one whose name had long been ~~a wealth classed~~ an authority upon financial matters and whose views had the substantial backing of millions, this question:

"In ~~x~~ what would you advise me to invest this money so that it will be secure and yield me a moderate and reliable income?"

His reply was:

"Rent a drawer in a Safe Deposit Vault."

x x x

The writer was not merely surprised, he was angry at this reply. To him it seemed ~~both~~ an insult and He thought the millionaire intended by it, to intimate that the only thing he had seen enough to do, was to buy "government" bonds, lock them in a vault and clip the coupons regularly. As comfortably as he could, he informed the Autocrat of the world of finance, that the sum was both too large to lie idle and too small to yield in that way.

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013

a sufficient income. The magnate did ~~one~~ not once dream that offence had been taken at his epigrammatic advice, and graciously and seriously proceeded to explain his meaning.

"An intelligent, observing man," said he, "who with your opportunities for mingling with ~~business~~ men of affairs, goes into business, in these days, with a capital of $25,000, is a fool, no matter what the business may be!"

That the writer was surprised at this broad statement by so competent an authority is perhaps only evidence of what may, perhaps, be termed "greenness"; but his friend did not wait for any inquiries. On most subjects he was reserved; on this he was almost garrulous, ~~and~~ always entertaining and usually convincing.

"You see," he continued, "it is this way. Fortunes used to be made in "business," trade or manufacturing ~~now they are made~~ mean, now they are generally

made out of the necessities of those in business. A man who can command ~~any~~ $10,000 or $20,000 of ready money can always find opportunity to make more in a day, a week or a month, by watching the market than it could ~~[illegible]~~ be reasonably expected to earn him in a year ~~with=~~ ~~out any~~ in trade or manufacture, if he will get over the idea that money must always be earning something and ~~[illegible]~~ simply watch his chances."

"You mean in stocks?"

"Well, yes and no. A man with a large capital must of course have investments; they need not necessarily be paying ones ~~but they~~ and he need not rely for his profits on dividends. They are not so much capital as instruments. For instance, I have a large holding of a stock which has not paid

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013

any dividends for years. You would think it dead capital. I look to it for a large part of my profits. Some day there will come a flurry in it and I will unload. My profit will perhaps be equal to five or ten years ~~made~~ interest on my investment.

Of course a man with a small capital cannot do this; but if he has it in ready money, he has certain advantages. ~~when~~ He can always make a little by joining in any pronounced tendency of the market and selling out when he has gained a little. ~~on before he~~ Of course, he will ~~from~~ lose sometimes, but he must never wait on a falling market. Above all he must never buy ~~on~~ stocks but always operate on a margin. In that way, without risking more than a tithe of his capital he stands a pretty sure chance to make as much as the whole would earn him if invested in business. ~~That when~~ This gives him a moderate living, ~~that if~~ or if he is a professional man or on a

CHAUTAUQUA COUNTY HISTORICAL SOCIETY 2013

salary, adds to his income.

Then when the time comes there will always be a market for his money at a rate that will more than make up the loss of interest with = out any risk. I have never known five years to pass, & do not think I have known two in which a watchful man would not have plenty of chances to double $10,000 on $20,000 if he had it in money taking assignable gilt=edged securities which he could put into his box and have no fear of loss or delay in collection. You see when men are pinched they must have money at any price. Any man who is in business or "on the street" gets in that condition sometimes and it is often dangerous for him to borrow of the banks. A good many men you would never think of being in that fix carry a small line of gilt=edged ~~securities~~ paper just to serve as securities in such cases. They borrow on these paying enormous ~~interest~~,—

CHAUTAUQUA COUNTY HISTORICAL SOCIETY 2003

loops selling with the privilege of buying again in a certain number of days and fail to do so. Of course, if you lend for one per cent a day for six days in the year that is equal to six per cent on bond and mortgage and no risk. If one in five years you make fifty per cent that is equal to ten per cent for the whole time. And such chances always come. When a man stands to lose $100,000 — all he has perhaps — and thinks he is sure to make as much more, he is not going to count the risk to obtain money to keep on.

It is like gambling. They tell me — I never gamble myself — that the banker makes his money out of the desperation of those who having lost will not stop but keep on betting their last dollar perhaps in the hope of making up their losses. It is so in "business." Then come tight times. Money seems to disappear. The "bears" and the "bulls" are both pinched. The man with a little ready money shears both." The big

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 20

dealers have to ~~be~~ play with stocks; the smaller ones play on margins. A few thousands go a long way with such and a man ~~f~~ grows very reckless when all he has is at stake. Men take terrible odds at such times and the chances are even that they will not meet their options. If they do, you have your bonus anyhow, probably equal to a year or two year's interest; ~~&~~ if they do not why you have got ~~what was~~ ~~what they staked~~ the stakes. That is all there is of it. It needs a cool head but doesn't need any extraordinary ability."

"I should think there would so many 'adopt your plan that there would be nobody in trouble", the writer ventured to remark.

"Never fear: there will always be fools enough — and never any surplus of men who have the nerve to wait. If there were no fools

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013

the Stock Exchange would have to close in a month. You see most people think ~~the~~ money is ~~an~~ sure to be made by speculation if they are only sharp enough or lucky enough. A great capitalist can sometimes set a trap and spring it when he chooses. That is the way many great fortunes are made or increased. His profits come from shearing the "lambs." It takes a good many ~~thousand~~ $1000 ~~and~~ to ~~ten the~~ $10,000 stakes to make a hundred = million = aire. But that is the way most of them are made. I doubt if there would have been a single one in the country today, if it had not been for stocks and not one tenth as many millionaires as there are. There would be more

having ~~Oh I mean~~ small fortunes and a good many

less without ~~any~~ fortunes at all!"

"Oh I mean it," he added "seeing the look of surprise on ~~the~~ his listener's face. "Of course, I would like to be quoted out and out on the matter. I am "in the swim" to a certain extent and have to stay there. I confess I like it too. I don't care so much for the money but the power and consideration it gives make it very pleasant to be rich, — as are ernst riches now, I mean. But you mustn't suppose that we who have "made our fortunes" don't see the evil and the danger of ~~the~~ present tendencies. Of course it's easy for a man whose name would make a check of seven figures good, to say so; but I don't see

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY ©2013

where it is to end if things go on
in this way and they couldn't
have got in this way if it had
not been for the craze ~~to speculate~~
~~stocks~~ for gambling in stocks and bonds.
It's the old craze for cards and
batteries over again. It's natural
for humanity to take on some
sort of shape and always
will be as long as men make
money and get ahead of their
fellows by it. You see the men
that are broke and smashed
the wrecks sink out of sight in
~~upon the shore~~.
the great current of poverty and de-
pendency, so that they ~~never~~
~~heard of again~~ make no im-
pression on the popular mind.
I suppose if I was just starting out
I should wish things left just

as they are, ~~but~~ I should want my chance you see, before the game closed. As it is I tell you candidly that the worst enemy of production, — agriculture ~~can~~ manufacture and legitimate trade is ~~the~~ speculation in stocks.

In the first place it holds lots of money just as I am advising you to hold yours and in the next place, no business short of gold-mining with a sure thing ahead, can compete with the stock-speculator in the loan market. There is a certainty, ease of conversion, ~~and~~ absence of risk and general flexibility about a loan on stock-collateral that no business risk or bond and mortgage can compare with.

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013

It is for this reason that it is so hard to borrow money for agricultural or manufacturing purposes. A business man would rather have a call loan at three percent with stock collateral than a western mortgage at 10 or 12 per cent on a clear title of one third valuation. If we could stop the speculation in stocks, sir, it is my honest opinion that money would hunt investment in agriculture and manufacture at half its present rate. That's the real secret of half the disinflation about money matters and especially about money & security of money. If you could stop speculation in money stocks there would be

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013

money enough and to spare. But that can't be done — never has been done — never will be done. Speculation is essential to trade; trade is essential to civilization and that is all there is of it."

x x x

The man whose name is known ~~in the news all over the world~~ in more than one continent as a financier settled back in his chair, his brows knotted with puzzling thought.

"Why should not this deleterious tendency be checked?" the writer asked after a moment's silence.

"How can it be?"

I understand you to say that the evil arises not from corporate certificates but from the extreme facility of ~~exch~~ transfer and exchange?"

"Of course."

CHAUTAUQUA COUNTY HISTORICAL SOCIETY 2013

"Why not deprive corporate securities of this harmful quality?"

"I do not understand you?"

"Why not require every transfer of corporate securities to be witnessed and acknowledged before a public officer?."

Why — why, sir, that would be an outrage! That would interfere with vested rights sir!"

Perhaps he saw a smile creep over his listeners face as he uttered the words which are the theme by fear of which so many wrongs are protected, for his own flushed and he added half-apologetically "At least I think it would"

"Why not tax every transfer of stocks say a cent on a thousand dollars?"

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2015

"My dear sir," he said rising with a look of positive horror on his countenance "You are ~~crazy~~ beside yourself. Such an idea is rank socialism. Why such a tax would yield enough to buy the souls of the entire state government!"

"Well?"

"That would be unequal and unjust. Besides you could never collect it."

"Why not?"

"Because money can always find a way to evade the law."

"Why do you think that is so?"

"Because a few resolute men who know what they want, are always more than a match for a multitude who only guess at what they need."

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2015

x
xx

The writer has reproduced this conversation from notes already showing signs of age, because it shows more forcibly than he could have told the greatest evil of a too ready mobilization of certificated values — the fact that it directly and very greatly increases the burden and the risk and reduces the profit of the producer. It shows too, the secret of that power which bids defiance to the general welfare, — the lack of thorough intelligent comprehension of causes and conditions by the ~~popular~~ masses who have much at stake in the present and the future

~~After his [illegible] the conversation was [illegible]~~ This conversation more than ever impressed the writer with the truth of ~~that~~

Notice No. 2. — The chief reason for the continuation of those economic tendencies which result in the undue accumulation of wealth in the hands of the few, is

because the money are more con-
cerned with abstruse disquisitions
on the character and the amount
of money in circulation than
with a study of it, as the uses to which
it is put on which its efficiency
much more largely depends—

J. W.

CHAUTAUQUA COUNTY NY HISTORICAL SOCIETY 2013