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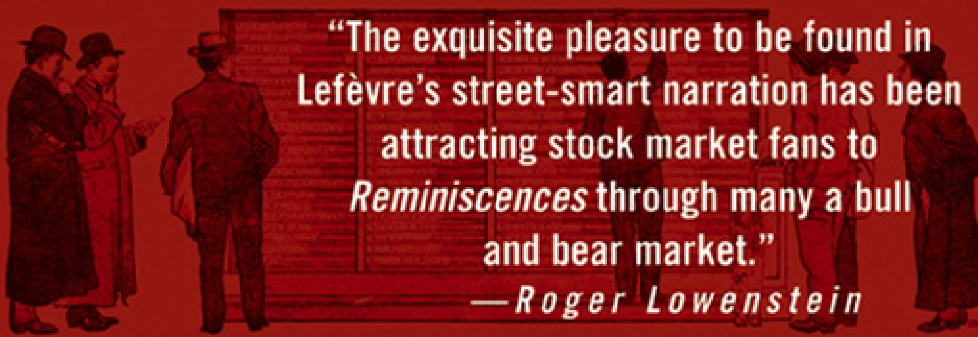

"The exquisite pleasure to be found in Lefèvre's street-smart narration has been attracting stock market fans to *Reminiscences* through many a bull and bear market."
—*Roger Lowenstein*

Reminiscences of a Stock Operator

EDWIN LEFÈVRE

FOREWORD BY ROGER LOWENSTEIN

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TO JESSE LAURISTON LIVERMORE

FOREWORD

IN the late 1970s, when I was thirsting for a job in journalism, *The Wall Street Journal* hired me to cover the copper market. My assignment was to get to know the traders who bought and sold copper futures and submit a report on the daily fluctuations. It being an era of high inflation, copper was bullishly inclined, and under my untutored but watchful eye its price increased from 80 cents a pound to 90 cents to, eventually, $1. Promptly I reported (after canvassing my newfound sources) that copper was rising on account of there being "more buyers than sellers."

"More buyers than sellers!" my editor guffawed. He was a clownish man with a pointed head; he saw humor in everything, in particular his new cub reporter. "Your job is to tell us *why* there are more buyers than sellers."

This seemingly straightforward advice led me into a maze of trader's lore that came to seem indistinguishable from outright guesswork if not invention. On some days, I was told that the advance (or, as it were, the decline) was triggered by "investors," and was therefore predictive of the future trend. On other days, the price change was ascribed to "speculators," evidently a less reliable sort. Most mysteriously of all, the price could move for "technical reasons," which advances I was urged to dismiss as having no significance whatsoever. Still, it was rising, wasn't it?

Copper cracked $1.50 and throughout its run paid not the slightest heed to the "reasons" I was dutifully laying bare. I knew that something in my analyses was deficient, but I didn't know what. The problem was a lack of preparation. I hadn't read Edwin

Lefèvre's *Reminiscences of a Stock Operator;* therefore, I did not know how to write about commodities markets, or stock markets, or any other kind of market.

If I had read it, I would have understood that "the tape" utters a more powerful argument than any reason or affidavit; you do not argue with the tape, you do not explain it or deconstruct it. And I would have read it on the third page and I would have read it in a single paragraph:

> Of course there is always a reason for fluctuations, but the tape does not concern itself with the why and the wherefore. It doesn't go into explanations. I didn't ask the tape why when I was fourteen, and I don't ask it to-day, when I am forty. . . . What the dickens does that matter?

The author of these lines, the son of a Union Army officer, had been trained as a mining engineer but followed his heart and, in the 1890s, turned to chronicling the exploits of Wall Street moguls. Though the public was as hungry as today for a glimpse into the inner workings of the stock market, in that era, little hard information was available. But Lefèvre, who wrote novels as well as journalism, had a knack for capturing the smell, and also the sound—the vernacular, that is—of Wall Street. In 1922, he caused a stir with a serialized account of a famous—"infamous" is also a term that springs to mind—speculator who was willing to spill the secrets of the trade to readers of *The Saturday Evening Post.* His story was republished between hard covers the following year.

Though Lefèvre wrote in the first person, *Reminiscences* is based on several weeks of interviews with a trader whom he calls Larry Livingston. Livingston did not exist; it is a nom de guerre for Jesse Livermore, one of the greatest stock speculators ever.

Livermore had begun his career just before the turn of the century, making wagers of a few dollars in "bucket" shops–parlors in which people who did not have the means to open a brokerage account made small bets against the house. The bucket shops booted him out for the unpardonable crime of consistently winning. By the end of World War I, Livermore had made, lost, and made millions, and was generally being blamed for any sizable disruption in the stock and commodities markets, not always without reason.

Though he was destined to play a marquee role in the great crash of 1929, before his untimely and tragic end, *Reminiscences* is a fictionalized memoir only of Livermore's early and ascendant years. Do not ask which part exactly is fiction; Livermore was one of those American originals whose amplifications (especially in the hands of a writer as gifted as Lefèvre) merely served to enhance the overall verisimilitude of his story.

And so we have a tell-all confession of how traders worked in the era predating the federal securities laws: of the tipsters, the manipulations, the brazen efforts by corporate managers to ride their own stocks up and down and always in advance of a hapless public. A modern writer called *Reminiscences* a portrait of "a period in the stock market that no longer exists." This is true and yet it is untrue. Human nature has not noticeably improved since Lefèvre's day, nor have the morals of those attracted to Wall Street as a source of easy swag. When Lefèvre-cum-Livingston observes, "In every boom companies are formed primarily if not exclusively to take advantage of the public's appetite for stocks," not a few contemporary hucksters (dot.com promoters, for instance) come to mind.

And yet the tempo, the patois of his characters, is sheer Roaring Twenties. Livingston in Atlantic City, supposedly taking a break from the market, could easily be one of Damon Runyon's track-addicted horse players.

> One morning after we had breakfasted and had finished reading all the New York morning papers, and had got tired of watching the sea gulls picking up clams and flying up with them twenty feet in the air and dropping them on the hard wet sand to open them for their breakfast, my friend and I started up the Boardwalk. . . . Harding Brothers had a branch office on the Boardwalk and we used to drop in every morning and see how they'd opened. It was more force of habit than anything else . . .

This is the signal that Livingston is getting the itch to trade, if only there is some action in the market. Sure enough—

> I was looking over the quotation board, noticing the changes—they were mostly advances—until I came to Union Pacific. I got a feeling that I ought to sell it. I can't tell you more. I just felt like selling it.

Prose that good is its own reason. But there are at least two others that are worthy of mention. The first is personal. Since parting ways with the copper market, I have been, for most of my career, tailing financial operators who were, shall we say, less than saintly and in some cases downright roguish. Most of them have hidden behind hired mouthpieces (later, they hide behind their lawyers). They give us a sanitized version or no version at all.

Livingston, though admittedly a literary construct, speaks directly to us. He names names and pins prices. Does not the president of the Borneo Tin Company, a Mr. Wisenstein, whisper to Livingston's wife, during a dinner in Palm Beach, that she will make "a great deal of money" by buying his stock? Livingston's "reminiscence" uncorks the fragrance of the sugary corruption that permeated the Wall Street of those freewheeling days far more than can any secondary source, not to mention any publicist.

Livingston's response to the whisperer is too good to reveal here, but it will not give away too much to note that Livingston has prepared us for the encounter by observing, matter of factly, that Wisenstein is also the manager of the stock pool. That is to say, the company president is in charge of market operations (all of which would now be illegal) to manipulate the price of the company stock! When folks complain about regulation, as they always have and always will, we must ask whether the good old days were really so good.

Nor does Livingston shy from recounting, stroke by stroke, his own manipulations. I had not thought it possible to create, through cleverly timed purchases, the aura of such interest in a stock that one might move the price higher even while, on a net basis, dispensing of a position in it. Livingston turns the trick with Imperial Steel—"a beautiful piece of manipulation," as he allows in an uncommonly self-congratulatory mood. Perhaps he's a trifle defensive, for he crankily objects to the fact that stock manipulation has gotten a bad name, and insists there is nothing crooked or underhanded about it. It is a brave show, but Livingston's own prescriptions for cleaning up the market, some of which anticipate the soon-to-be-enacted securities laws, betray the stirrings of a sense of propriety. At all events, we get to hear the operator's unvarnished account of his own machinations.

The other reason for reading Lefèvre is, of course, that his anecdotal yarns are strung with pearls of advice that the aspiring trader will find most useful. I am not a trader, and I admit that the business of following the tape has always struck me as a sure route to buying high and selling low. Livingston, of course, recognized this danger; you will see his answer. He also recognized that what he did was very different from "investing." Speculators buy the trend; investors are in for the long haul; "they are a different breed of cats." One reason that people lose money today is that they have lost sight of this distinction; they profess to have the long term in mind and yet cannot resist following where the hot money has led. Livingston had no delusions; he was a speculator first and last. Yet, surprisingly, the qualities that worked for him are also those of a great stock picker. These qualities are patience, self-discipline, and a mind-set of detachment. One could get angry at the tape, but the tape didn't care. Livingston deduced that it was better to learn from his mistakes rather than to pretend he hadn't made them. His distinguishing trait would seem to have been self-awareness. As with gambling—as with any sport—it is our inner demons that do most harm.

You would expect a speculator to covet tips—Livingston calls them "hope cocktails"—but he urges us (and himself) to resist their siren. This reflects his keen appreciation of market psychology. If somebody likes a stock, it should be evident from the tape; if it is not, then the tip is a false lead; it is empty air. The public is craven for tips; it wants to be told. But Livingston confidently repeats, "I have always played a lone hand."

Well, almost. Once in Saratoga Springs, another of those resorts where he goes to pretend that he is on vacation, Livingston sells a stock he had been accumulating (once again, it is Union Pacific) on the basis of a tip from his broker. The tip turns out to be wrong. It is a costly error—instructive to him and also to us. Our teacher ruefully reflects that he could have learned the same lesson while losing a lot less money. “But Fate does not always let you fix the tuition fee. She delivers the educational wallop and presents her own bill.” Happily, Fate has delivered the education to us at a far more reasonable price. It, along with the exquisite pleasure to be found in Lefèvre’s street-smart narration, has been attracting stock market fans to *Reminiscences* through many a bull and bear market.

Roger Lowenstein

Reminiscences of a Stock Operator

REMINISCENCES OF A STOCK OPERATOR

I

I WENT to work when I was just out of grammar school. I got a job as quotation-board boy in a stock-brokerage office. I was quick at figures. At school I did three years of arithmetic in one. I was particularly good at mental arithmetic. As quotation-board boy I posted the numbers on the big board in the customers' room. One of the customers usually sat by the ticker and called out the prices. They couldn't come too fast for me. I have always remembered figures. No trouble at all.

There were plenty of other employes in that office. Of course I made friends with the other fellows, but the work I did, if the market was active, kept me too busy from ten A.M. to three P.M. to let me do much talking. I don't care for it, anyhow, during business hours.

But a busy market did not keep me from thinking about the work. Those quotations did not represent prices of stocks to me, so many dollars per share. They were numbers. Of course, they meant something. They were always changing. It was all I had to be interested in—the changes. Why did they change? I didn't know. I didn't care. I didn't think about that. I simply saw that they changed. That was all I had to think about five hours every day and two on Saturdays: that they were always changing.

That is how I first came to be interested in the behaviour of prices. I had a very good memory for figures. I could remember in detail how the prices had acted on the previous day, just before they went up or down. My fondness for mental arithmetic came in very handy.

I noticed that in advances as well as declines, stock prices were apt to show certain habits, so to speak. There was no end of parallel cases and these made precedents to guide me. I was only fourteen, but after I had taken hundreds of observations in my mind I found myself testing their accuracy, comparing the behaviour of stocks to-day with other days. It was not long before I was anticipating movements in prices. My only guide, as I say, was their past performances. I carried the “dope sheets” in my mind. I looked for stock prices to run on form. I had “clocked” them. You know what I mean.

You can spot, for instance, where the buying is only a trifle better than the selling. A battle goes on in the stock market and the tape is your telescope. You can depend upon it seven out of ten cases.

Another lesson I learned early is that there is nothing new in Wall Street. There can’t be because speculation is as old as the hills. Whatever happens in the stock market to-day has happened before and will happen again. I’ve never forgotten that. I suppose I really manage to remember when and how it happened. The fact that I remember that way is my way of capitalizing experience.

I got so interested in my game and so anxious to anticipate advances and declines in all the active stocks that I got a little book. I put down my observations in it. It was not a record of imaginary transactions such as so many people keep merely to make or lose millions of dollars without getting the swelled head or going to the poorhouse. It was rather a sort of record of my hits and misses, and next to the determination of probable movements I was most interested in verifying whether I had observed accurately; in other words, whether I was right.

Say that after studying every fluctuation of the day in an active stock I would conclude that it was behaving as it always did before it broke eight or ten points. Well, I would jot down the stock and the price on Monday, and remembering past performances I would write down what it ought to do on Tuesday and Wednesday. Later I would check up with actual transcriptions from the tape.

That is how I first came to take an interest in the message of the tape. The fluctuations were from the first associated in my mind with upward or downward movements. Of course there is always a reason for fluctuations, but the tape does not concern itself with the why and wherefore. It doesn’t go into explanations.

I didn't ask the tape why when I was fourteen, and I don't ask it to-day, at forty. The reason for what a certain stock does to-day may not be known for two or three days, or weeks, or months. But what the dickens does that matter? Your business with the tape is now—not to-morrow. The reason can wait. But you must act instantly or be left. Time and again I see this happen. You'll remember that Hollow Tube went down three points the other day while the rest of the market rallied sharply. That was the fact. On the following Monday you saw that the directors passed the dividend. That was the reason. They knew what they were going to do, and even if they didn't sell the stock themselves they at least didn't buy it. There was no inside buying; no reason why it should not break.

Well, I kept up my little memorandum book perhaps six months. Instead of leaving for home the moment I was through with my work, I'd jot down the figures I wanted and would study the changes, always looking for the repetitions and parallelisms of behaviour—learning to read the tape, although I was not aware of it at the time.

One day one of the office boys—he was older than I—came to me where I was eating my lunch and asked me on the quiet if I had any money.

"Why do you want to know?" I said.

"Well," he said, "I've got a dandy tip on Burlington. I'm going to play it if I can get somebody to go in with me."

"How do you mean, play it?" I asked. To me the only people who played or could play tips were the customers—old jiggers with oodles of dough. Why, it cost hundreds, even thousands of dollars, to get into the game. It was like owning your private carriage and having a coachman who wore a silk hat.

"That's what I mean; play it!" he said. "How much you got?"

"How much you need?"

"Well, I can trade in five shares by putting up $5."

"How are you going to play it?"

"I'm going to buy all the Burlington the bucket shop will let me carry with the money I give him for margin," he said. "It's going up sure. It's like picking up money. We'll double ours in a jiffy."

"Hold on!" I said to him, and pulled out my little dope book.

I wasn't interested in doubling my money, but in his saying that Burlington was going up. If it was, my note-book ought to show it. I looked. Sure enough, Burlington, according to my figuring, was acting as it usually did before it went up. I had never bought or sold anything in my life, and I never gambled with the other boys. But all I could see was that this was a grand chance to test the accuracy of my work, of my hobby. It struck me at once that if my dope didn't work in practice there was nothing in the theory of it to interest anybody. So I gave him all I had, and with our pooled resources he went to one of the near-by bucket shops and bought some Burlington. Two days later we cashed in. I made a profit of $3.12.

After that first trade, I got to speculating on my own hook in the bucket shops. I'd go during my lunch hour and buy or sell—it never made any difference to me. I was playing a system and not a favorite stock or backing opinions. All I knew was the arithmetic of it. As a matter of fact, mine was the ideal way to operate in a bucket shop, where all that a trader does is to bet on fluctuations as they are printed by the ticker on the tape.

It was not long before I was taking much more money out of the bucket shops than I was pulling down from my job in the brokerage office. So I gave up my position. My folks objected, but they couldn't say much when they saw what I was making. I was only a kid and office-boy wages were not very high. I did mighty well on my own hook.

I was fifteen when I had my first thousand and laid the cash in front of my mother—all made in the bucket shops in a few months, besides what I had taken home. My mother carried on something awful. She wanted me to put it away in the savings bank out of reach of temptation. She said it was more money than she ever heard any boy of fifteen had made, starting with nothing. She didn't quite believe it was real money. She used to worry and fret about it. But I didn't think of anything except that I could keep on proving my figuring was right. That's all the fun there is—being right by using your head. If I was right when I tested my convictions with ten shares I would be ten times more right if I traded in a hundred shares. That is all that having more margin meant to me—I was right more emphatically. More courage? No! No difference! If all I have is ten dollars and I risk it, I am much braver than when I risk a million, if I have another million salted away.

Anyhow, at fifteen I was making a good living out of the stock market. I began in the smaller bucket shops, where the man who traded in twenty shares at a clip was suspected of being John W. Gates in disguise or J. P. Morgan traveling incognito. Bucket shops in those days seldom lay down on their customers. They didn't have to. There were other ways of parting customers from their money, even when they guessed right. The business was tremendously profitable. When it was conducted legitimately—I mean straight, as far as the bucket shop went—the fluctuations took care of the shoestrings. It doesn't take much of a reaction to wipe out a margin of only three quarters of a point. Also, no welsher could ever get back in the game. Wouldn't have any trade.

I didn't have a following. I kept my business to myself. It was a one-man business, anyhow. It was my head, wasn't it? Prices either were going the way I doped them out, without any help from friends or partners, or they were going the other way, and nobody could stop them out of kindness to me. I couldn't see where I needed to tell my business to anybody else. I've got friends, of course, but my business has always been the same—a one-man affair. That is why I have always played a lone hand.

As it was, it didn't take long for the bucket shops to get sore on me for beating them. I'd walk in and plank down my margin, but they'd look at it without making a move to grab it. They'd tell me there was nothing doing. That was the time they got to calling me the Boy Plunger. I had to be changing brokers all the time, going from one bucket shop to another. It got so that I had to give a fictitious name. I'd begin light, only fifteen or twenty shares. At times, when they got suspicious, I'd lose on purpose at first and then sting them proper. Of course after a little while they'd find me too expensive and they'd tell me to take myself and my business elsewhere and not interfere with the owners' dividends.

Once, when the big concern I'd been trading with for months shut down on me I made up my mind to take a little more of their money away from them. That bucket shop had branches all over the city, in hotel lobbies, and in near-by towns. I went to one of the hotel branches and asked the manager a few questions and finally got to trading. But as soon as I played an active stock my especial way he began to get messages from the head office asking who it was that was operating. The manager told me what they asked him and I told him my name was Edward Robinson, of Cambridge. He telephoned the glad news to the big chief. But the other end wanted to know what I looked like. When the manager told me that I said to him, "Tell him I am a short fat man with dark hair and a bushy beard!" But he described me instead, and then he listened and his face got red and he hung up and told me to beat it.

"What did they say to you?" I asked him politely.

"They said, 'You blankety-blank fool, didn't we tell you to take no business from Larry Livingston? And you deliberately let him trim us out of $700!' " He didn't say what else they told him.

I tried the other branches one after another, but they all got to know me, and my money wasn't any good in any of their offices. I couldn't even go in to look at the quotations without some of the clerks making cracks at me. I tried to get them to let me trade at long intervals by dividing my visits among them all. But that didn't work.

Finally there was only one left to me and that was the biggest and richest of all—the Cosmopolitan Stock Brokerage Company.

The Cosmopolitan was rated as A-1 and did an enormous business. It had branches in every manufacturing town in New England. They took my trading all right, and I bought and sold stocks and made and lost money for months, but in the end it happened with them as usual. They didn't refuse my business point-blank, as the small concerns had. Oh, not because it wasn't sportsmanship, but because they knew it would give them a black eye to publish the news that they wouldn't take a fellow's business just because that fellow happened to make a little money. But they did the next worse thing—that is, they made me put up a three-point margin and compelled me to pay a premium at first of a half point, then a point, and finally, a point and a half. Some handicap, that! How? Easy! Suppose Steel was selling at 90 and you bought it. Your ticket read, normally: "*Bot ten Steel at* 90⅛." If you put up a point margin it meant that if it broke 89¼ you were wiped out automatically. In a bucket shop the customer is not importuned for more margin or put to the painful necessity of telling his broker to sell for anything he can get.

But when the Cosmopolitan tacked on that premium they were hitting below the belt. It meant that if the price was 90 when I bought, instead of making my ticket: "*Bot Steel at* 90⅛," it read: "*Bot Steel at* 91⅛." Why, that stock could advance a point and a quarter after I bought it and I'd still be losing money if I closed the trade. And by also insisting that I put up a three-point margin at the very start they reduced my trading capacity by two thirds. Still, that was the only bucket shop that would take my business at all, and I had to accept their terms or quit trading.

Of course I had my ups and downs, but was a winner on balance. However, the Cosmopolitan people were not satisfied with the awful handicap they had tacked on me, which should have been enough to beat anybody. They tried to double-cross me. They didn't get me. I escaped because of one of my hunches.

The Cosmopolitan, as I said, was my last resort. It was the richest bucket shop in New England, and as a rule they put no limit on a trade. I think I was the heaviest individual trader they had—that is, of the steady, every-day customers. They had a fine office and the largest and completest quotation board I have ever seen anywhere. It ran along the whole length of the big room and every imaginable thing was quoted. I mean stocks dealt in on the New York and Boston Stock Exchanges, cotton, wheat, provisions, metals—everything that was bought and sold in New York, Chicago, Boston and Liverpool.

You know how they traded in bucket shops. You gave your money to a clerk and told him what you wished to buy or sell. He looked at the tape or the quotation board and took the price from there—the last one, of course. He also put down the time on the ticket so that it almost read like a regular broker's report—that is, that they had bought or sold for you so many shares of such a stock at such a price at such a time on such a day and how much money they received from you. When you wished to close your trade you went to the clerk—the same or another, it depended on the shop—and you told him. He took the last price or if the stock had not been active he waited for the next quotation that came out on the tape. He wrote that price and the time on your ticket, O.K.'d it and gave it back to you, and then you went to the cashier and got whatever cash it called for. Of course, when the market went against you and the price went beyond the limit set by your margin, your trade automatically closed itself and your ticket became one more scrap of paper.

In the humbler bucket shops, where people were allowed to trade in as little as five shares, the tickets were little slips—different colors for buying and selling—and at times, as for instance in boiling bull markets, the shops would be hard hit because all the customers were bulls and happened to be right. Then the bucket shop would deduct both buying and selling commissions and if you bought a stock at 20 the ticket would read 20¼. You thus had only ¾ of a point's run for your money.

But the Cosmopolitan was the finest in New England. It had thousands of patrons and I really think I was the only man they were afraid of. Neither the killing premium nor the three-point margin they made me put up reduced my trading much. I kept on buying and selling as much as they'd let me. I sometimes had a line of 5000 shares.

Well, on the day the thing happened that I am going to tell you, I was short thirty-five hundred shares of Sugar. I had seven big pink tickets for five hundred shares each. The Cosmopolitan used big slips with a blank space on them where they could write down additional margin. Of course, the bucket shops never ask for more margin. The thinner the shoestring the better for them, for their profit lies in your being wiped. In the smaller shops if you wanted to margin your trade still further they'd make out a new ticket, so they could charge you the buying commission and only give you a run of ¾ of a point on each point's decline, for they figured the selling commission also exactly as if it were a new trade.

Well, this day I remember I had up over $10,000 in margins.

I was only twenty when I first accumulated ten thousand dollars in cash. And you ought to have heard my mother. You'd have thought that ten thousand dollars in cash was more than anybody carried around except old John D., and she used to tell me to be satisfied and go into some regular business. I had a hard time convincing her that I was not gambling, but making money by figuring. But all she could see was that ten thousand dollars was a lot of money and all I could see was more margin.

I had put out my 3500 shares of Sugar at 105¼. There was another fellow in the room, Henry Williams, who was short 2500 shares. I used to sit by the ticker and call out the quotations for the board boy. The price behaved as I thought it would. It promptly went down a couple of points and paused a little to get its breath before taking another dip. The general market was pretty soft and everything looked promising. Then all of a sudden I didn't like the way Sugar was doing its hesitating. I began to feel uncomfortable. I thought I ought to get out of the market. Then it sold at 103—that was low for the day—but instead of feeling more confident I felt more uncertain. I knew something was wrong somewhere, but I couldn't spot it exactly. But if something was coming and I didn't know where from, I couldn't be on my guard against it. That being the case I'd better be out of the market.

You know, I don't do things blindly. I don't like to. I never did. Even as a kid I had to know why I should do certain things. But this time I had no definite reason to give to myself, and yet I was so uncomfortable that I couldn't stand it. I called to a fellow I knew, Dave Wyman, and said to him: "Dave, you take my place here. I want you to do something for me. Wait a little before you call out the next price of Sugar, will you?"

He said he would, and I got up and gave him my place by the ticker so he could call out the prices for the boy. I took my seven Sugar tickets out of my pocket and walked over to the counter, to where the clerk was who marked the tickets when you closed your trades. But I didn't really know why I should get out of the market, so I just stood there, leaning against the counter, my tickets in my hand so that the clerk couldn't see them. Pretty soon I heard the clicking of a telegraph instrument and I saw Tom Burnham, the clerk, turn his head quickly and listen. Then I felt that something crooked was hatching, and I decided not to wait any longer. Just then Dave Wyman by the ticker, began: "Su—" and quick as a flash I slapped my tickets on the counter in front of the clerk and yelled, “Close Sugar!” before Dave had finished calling the price. So, of course, the house had to close my Sugar at the last quotation. What Dave called turned out to be 103 again.

According to my dope Sugar should have broken 103 by now. The engine wasn’t hitting right. I had the feeling that there was a trap in the neighbourhood. At all events, the telegraph instrument was now going like mad and I noticed that Tom Burnham, the clerk, had left my tickets unmarked where I laid them, and was listening to the clicking as if he were waiting for something. So I yelled at him: “Hey, Tom, what in hell are you waiting for? Mark the price on these tickets—103! Get a gait on!”

Everybody in the room heard me and began to look toward us and ask what was the trouble, for, you see, while the Cosmopolitan had never laid down, there was no telling, and a run on a bucket shop can start like a run on a bank. If one customer gets suspicious the others follow suit. So Tom looked sulky, but came over and marked my tickets “Closed at 103” and shoved the seven of them over toward me. He sure had a sour face.

Say, the distance from Tom’s place to the cashier’s cage wasn’t over eight feet. But I hadn’t got to the cashier to get my money when Dave Wyman by the ticker yelled excitedly: “Gosh! Sugar, 108!” But it was too late; so I just laughed and called over to Tom, “It didn’t work that time, did it, old boy?”

Of course, it was a put-up job. Henry Williams and I together were short six thousand shares of Sugar. That bucket shop had my margin and Henry’s, and there may have been a lot of other Sugar shorts in the office; possibly eight or ten thousand shares in all. Suppose they had $20,000 in Sugar margins. That was enough to pay the shop to thimblerig the market on the New York Stock Exchange and wipe us out. In the old days whenever a bucket shop found itself loaded with too many bulls on a certain stock it was a common practice to get some broker to wash down the price of that particular stock far enough to wipe out all the customers that were long of it. This seldom cost the bucket shop more than a couple of points on a few hundred shares, and they made thousands of dollars.

That was what the Cosmopolitan did to get me and Henry Williams and the other Sugar shorts. Their brokers in New York ran up the price to 108. Of course it fell right back, but Henry and a lot of others were wiped out. Whenever there was an unexplained sharp drop which was followed by instant recovery, the newspapers in those days used to call it a bucket-shop drive.

And the funniest thing was that not later than ten days after the Cosmopolitan people tried to double-cross me a New York operator did them out of over seventy thousand dollars. This man, who was quite a market factor in his day and a member of the New York Stock Exchange, made a great name for himself as a bear during the Bryan panic of '96. He was forever running up against Stock Exchange rules that kept him from carrying out some of his plans at the expense of his fellow members. One day he figured that there would be no complaints from either the Exchange or the police authorities if he took from the bucket shops of the land some of their ill-gotten gains. In the instance I speak of he sent thirty-five men to act as customers. They went to the main office and to the bigger branches. On a certain day at a fixed hour the agents all bought as much of a certain stock as the managers would let them. They had instructions to sneak out at a certain profit. Of course what he did was to distribute bull tips on that stock among his cronies and then he went in to the floor of the Stock Exchange and bid up the price, helped by the room traders, who thought he was a good sport. Being careful to pick out the right stock for that work, there was no trouble in putting up the price three or four points. His agents at the bucket shops cashed in as prearranged.

A fellow told me the originator cleaned up seventy thousand dollars net, and his agents made their expenses and their pay besides. He played that game several times all over the country, punishing the bigger bucket shops of New York, Boston, Philadelphia, Chicago, Cincinnati and St. Louis. One of his favorite stocks was Western Union, because it was so easy to move a semiactive stock like that a few points up or down. His agents bought it at a certain figure, sold at two points profit, went short and took three points more. By the way, I read the other day that that man died, poor and obscure. If he had died in 1896 he would have got at least a column on the first page of every New York paper. As it was he got two lines on the fifth.

II

BETWEEN the discovery that the Cosmopolitan Stock Brokerage Company was ready to beat me by foul means if the killing handicap of a three-point margin and a point-and-a-half premium didn't do it, and hints that they didn't want my business anyhow, I soon made up my mind to go to New York, where I could trade in the office of some member of the New York Stock Exchange. I didn't want any Boston branch, where the quotations had to be telegraphed. I wanted to be close to the original source. I came to New York at the age of 21, bringing with me all I had, twenty-five hundred dollars.

I told you I had ten thousand dollars when I was twenty, and my margin on that Sugar deal was over ten thousand. But I didn't always win. My plan of trading was sound enough and won oftener than it lost. If I had stuck to it I'd have been right perhaps as often as seven out of ten times. In fact, I always made money when I was sure I was right before I began. What beat me was not having brains enough to stick to my own game—that is, to play the market only when I was satisfied that precedents favored my play. There is a time for all things, but I didn't know it. And that is precisely what beats so many men in Wall Street who are very far from being in the main sucker class. There is the plain fool, who does the wrong thing at all times everywhere, but there is the Wall Street fool, who thinks he must trade all the time. No man can always have adequate reasons for buying or selling stocks daily—or sufficient knowledge to make his play an intelligent play.

I proved it. Whenever I read the tape by the light of experience I made money, but when I made a plain fool play I had to lose. I was no exception, was I? There was the huge quotation board staring me in the face, and the ticker going on, and people trading and watching their tickets turn into cash or into waste paper. Of course I let the craving for excitement get the better of my judgment. In a bucket shop where your margin is a shoestring you don't play for long pulls. You are wiped too easily and quickly. The desire for constant action irrespective of underlying conditions is responsible for many losses in Wall Street even among the professionals, who feel that they must take home some money every day, as though they were working for regular wages. I was only a kid, remember. I did not know then what I learned later, what made me fifteen years later, wait two long weeks and see a stock on which I was very bullish go up thirty points before I felt that it was safe to buy it. I was broke and was trying to get back, and I couldn't afford to play recklessly. I had to be right, and so I waited. That was in 1915. It's a long story. I'll tell it later in its proper place. Now let's go on from where after years of practice at beating them I let the bucket shops take away most of my winnings.

And with my eyes wide open, to boot! And it wasn't the only period of my life when I did it, either. A stock operator has to fight a lot of expensive enemies within himself. Anyhow, I came to New York with twenty-five hundred dollars. There were no bucket shops here that a fellow could trust. The Stock Exchange and the police between them had succeeded in closing them up pretty tight. Besides, I wanted to find a place where the only limit to my trading would be the size of my stake. I didn't have much of one, but I didn't expect it to stay little forever. The main thing at the start was to find a place where I wouldn't have to worry about getting a square deal. So I went to a New York Stock Exchange house that had a branch at home where I knew some of the clerks. They have long since gone out of business. I wasn't there long, didn't like one of the partners, and then I went to A. R. Fullerton & Co. Somebody must have told them about my early experiences, because it was not long before they all got to calling me the Boy Trader. I've always looked young. It was a handicap in some ways but it compelled me to fight for my own because so many tried to take advantage of my youth. The chaps at the bucket shops seeing what a kid I was, always thought I was a fool for luck and that that was the only reason why I beat them so often.

Well, it wasn't six months before I was broke. I was a pretty active trader and had a sort of reputation as a winner. I guess my commissions amounted to something. I ran up my account quite a little, but, of course, in the end I lost. I played carefully; but I had