The Game in Wall Street

and how to play it successfully

"Hoyle" and Clem Chambers

SAMPLE

THE GAME IN WALL STREET.

PART I.

IF you, my dear sir, were to join a first-class Whist Club you would be expected to know something about the game would you not? Some of the elementary principles of the play you should understand at least, otherwise you have no business to be in the game with experienced players.

What is true of the game of Whist is not less true of the game in Wall Street. In this latter game the amateur who goes into it without study or knowledge, whether he guesses as to the course prices will take, or whether he be influenced by the "tips" and "points" and "gossip" put forth in financial papers and brokers' letters, is almost sure to lose in the end.

"But," I hear you say, "speculation in Wall Street is not a game of chance or skill as in cards. The ups and downs in the prices of stocks depend on economic laws, on crops, on wars and rumors of wars, on high and low money rates, on a thousand and one factors that no man can absolutely foresee." You say, perhaps, that "the price of stocks is regulated by the laws of supply and demand, just as is the price of cloth or flour or any other commodity. That the trading in stocks is as legitimate and honorable as trading in anything else. In any branch of commerce one tries to buy when prices are low, and sell when they are high, and this is just what one does in stock trading."

We reply to your argument that there is a little truth and much sophistry in it. The factors that you mention as determining the prices of stocks have an undoubted influence, but, as you will see before you finish these pages, these commercial factors are not the determining influences directing the course of the stock market.

The people who run the game allow for these factors and arrange their plans in accordance with them, but the general course of prices on the Stock Exchange is determined by human intelligence and not by chance or natural conditions.

Let us consider for a moment the argument put forward by the apologist for trading in stocks, by which he seeks to show that the business is a legitimate one, and one which is governed by the same economic laws as is commercial trading in general.

There is, to be sure, a legitimate trading in stocks. If A buys one hundred shares in N. Y. C., or W. U., or St. Paul as an investment, in order to receive a dividend, then that is legitimate buying. If, after a time, he wishes to use his capital in some other field, and he sells his one hundred shares of stock, then that is commercial selling. If he gets a higher or lower price than he paid for the stock, then the difference is legitimate profit or loss. Stock exchanges originated undoubtedly to facilitate such transactions as these.

But as at present carried on, such trading as the above does not constitute *five per cent.* of the business done on the Stock Exchanges. Ninety-five per cent of the trading there is purely speculative, and has no relation to the investment demand for stocks.

Let us touch upon a few facts that may serve to throw some light on this point. Take the trading in two of the leading "pool" stocks, Sugar and St. Paul for instance.

The whole of the common stock of the American Sugar Co., is bought and sold on the New York Stock Exchange every six to ten days on an average *throughout the year*. There are only three hundred and sixty-nine thousand shares of the Sugar common stock, and yet, in fifty business days, between February 16 and April 16, 1898, *three million two hundred and twenty-three thousand three hundred shares of this same stock* were bought and sold on the floor of the New York Stock Exchange alone. The actual cash value of the Sugar Common stock traded in there on these fifty business days was about *four hundred million dollars*. If this rate of trading were continued throughout the year, *two billion four hundred million dollars' worth* of this one stock would be bought and sold on one New York Exchange. The total issue of this same stock is only *thirty-six million dollars*.

The peculiar thing is that no matter how many times the capital stock of this company has been bought and sold in the last four years on the floor of the Exchanges, there has been no change in the management of the Company.

And such manipulation of prices and betting on quotations is dignified by the name of "business;" and the managers of the game, the manipulators, are spoken of as "business men" and "eminent financiers," and "our well-known bankers and brokers." "It is a mad world, my masters."

The average number of shares of St. Paul common stock that is bought and sold *every month from one year's end to another*, equals twice the whole number of these shares. Do investors, those who carry their stocks for the dividends they yield, or for voting purposes, change their investments twice a month'?

Take another fact that throws light on the subject. There are about one hundred and thirty stocks traded in on the New York Stock Exchange. The year around two-thirds of all the trading will be confined to six or seven leading stocks. Some days manipulation in two stocks, Sugar and Tobacco, makes up two-thirds of the total trading.

Now if anyone can explain in the nature of things and as a result of a legitimate demand, why these facts are so; why for instance, less than one hundred shares of Chicago and Alton, a sound "Granger" stock should be bought and sold on a certain day, and on the same day *seventy-one thousand shares of St Paul*, a similar stock, should be traded in: and if furthermore, one will explain why about this same proportion continues in the trading of these stocks every day in the year; if we say, any one will explain this on *business principles*, then we will be ready to admit that the mass of trading in Wall Street is a legitimate, honorable business, governed by the same laws of supply and demand that control the trading in potatoes and cotton cloth. Until this explanation is made we shall adhere to our opinion that ninety-five per cent. of the business in Wall Street is part of a game.

We shall show later that it is

NOT A GAME OF CHANCE,

but a game of skill.

Certificates of stock have no more value than waste paper except as they represent dividend possibilities or voting power in the management of the company. All buying and selling of stocks not based on these two features is simply betting on future up and down quotations. Ninety-five per cent. then of the business done on the exchanges is simply for the purpose of making up and down quotations for betting purposes.

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