." He paused. Then slowly, impressively: "I'm a bull on the country. You can't make me believe that in twenty-four hours the soil of the farms has become barren, the springs have dried up and the sun has gone on a strike. No matter how hard I look I can't see any change in the crops or in the steel trade or in——"

"There must be a reason for this break!" the customer was goaded into interrupting.

"Reason?" echoed Fred scornfully. But the customer's face made him add quickly: "I'll get in touch with Jameson and find out what they say over on the board." And he left.

Some of the other customers had listened to the colloquy apathetically. They were beyond the rescuing stage. Only a miracle would help them; and they had fatigued themselves praying for one.

The office man, Fred, came back.

"Of course!" he announced from the threshold. "I knew it! I said so!"

The customers resentfully watched him advance to the best oratorical position in the room—beside the frantic stock ticker. If he knew and had said so they had not heard him; and so they had not sold out before the break; and so he was to blame for it.

"Lawrence Livingston is raiding the market!" he cried proudly.

The years fell off my shoulders. I was again young and enthusiastic, and life smiled on me, even in Wall Street. I laughed for sheer happiness.

Fred turned quickly, a frown on his face. Remembering that I was a friend of the boss and therefore a potential customer, he unfrowned. But he could not help turning a brick red. The customers stared at me; it was the first laughter heard that day in that office.

My friend, tolerant by temperament and tactful by profession, turned and asked me affectionately, "What bit you?"

"The vanished past!" I answered cheerfully.

The customers politely looked away; only a man who already owes his brokers laughs when they call for more margin.

"That's a little more obscure than usual. I guess I am getting too old for your epigrams," said my friend.

"And I am getting younger every minute, listening to Fred's," I assured him.

My friend, by reason of his calling, always played safe where his customers were concerned. He scented unpleasant observations on my hobby—which is that no man can consistently beat the game—and he intelligently forestalled the danger of anyone

else overhearing me by smiling benevolently and remarking, "Come along, my boy!"

I followed him into his private office and closed the sound-proof door. He motioned me to a chair. I took it. He looked resigned.

"I am not going to scold you for letting your customers overstay the bull market," I assured him.

"No, but I suspect you are going to speak a piece on the stupidity of professional men in Wall Street. I haven't got a soap box for you, as I heard Robert W. Chambers say they supply you with at your cryptlike club, but I'll bite. Why did you laugh?"

"When your young man Fred, whose job seems to be to keep the customers from thinking, announced so positively that the slump was a bear raid by Lawrence Livingston I felt that I was in Wall Street in the late '90's or early 1900's, when I was conducting my Wall Street column in one of the afternoon papers."

"But Livingston wasn't operating then," protested my friend, who not only is literal minded but is also one of the most useful governors of the New York Stock Exchange.

"He's always been in Wall Street," I said.

He looked so puzzled and then so perturbed that I hastened to explain:

"He isn't stock operator, he's a stock excuse—only his name has changed slightly. It used to be Jim Keene; and before that, Charley Woerishoffer; and before that, Daniel Drew. You commission men early discovered that what the average sucker—that is, what your average customer—wants is not reasons but excuses—excuses for his trading, for his taking unbusinesslike chances in another man's game, for the inevitable misbehavior of the market at an

inconvenient time, for his own imbecility and that of his broker. Any explanation except the truth will do to account for the obvious—when the obvious happens to be that the customer is an ass. He loses his money, but gives you commissions. So, when the end of the bull market comes and the profits are not taken the commission brokers have to excuse themselves for not calling the turn."

"Say!" interjected my friend. "You know it's no use to tell your customers to get out. You might as well save your breath, and let the old mule kick them."

"I have no fault to find with that," I said. "What I object to is the habit of telling the public that some big operator is raiding the market whenever the natural slumps come along to prove that the bull market is over. Do you wonder I laughed when Fred said Larry Livingston was raiding the market?"

"What makes you so sure that Larry Livingston was not raiding the market?" My friend used the excruciatingly polite tone of voice that humorless people use to squelch friends. It's bloodless.

But I answered with a grateful smile, "Common sense makes me sure. This is a bear market, and too many weaklings are still long of stocks. The break is too violent and painful to be relished by men whose margins are nearing exhaustion. It is, nevertheless, legitimate—that is, logical. Merely to suspect Livingston of selling stocks in bulk at this level is a blood insult to him. You talk as though he were a room trader in the old days gunning for stoploss orders. Why in blazes don't you tell customers the truth?"

"Do you know Livingston?" asked my poor friend.

I was willing that he should derive what comfort he could from my ignorance, so I said "I do not."

And sure enough, he smiled!

"I thought so!" he said. "You may not think the Street has changed since you quit it fifteen years ago, but I know that it certainly has."

"Hang it, man, I write a yearly article to prove that it hasn't," I protested. "I've done it for years."

"Yes, yes, I know. And they make me laugh." He doubtless meant my articles.

"Where are they wrong?" I asked him, not at all pugnaciously.

"The principle is wrong. You pick out the things that never change——"

"I pick out stockbrokers, their customers, the psychology of all speculators everywhere, the theory of speculation, the amazing short-sightedness of the Stock Exchange governors, and the fact that the unbeatable game of stock speculation remains as unbeatable as it ever was. The customer, without whom there would be no commission brokers, to-day is smooth shaven, and sixty years ago he wore a beard or an imperial. But he comes to Wall Street on the same errand and quits loser, just as he used to do. And if you are a fair sample, I'll say that the commission brokers have not changed either. What have you got to say to that?"

"Only this: That I know Larry Livingston is raiding the market."

"And how do you know that?"

"I know it!" And he smiled most sapiently—exactly as though I were a customer.

"Are you one of his principal brokers?"

"No, but his brokers have been big sellers."

Who Was Wall Street's Biggest Plunger?

"IT'S a persistent delusion of men like you that a shrewd operator's buying and selling can always be spotted. In Governor Flower's time everybody knew when he was buying because he wished it known. But nobody could tell when he was selling. Can't you imagine what Keene did when people like you thought they knew what he was doing?"

"Livingston's selling, all right," insisted my friend. Seeing my look he added, "I can tell."

"Well, if you can tell, he must be an ass," I said, being a true friend. "And I've heard he has quite a thinkpiece, as you'd call it."

"He has. That is why I know he is back of this drive. He is the biggest plunger Wall Street ever saw——"

"There you go again!" I couldn't help interrupting. "Nobody really and truly is the biggest plunger Wall Street ever saw. Whoever happens to be most active at the moment becomes the legendary hero of mythical raids. I remember hearing somebody remark that Charley Woerishoffer was the biggest plunger of all. Deacon S.V. White, who in his prime was himself no piker, was present and he declared very impressively that James R. Keene never had an equal in Wall Street for magnitude of operations or brilliancy of execution. Then old man Smith, who was a Forty-niner, chipped in to say that all these later chaps were shoestringers alongside of Anthony W. Morse, the hero of the Chancellorsville rise—in 1864, I think he said. And he mentioned Henry Keep, who was known as

William the Silent; and Bill Travers, who after looking at the Siamese Twins a long time turned to P. T. Barnum and asked gravely: 'B-b-brothers, I s-suppose?' And the two Jeromes, Addison and Leonard, and other men you never even heard of, who had been Napoleons of the board in their day."

"I know. But the country is richer now and operations are on a proportionate scale," he said pityingly.

"Well," I reminded him, "it isn't so very long ago that one of the famous Chicago crowd told me that the heaviest player of the bunch, bigger than John W. Gates himself, was Loyal Smith, who lived and died unknown to most of you brokers. But no reliable figures were mentioned. A man who ought to know assured me over fifteen years ago, that William Rockefeller was carrying a line of a million shares of stocks—that is, his purely speculative commitments. If true, that is unquestionably a bigger line than any other man has ever swung in Wall Street since Hendrik Hudson arrived."

"I don't believe the man who told you knew what he was talking about."

"He didn't keep Mr. Rockefeller's books any more than you keep Mr. Livingston's.

But my guess is that your guess about Livingston is wrong. If you wish I'll make his acquaintance exclusively to ask him."

"And he'd tell you!" he jeered.

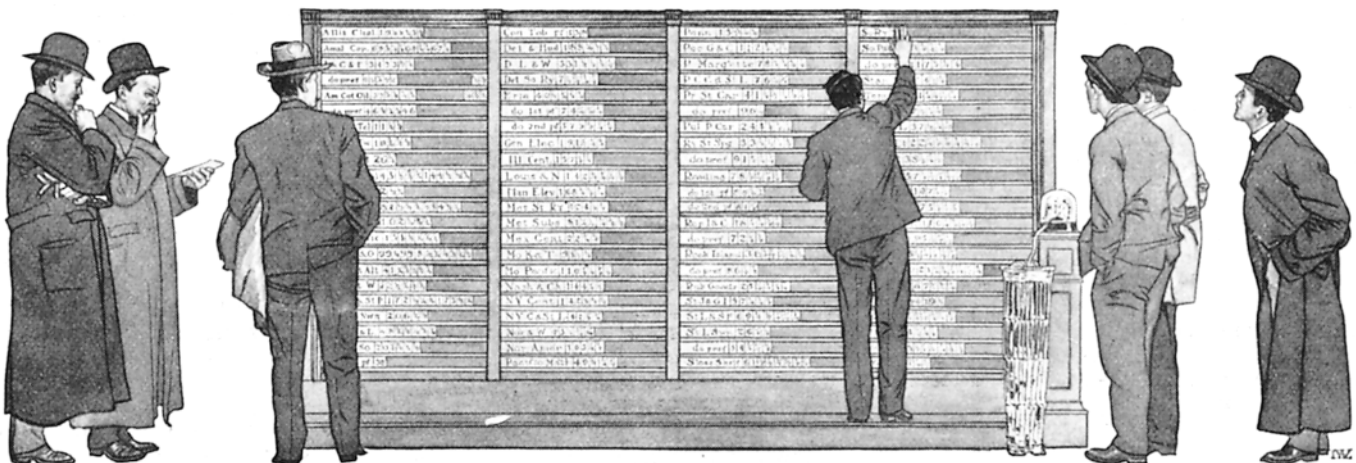
"Why not?"

"He doesn't talk," he said.

"Then how does he tell the waiter what to bring him? What you mean is that he doesn't blab. That fact and the report that he has put a million or two in trust against the possibility of the game getting him some day, as it does every one of your customers in the end, make me quite anxious to meet him. I understand that he never gives tips on stocks, but never hesitates to say whether he is bullish or bearish and why, and also that he never talks one way and acts another—a luxury that no man can permit himself unless he has an intelligent conception of the big swings. My own opinion is that Livingston will agree with me that stock speculation, considered as a continuous performance, is an unbeatable game."

"Sure! He'll agree all right. He's made millions playing it."

"You don't know that he plays the game as a speculator. Moreover, he has made and lost several fortunes and he evidently thinks



he may go broke again or he would not have soaked away that million so that the same ticker that gave shall not take away. I know there is always a good reason for his operations; and that reason will prove my theory."

"He may talk about the market, but he won't talk about himself," insisted my friend.

"He can't talk about the market without talking about his methods of operating. His market philosophy is himself," I said.

Brokers do not listen to abstractions. If they did some of their customers might make money. My friend said earnestly, "He has always played a lone hand and I know he is a very heavy trader. He has friends, but not a personal following such as all operators had in the old days of which you are so fond of speaking."

The Livingston Personality

"**T**hen he is really able and also honest, and therefore exceptional. My dear chap, on the bear side all the following an operator needs is to be right. But you are, as usual, wrong. In the old days the only operator I recall who really had a following was Governor Flower, and he was not, strictly speaking, an operator, but a pool manager and promoter of syndicates operating in an unusual period. There never was and never will be another such man. His type, his place in the popular regard and the conditions that made possible his leadership will not recur. Keene, who is the nearest approach to a predecessor of Livingston, played a lone hand. But he did not disdain to accept company when there was need. And it was his pools that hurt him most, and

it was a pool that made his last Wall Street chapter so inglorious. But I have to thank you for one thing, and I am very grateful."

"For what?" he asked suspiciously.

"For my present intention to see Livingston, that he may prove how sound my theories are."

"Your theories!" smiled my friend.

"I never heard you say that they were yours," I remarked quite mildly.

A mutual friend told Livingston that I wished to meet him. I do not know what else he said, but he once upon a time was a newspaper man. At all events, Livingston sent word that he would have more time to give me if I took luncheon with him at his home on Sunday. We could then spend the entire afternoon together.

I was there at the appointed hour. It was a sumptuous home. Its owner, who had never done anything else in his life than speculate, obviously lived in the height of luxury—liveried flunkies in the hall, Old Masters on the walls, and all that. It was not the blatant assertiveness of new millions that obtruded itself, but the inescapable evidence of guessing correctly on the stock market. If the unbeatable game of stock speculation had not been beaten by this man it at least had received a severe jolt at his hands. He had made and lost several fortunes in a few years, according to the gossip of the Street. It was plain that he had not lost the last one—not yet! But I was forced to admit that the mere making of one of the magnitude at which his home hinted was a solar-plexus blow to my cherished theory.

He was tall and well built, and straight as a West Pointer. He was clearly a man in the pink of condition—that is, an intelligent

human being. He did not look his years or his business. He showed no wrinkles, no traces of the worries and anxieties that bring premature old age on so many Wall Street professionals, no visible evidence that he had ever lived unwisely. But the chief impression I received was of a mind that worked both habitually and best when cold.

His greeting was neither distant nor cordial, but his neutrality was not instantly ascribable to a habit of caution any more than the mere shadow of a corrugation on his brow came from the pervasive hostility of a man perennially on his guard by reason of his business. And, quite definitely, there was about him nothing to make me think of the lightning decisions he was credited with making on big market days—decisions involving millions of dollars.

A Pointed Question

We shook hands, still neutral. I at once proceeded to tell him why I had sought him.

As I talked I kept my eyes on his face to judge the effect of my words on him, but I could not tell what his thoughts were, nor, indeed, whether he was thinking at all. His eyes were full of that baffling intelligence that you see in the eyes of some babies. They were of a clean, clear, blue gray, and so steady that they impressed me as being more than merely organs of vision, as if they greatly helped him in his listening.

Livingston did not baffle analysis, like Henry M. Flagler, nor remind you of a soul refrigerator like the late James Stillman. It was rather that the sending apparatus of his psychic wireless was not working. His

face had the quality that goes with genuine imperturbability rather than the studied immobility of exercised self-control. Had it not been for the listening eyes you might even have called it placidity.

I told him that I had certain theories about the game of speculation, as well as of the psychology of speculators, big or little.

“I’ve read some of your articles.”

He spoke so noncommittally that I said, “Well?”

“Well, you are one writer who is not afraid to tell the truth, even though it might hurt the brokers’ business to tell it.”

“But the truth does not hurt the brokers’ business,” I said.

He merely nodded.

“I’d like to ask you some questions,” I said.

“I’ll answer any question you ask me,” he said confidently.

“About yourself?” I asked.

There flitted across his face the shadow of reluctance. It was plain that he was not in the properly loquacious mood. That comes only when a man knows that he is not only completely but instantly understood, when talking ceases to be talking and becomes thinking aloud.

I had heard from the newspaper men—of course nothing had been published about it—that Livingston had received threatening letters from cranks who had read about his alleged bear raids on the market. There had been some bad breaks in prices and no end of harrowing stories of terrific losses by the public. I argued that as he lived with his family in this house the threats of bomb throwing could not be ignored by him, however courageous he personally might be. The problem was to give him the habit of talking unrestrainedly about all things by first

inducing him to talk unrestrainedly about one thing.

So I said, "The principal reason why I wanted to see you was that everybody said the weakness of the market last Friday was due to a bear raid by you. I have heard that you often spread your selling orders among a hundred brokers to give the impression of liquidation by the general public. How about it?"

Sure enough, his face flushed.

"I never raid the market," he said quickly. "It would be useless. The market raids itself when a lot of people suddenly discover that they ought to have sold out ten points higher, or when a lot of insiders dispose of stocks they couldn't land the public with, or when brokers have loans called on them. But they always blame it on the bears. As a matter of fact a bear market is 100 per cent legitimate. It begins without the need of manipulation or thimblorigging, and it continues without having to be nursed. No man or set of men can smash a market day after day. I might raid the market once. But what good would that do me? It won't stay down if it isn't a bear market; and if it is a bear market I don't have to raid it, do I?" He looked at me, frowning.

"No, you don't," I said.

Merchants in Wall Street

"Personally I'd rather play on the long side. It is constructive, and it is much nicer to share your prosperity with others. The public does not take kindly to short selling. For one thing, it is easier to be optimistic, to believe what it pleases a man to believe. And then, as I said, everybody boosts a bull market, bankers and suckers alike. Nobody speaks about the misdeeds of

the bulls or the misstatements of insiders about their companies. Bull tips are mostly anonymous. I have an idea that if the papers published only signed bull dope there would be much less money lost by the public. Fix the responsibility. But don't talk about bear raids as though they really were the cause of the declines."

"I don't think anything anyone can do will help a man in whom greed takes the place of gumption," I said.

He nodded—the kind of perfunctory nod a man gives when he has only half heard but isn't interested enough to ask for a repetition. His next word proved it.

"I am tired," he said, "of hearing the public and the papers blame Wall Street for parting fools from their money. Take the biggest losers. They are not the piker suckers, who only lose what they risk—pennies. It's the successful business man, the shrewd merchant, who is the biggest sucker of the lot. He has made a fortune in his own line? How? By being on the job for years; by learning all there was to know about it; by taking reasonable chances; by utilizing his knowledge and experience to anticipate probabilities. He wants to increase that fortune at a faster rate and with less effort. He decides to make his money work for him—at high wages. He assures himself that as he is taking the risk of losing every cent he puts up it is only fair to make more than his usual profit. Why, that man doesn't lose his money in Wall Street. He loses it in his own office. It isn't the game that beats him; he beats himself. Am I right?"

He looked as if he really wished to hear my opinion, so I said, "Absolutely!" It was one of my own favorite points.

"That man expects to make money in Wall Street by using methods he wouldn't

dream of using in his own business. That is why legislation can't help much, because it can't keep a man from wanting to get something for nothing. If all the so-called abuses were suppressed and the public protected against crooks and against its own greed and ignorance, so that nobody could lose money, who in blazes could make money? If everybody bought at the bottom, from whom would he buy? Who would sell?"

"Precisely. That's one point all the investigating committees overlook," I said.

He went on earnestly:

"The sucker play is always the same: To make easy money. That is why speculation never changes. The appeal is the same: Greed, vanity and laziness. The merchant who would not dream of buying and selling stockings or percales on the advice of fools goes to Wall Street and cheerfully risks his money on the say-so of men whose interest is not his interest, or tipsters who have not grown rich at the game they want him to play. He thinks his margin will take the place of brains, vision, knowledge, experience and of intelligent self-surgery. Whether the stock market goes his way or against him, his hope is always fighting his judgment—his hope of gaining more that keeps him from taking his profits when he should; his hope of losing less that keeps him from taking a relatively small loss. It is a human failing!"

"Yes," I said. "Even old Daniel Drew couldn't bear to take a loss. If he was trading in several stocks and one of them showed him a loss he would put his minus in some account that showed him a profit. That way he would tell himself that he hadn't lost money, that he hadn't been wrong! The foxiest of all stock operators in his day couldn't bear the mere thought of a loss, and he wasn't a miser. Imagine the average sucker!"

"Yes. He is the kind of animal that believes the reason stocks decline is because I raid the market," said Livingston.

It was plain that so far it had been his grievances that had been loquacious, and that he himself had been listening to those same grievances. But I was less keen to hear business aphorisms than I was to get the plain tale of his own successes—the how of this sumptuous house and the when of his market wisdom.

I asked him about his methods—later I would ask him about himself—and it became clear that he was far more concerned with determining the direction and duration of the big swings than with specific moves in specific stocks. There was no trouble about making big money if the operator's position was correct. All stocks, for instance, go down in a bear market. As bear conditions become more clearly defined the operator must pick out his stocks in accordance with the way in which the hard times develop and spread in the various industries. Every group has its turn. He himself studies conditions all the time. It is part of his day's work. Long before he has his breakfast he has read the various market reports in the daily as well as in the trade papers.

He told me a story that beautifully illustrates the Wall Street point of view, how apt are the wisecracks in the brokerage houses to be wrong and how an intelligent man earns his successes.

An Undeserved Reputation

The United States World Trade Corporation, with a capital stock of \$100,000,000, was formed to operate in various foreign countries. It owned steamship lines that

went everywhere, trolleys in Brazil, coffee plantations in Guatemala, hydroelectric plants in Bolivia, banks in Peru, and in addition conducted a huge export business. When, after the armistice, business the world over fell off, the U. S. W. T. shares remained firm. Other stocks gradually declined, but the public remembered that the company's business was spread all over the world and so could divide its risks. Moreover the directors were the wealthiest financiers in the country. The company continued to pay its regular quarterly dividend.

The bear market developed. There were severe declines in security prices. One pool after another was forced to liquidate. U. S. W. T. stock descended in a dignified and leisurely manner as befitted its aristocratic directorate. One day when the rest of the market displayed an improvement in tone U. S. W. T. stock suddenly declined five points and was more active than in months.

There was the usual demand for explanations, and one of the financial editors was delegated by his fellows to call on the president of the company.

"There is a rumor that your directors are going to pass the dividend at the next meeting," said the newspaper man. It was no disgrace; other companies had been doing so on account of the hard times.

"It's news to me," said the president.

That didn't mean anything to the experienced financial editor, who persisted, "Has there been any formal or informal discussion about passing the dividend?"

"No!"

"Or about reducing it?"

"I might answer that it is none of your business what our directors discuss formally or informally. But instead



I'll tell you that there has been no talk whatever about it, and no desire or intention of either reducing or passing the next dividend. I hope we may never have to do that."



"I hope the same thing. Thanks!" said the editor.

All the papers published the statement denying on the highest authority—the president's—that the company would cut or pass the next dividend. The effect was to keep many stockholders from selling out. The president was known to be a square and truthful man, respected even by the financial writers, who have very few illusions about presidents with tickers in their private offices.

Instead of rallying, however, the stock broke the next day worse than before, and on the day after it was the weak feature of the market. The newspapers did not know what to make of this slump, for the president's categorical denial made it difficult to believe that the dividend would be cut. Wise Wall Street, however, always ready to believe the worst—naturally—smiled and asserted, "The tape tells the story! There can be as many official denials as you please, but that stock has gone down on inside selling!"

The financial writer who procured the statement from the president told me at the time that it was a great shock to him, for he had always entertained the highest respect for the character of the president, who happened to be a particular friend of mine.

"But why do you think he lied to you?" I asked.

"Look at the price!" answered the editor.

I said nothing. I knew it was useless. Besides, I was looking at the price.

Sure enough, a couple of days later the board of directors of the United States World Trade Corporation met and announced, after the market closed, that in view of the unsettled conditions, financial, commercial and industrial, the world over, the company had decided to conserve its cash resources and would not declare the regular quarterly dividend.

The Inside Story

Wall Street rang with the jeers of the wiseacres.

“Of course! The directors sold out their holdings and went short. The rawest deal in years!”

The financial editor who had secured the statement from the president elected that gentleman to the Ananias Club of Wall Street; membership: *Omnes*.

It so happens that I know the president intimately. I ran across him uptown and, of course, like a true friend did not wait for particulars but accused.

“Why in blazes did you have to deny that you were going to pass the dividend?”

“It was the truth!” he said doggedly. I wasn’t the first.

“Huh?”

“The truth! When I made that statement there had been absolutely no talk about the dividend. I give you my word that two minutes before the vote was taken there was not one director who was sure of what the board’s action might be.”

“You know I am your friend,” I said. “I am the kind that sticks, Whether you are in or out of jail, I am strong for you.”

“What do you mean?”

“That you do not have to tell me you are innocent. I believe you. But it smells mighty cod-livery. Who sold the stock?”

“I didn’t; worse luck!”

He spoke with such sincere regret that I looked at him again.

Then I whispered; “Which director had the—er—prescience to sell?”

“All of them swore that they were not guilty.”

“All of them always do,” I remarked. “What did you expect, signed confessions?”

“Listen,” said the president seriously. “Not a single director was guilty this time. After I issued my statement our business got much worse. Some of the markets for our products simply dropped out of sight; there were a couple of revolutions and a lot of banking and commercial failures all over South America; altogether one hellish state of affairs. We are going to need a lot of money, for there’s a long hard pull ahead of us, and we naturally decided to keep as much cash on hand as we possibly could. There was considerable opposition to passing the dividend, but the conservatives won.”

“Well, you’ll never make Wall Street believe that story,” I assured him cheerfully.

“I know it,” he said. Then he exploded: “Why, I bought five thousand shares myself on the first break. It shows me a fifteen-point loss this minute.”

“You shouldn’t have talked to reporters,” I told him.

“I shall not after this,” he promised heartfully.

“Don’t worry about the next time,” I assured him. “They will never again ask you any questions. And if they do they won’t print the answers. Not after this.”

It all happened several weeks before I called on Livingston. The story he told me

was that he had been keeping an eye on the export trade and on conditions in South America and the Orient. The future was gloomy. Things were bound to grow worse. He looked, in accordance with his usual practice, for the stock that would corroborate and justify his opinion of basic conditions. There was United States World Trade Corporation, selling way up. He got the annual reports of the company for three years, and then, when he knew all about the company finances as well as the underlying conditions in every one of the company's divers lines of business, he sold short ten thousand shares of the stock. He began at 110. The next morning he read the president's statement. It had the effect on him of making him sell another ten thousand shares short, and the price broke so badly that he was encouraged to put out an additional short line of ten thousand shares on the third day. By the time he was short thirty thousand shares the price was in the 80's. There was no inside support to speak of, and the room-traders on the floor saw it and sold it so recklessly that the stock had a good rally on their covering. Then came the last grand drive, at the opening, on the day after the directors' meeting. Livingston took advantage of the big collapse to take in his shorts at a trifle above 60.

"I made a killing on that stock. I didn't need any inside tip," he finished.

"And the beauty of it is," I said, "that Wall Street accused the directors of speculating in their own shares. Do you remember the shriek the newspapers let out when the stock broke after the president came out with a statement that they were not going to pass the dividend? They did not know that it was your selling. I happen to know that the decision to pass the dividend was not

reached by the directors until two minutes before they took a vote on it."

"Wasn't it? Well," he said grimly. "I reached it for them two weeks before they voted. I read the president's statement. I didn't hope that they might never have to pass the dividend. I knew they must; if not this time, three months later. If they had paid the regular dividend I would have sold short twenty thousand shares more, because their action would have been proof that they didn't know their business or that their stock-market commitments obliged them to do the wrong thing; and with the help of the vanishing export business I would have made them let go their holdings before I got through with them. I knew the directors were the richest bankers in the country, but I also knew that no man or set of men could fight conditions."

Studying the Wheel

That is the inside history of a typical Wall Street episode. I told my friend, the president, what Livingston told me. His remark was, "That's very interesting; but I don't expect ever to live down my reputation as a conscienceless stock gambler."

Livingston and I discussed other market topics. He told me many illuminating stories about buying and selling stocks at other than the exactly right time. Also he discoursed at length on tape reading and on numbers and their meaning, which enabled him to base operations on what one might call behavior. Time and behavior! He was very keen about these.

"And it isn't only in stocks. It holds true in nearly everything in the world. I was at a Southern resort, and some friends took me

to Gridley's. I had never played roulette. So after a while I did."

"And you beat it?" I asked.

"Yes," he answered in a matter-of-fact voice.

My heart sank so that I almost heard it. I had developed a very fair degree of admiration for this stock operator, who in the palace he had bought with his winnings had been corroborating my contentions about the fate of all stock-market players. I had seen in him the honest-to-goodness hero of no end of exciting Wall Street yarns. And now he had to go and spoil everything!

"Do you mean," I asked in a casual tone of voice, "that you have a system for beating the roulette?"

It was too bad, after promising so much!

"No," he answered slowly, "I haven't a system for beating roulette. I have a method that I follow in playing the game at certain wheels at certain times."

"Meaning?"

"I'll tell you what I mean. I stood at one of the tables and watched the wheel. I jotted down in a notebook every number that came out. I can't tell you how long I was at it. But I kept the tally of hundreds of plays. I studied these and saw that certain numbers appeared much oftener than others and that certain numbers also were very apt to come after certain other numbers. To make the story short, I found certain sequences. I waited for the right time and then I played according to the result of my observations at that one table! I figured that the odds were in my favor; and sure enough, I won."

"Did you always win?"

"Oh, no! Whenever things didn't come out as they should, I'd quit. There was no sense in arguing. Something had gone

wrong. I might find out the reason later; but the pressing need when one is wrong is to quit quick. I went to Gridley's a good many times and studied his tables. I learned that the runs of numbers varied not only with the wheels but with the dealers. There were times when the same wheel and the same dealer would not run true to form. Probably they had oiled the mechanism that afternoon or had done something or other to alter conditions. The whole thing was simply one of the mechanical behavior of individual wheels, and the physical peculiarities of each dealer. I watched for the repetitions. As I told you, I always cut short my losses. No wheel could take more than two hundred dollars out of me. By the time I'd lost that sum I was sure something or other had changed, which rendered valueless all my previous observations. But often I won quite a little. At the end of the season I quit a small winner; say, three or four thousand. But that wasn't the thing. The reason I played was to learn whether my observations were accurate."

The Technic of Interviewing

The English-speaking man suffers from a purely conventional reticence. He seldom talks frankly about himself or humanly about his hopes, and the chief problem of the interviewer is to make him cease to think of his auditor as an auditor. A man who does not wish to be quoted must be persuaded that he will not be misquoted; and the best way to achieve that is to convince him that you know him better than he can

possibly know himself, because it is your business to know men—as it is his to be an unusual personality.

A talker as a rule does not crave action; but a doer often loves to talk. When a man of deeds is convinced that you will not confound the certainty of knowledge with the dogma of egotism or that you are intelligent enough to be deeply interested in his pet hobby—his achievements—he regards you as his other self. Talk about the *femme incomprise*! It is the super successful man who is most vulnerable on his nonunderstood side. Of course, before he can be sure of the value of your appreciation—he does not crave d. f. praise—he studies you, tries to see the real you, even as you are after the real him. All you have to do to win out is really to understand him. You will best make this patent by listening accurately rather than sympathetically, for if he is a big man he doesn't need sympathy. You prove your understanding by occasionally not waiting for him to finish a remark, but finishing it yourself. If you put his own thought more epigrammatically than he himself would have done, you will find that he invariably repeats after you, as though he understood you! He will not talk down to you after that, but up! You may even interrupt, urging him to go faster. He will forgive your impoliteness because it proves that your interest makes you impatient to hear everything he has to say and hear it quickly; a thrilling story.

A quick-gaited mind finds its greatest torture in having to moderate its stride to allow you to keep up with it. With men like Theodore Roosevelt, James J. Hill or Nelson W. Aldrich it was no trick to get an answer to any sort of question after you once proved

your ability to keep pace with their extremely rapid-working minds. To be understood, no matter what words he uses or how quickly the thoughts succeed each other or how far the leap is from subject to subject, makes a man cease to talk to you. Instead he proceeds to talk to himself in your hearing; for even the most self-repressed captain of industry or banker or poet finds pleasure in your listening when it compels him to justify your rare appreciation of him. Often he finds himself for the first time crystallizing his own opinion of his own acts. The man who does big things is less afraid of being blamed than of being misunderstood. He doesn't ask applause from you. His one prayer is that you should understand him as he understands himself; because then you will realize that it is natural for him to be what he is. And he knows what he is!

This digression was intended to make plain why men who seldom talk about themselves will at times talk freely. A politician need or need not talk about himself. He can be a Roosevelt or a Quay. But a stock operator should talk only about the market, and at that only when the talk helps him. Livingston had no axes to grind on the stone of publicity. He needed no following—no votes. He had no vanity to gratify by speaking about his successes, when the detailed story if published might mean merely more threatening letters or even bombs or midnight visits. It was less his philosophy of trading that I wished to hear than the story of his life—the reason for the Old Masters on the walls and the exquisite pearls about his wife's exquisite throat—the man himself, self-painted by his autobiography. A life habit of playing a lone hand was not con-

ducive to garrulity. All during luncheon I was thinking of this man's stock-market life and how to induce him to tell it to me.

I have told how I received no definite impression of Livingston's personality except that it was bafflingly unvibrating. He was psychically inert, as it were. But soon I perceived that he was testing me—as all men who have many opponents do when they are interviewed. It is always better for the interviewer to reveal himself at once instead of waiting to be sized up by the sitter, who is less apt to be an expert character analyst.

Livingston's secretary brought in a certain document. I was about to move away, when he said, "No; it is nothing private."

After the secretary left, remembering that Livingston did not know me, I said, "It is very interesting to see how your mind works."

"How do you mean, see?" he asked sharply.

"That!" I said. "See! I could tell by looking at you."

The Business of Being Right

I described how he looked when he turned his mind from our discussions to the new matter, how he concentrated, how he forgot everything except the point he was studying. I then told him how I read back from his actions to his thoughts, and why in my opinion he had decided to do what he told the secretary he would do.

He listened intently—as all men of affairs do when you talk to them about themselves frankly—and nodded. But after

that the change of attitude was noticeable. He was now quite as much interested in his own talking as in my listening. We had become acquainted. Those ten seconds of understanding were the equivalent with him of a year's acquaintance.

After Livingston begins to talk because it is you who are listening to him, it is impossible not to realize that he has the kind of mind that makes him the best tape reader and consequently the best technical trader of all the big stock operators of his generation. It is a decidedly arithmetical mind—not indeed of the type of the lightning calculator who is nothing but a lightning calculator, but of a man who reads numbers on the tape as an astronomer reads the stars in the sky; and remembers—both the numbers and their meaning according to the time and place. So marked was this, so obviously was his uptown life drab as compared with his daily five hours downtown, that one wondered a trifle dubiously about his grasp of human nature and human emotions in general. For it was as clear as day that he took no interest in men who were merely human beings, whether butchers or poets. It was the people who played the same game that he did who alone mattered. Plungers or pikers, they were all a part of his problem. For their human weaknesses he had neither sympathy nor condemnation. They were stock speculators who might help or hinder his plans; or, more accurately, who might retard or hasten the hour of his winning.

Later, when he told me about his own experiences, I was not surprised that not once did he volunteer any impressions of the people with whom he dealt. He did not describe the physical or mental characteris-

tics of men who had played a part in his career. He either never had cared or did not think it worth while remembering. It was always what he did or what they said—that is, what made him do what he did at the time. But he recalled in astonishing detail the facts of his deals; the exact number of shares and the prices of stocks bought and sold twenty years before—that is, all about his business, the business of being right in the stock market.

I am giving impressions derived from his words in the course of a talk of hours, that grew more personal as it proceeded; the cumulative effect of scores of little self-revelatory flashes. For instance, I easily gathered that he had the unusual type of mind that a great chess player has. He was born with it. That is the reason he knows what to do by instinct. He has, to an abnormal degree, the ticker sense—as Dempsey has the fighting instinct or some reporters the news sense. He was born for his game as Mozart was born for music or Ty Cobb for baseball. He came into the world with it and he has developed it as Paul Morphy developed his chess playing. He has both studied and practiced. But his own success, his very millions, proved, as you shall later see, that not even he can beat the unbeatable game. For what he does is not to gamble or speculate, in the sense in which I use “speculation”—that is, the continuous practice of buying and selling stocks in expectation of a profitable change in value. He does what all successful merchants and manufacturers and railroad men and prize-fight promoters and pioneers do: He anticipates probabilities. And that is not a mere euphemism for gambling. It connotes a vital difference.

Traders of Various Types

It was most interesting to hear from his own lips that with all his natural and cultivated equipment as an operator, whenever he tried to get something for nothing out of the stock market, or followed tips or ventured in other markets on another’s advice, he invariably fared as doth the sucker. He has lost millions by making sucker plays. He admits it painlessly. If it wasn’t for his mistakes he would be one of the richest men in the world—like many others!

He has the marvelous memory of all men of that type of mind. He remembers numbers and fluctuations indefinitely. He can tell what a stock sold at when he became bullish or bearish on it fifteen years ago. Professional chess players will remember every move of a complicated game played years before. Only the other day a billiard player who may or may not be the world’s champion as these words are printed, described exactly how the balls lay when he missed a certain shot that ended a certain run at a certain tournament before the war. That sort of memory is of value to a stock trader who remembers the lessons taught by miles upon miles of ticker tape.

Relatively few of the big men of Wall Street have been good traders in stock. Jay Gould, who was a great financial genius, saw in the market a means to an end. He made and lost millions in his speculations. In his manipulations to obtain control of companies he was more successful. But that was quite another game. One of his chief brokers told me that he made \$100,000 in commissions from Mr. Gould in one year, and that he was certain Mr. Gould’s net winnings that same year did not amount to

\$50,000. In fact, he suspected Mr. Gould quit a loser. It was the year of the famous Northwest corner.

Commodore Vanderbilt bought stocks that he believed in, and held them. He invested, not traded. He squeezed the shorts in his two Harlem corners, but his motive was mainly to punish treachery and crookedness. Moreover, he knew his own financial resources and believed in the future of the road, as well he might. But old Daniel Drew ran rings around him in the stock market more than once.

The late J. P. Morgan was never interested in the stock market as a trader, although the late Thomas Hitchcock—"Matthew Marshall"—and others have told me stories of certain coups of his when he was a young man working for his father, who often told friends he was afraid Pierpont would never make a banker! When he formed the United States Steel Corporation he intrusted the market manipulation of the unproven shares to James R. Keene and, I have been told, always regretted the necessity of having to develop a speculative market for them. Of Mr. Morgan's partners I've never heard any accused of being a particularly good stock-market trader, with the exception of the late George W. Perkins, a man of unusual ability and imagination, who was a great and natural money maker and took kindly to the stock market, where he could utilize to the full his varied resources.

James J. Hill was a successful operator in stocks in which he was interested, but not as a constant or general trader. He was the most picturesque personality I have ever met in Wall Street. On the other hand, E. H. Harriman was a very good trader. His huge

fortune, won in a few golden years, was taken out of the market not by trading in stocks but by high financial manipulation of entire capitalizations. But he could read the tape very well. His early career on the floor of the Stock Exchange gave him the needed experience. I remember once being in a certain office and one of the greatest operators that ever lived looked worried.

Ticker Sense

"What's the matter?" I asked, scenting trouble—that is, front-page news.

"Oh, I've been forced to change some plans. I told a friend the other day what I hoped to do, and he bought twenty thousand shares of—of a certain stock. I don't know whether to let him know now or wait a bit."

"Until you are entirely out?" I said—and smiled, so that he wouldn't shoot.

"No," he said frankly; "until some other friends are out."

"Is your twenty-thousand-share man a very good friend?"

"Not so very."

"Well off?"

"Yes. It's E. H. Harriman," he said.

I laughed and told him: "Don't worry about him. He's out."

"How do you know?"

"Look at the tape; and if that isn't enough, call him up."

The tape wasn't enough, so the greatest pool manager that ever operated in Wall Street called up E. H.

"Just ask him," I suggested, "when he sold the stock."

"No."

"Then ask him if he has it yet."

My friend did. He told me that Harriman answered, "Oh, I sold day before yesterday. I didn't like the looks of the market." He had called the turn on the minute.

James R. Keene, of course, was an artist as a manipulator, and a consummate reader of the tape. In his later years he interested himself chiefly in campaigns in single stocks, following the method first employed in the Stock Exchange by John M. Tobin in Civil War times, which consisted of carefully studying the affairs of one company and then acting upon the knowledge thus obtained. Tobin was Commodore Vanderbilt's chief broker in the famous Harlem corner of 1864. He and Jerome adopted the Napoleonic principle of concentrating their attack upon one point. One stock was enough. Keene, of course, traded in many stocks and he also had, very highly developed, what I have called ticker sense; that curious instinct that saved him more than once. He was a brilliant manipulator and a daring plunger. He did not care to direct a company's affairs, but he could analyze an annual report as accurately as an expert accountant; and ten times faster.

It was a wonderful equipment that Livingston had been born with, and I could not help comparing him with the average man who goes to Wall Street after easy money. I recapitulated the sources of loss by the public.

Speculators' Weaknesses

MOTIVE. The sucker wishes to get something for nothing. He is prompted by blind greed or by the excitement of gambling. But Livingston cared

only for winning, for being right. Money was merely the proof of it. He sees. Then he seeks to verify his sight by actual operations. It was the hot passion of a chess master for chess, however cold-bloodedly he may play the game itself; the irresistible urge to find solutions to problems. And his were all stock-market problems.

TRADING IN AND OUT OF SEASON. Livingston had lost too many millions and had learned to wait for the right time. Too soon is as bad as too late.

HOPE. The average sucker does little more than hope, whatever official reason he may give to others or to himself. But Livingston doesn't hope; he thinks. He makes mistakes, but never the same mistake twice, for he has toward the game the curiously personal as well as utterly impersonal attitude of the artist toward his work. One of his aphorisms is "I never argue with the tape." He is right or he is wrong; hope has nothing to do with it. And even when accidents make him lose money they don't prove he's wrong. So his attitude is unchanged, his confidence in himself unshaken. And that makes the millions!

LACK OF KNOWLEDGE OF THE GAME. Lack of knowledge of market movements, of general trade conditions, of specific conditions affecting specific stocks, of values, of money conditions, contributes to make the public lose. But Livingston knows and studies all the time. He reads trade papers, and hires experts, and gets reports, and is forever on his own job.

INEXPERIENCE IN THE STOCK MARKET. It is the one business Livingston knows. He has been in it since he was fourteen.

TEMPERAMENTAL UNFITNESS. That is back of many failures. But Livingston has experi-

ence, a remarkable memory, coordinates accurately and quickly, has ticker sense—the instinct for the game that a man must have to be a master. At times it proves to be a trustier guide than his reasoning, for that may be vitiated by ill health, nerves or special circumstances. But the instinct is never dormant.

And yet Livingston loses. He was a discharged bankrupt for millions, as late as

1915. In two years he had paid all his debts with interest; and two years later was a multimillionaire.

How did he do it all?

How did he make his first million in 1907?

How did he lose all his millions in 1915?

How did he get back?

And even more interesting and valuable—how did he make his first dollar?