

INVESTMENT AND SPECULATION

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649181049

Investment and speculation by Louis Guenther

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

LOUIS GUENTHER

INVESTMENT AND SPECULATION

INVESTMENTS AND SPECULATION

THIS TREATISE HAS BEEN ESPECIALLY PREPARED FOR THE
BUSINESS ADMINISTRATION COURSE OF THE LASALLE EXTENSION UNIVERSITY

BY
LOUIS GUENTHER
EDITOR, THE FINANCIAL WORLD
NEW YORK

FIRST EDITION

PUBLISHED BY
LASALLE EXTENSION UNIVERSITY
CHICAGO



COPYRIGHT 1911-1912
LASALLE EXTENSION UNIVERSITY

HG
4521
G94

CONTENTS

INVESTMENTS AND SPECULATION

	PAGE
INTRODUCTION, - - - - -	1
I. DEFINING INVESTMENT AND SPECULATION, - - - - -	3
II. THE INTELLIGENT EMPLOYMENT OF CAPITAL, - - - - -	7
III. THE EARLIEST INVESTMENT, - - - - -	13
IV. HOW FARM MORTGAGES ARE PLACED, - - - - -	16
V. THE INFLUENCE OF LOANS ON MONEY, - - - - -	19
VI. CITY REAL ESTATE COMPARED WITH FARM LANDS, - - - - -	22
VII. LAND AND REAL ESTATE BOOMS, - - - - -	30
VIII. THE MULTIPLICITY AND COMPLEXITY OF BONDS, - - - - -	38
IX. GOVERNMENT, STATE AND MUNICIPAL BONDS, - - - - -	46
X. THE AMAZING VARIETY OF RAILROAD BONDS, - - - - -	54
XI. PUBLIC SERVICE BONDS, - - - - -	63
XII. OTHER BONDS, - - - - -	72
XIII. IRRIGATION BONDS, - - - - -	81
XIV. BONDS IN MINING ENTERPRISES, - - - - -	87
XV. TIMBER BONDS, - - - - -	90
XVI. GUARANTEED STOCKS, - - - - -	92
XVII. AMORTIZATION AND SINKING FUNDS, - - - - -	95
XVIII. BONDS FOR WOMEN AND ESTATES, - - - - -	97
XIX. THE MARKET FOR BONDS, - - - - -	99
XX. THE CHARACTER OF AN ENTERPRISE, - - - - -	101
XXI. SCIENCE OF SPECULATION, - - - - -	109
XXII. EFFORTS TO PREVENT SPECULATION, - - - - -	119
XXIII. THE MYSTERY OF A BALANCE SHEET, - - - - -	128
XXIV. THE FUNCTION OF EXCHANGES, - - - - -	136
XXV. METHODS OF TRADING IN STOCKS, - - - - -	146
XVI. METHODS OF TRADING IN STOCKS (Continued), - - - - -	154
XXVII. OPERATIONS ON OTHER EXCHANGES, - - - - -	163
XXVIII. PANICS, - - - - -	172
XXIX. POOLS AND MANIPULATION, - - - - -	179
XXX. THE PROMOTER'S PLACE IN FINANCE, - - - - -	188
XXXI. THE GET-RICH-QUICK LURE, - - - - -	198

FOREWORD.

"People will endeavor to forecast the future and make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable."—Judge Holmes in a U. S. Supreme Court Decision.

"A study of past disturbances leads to the conviction that no severe depression has occurred which was not preceded by loud warnings. These warnings ought not to pass unheeded and in order to recognize them promptly, it is necessary that accurate statistics be furnished. Much improvement has been accomplished in the last few years, though it is to be regretted that so much of our statistical information is fragmentary or inaccurate. Official and private publications furnish much valuable information. . . . Other statistics, which are inadequate or lacking, and which would be of great value, are those pertaining to the employment of labor, capital invested in new enterprises, amounts expended in new construction, volume of production in the various kinds of manufactures, and statistics of state banks and savings institutions similar to those pertaining to national banks. After making due allowance for the insufficiency of statistics, it must be said that the failure to pay sufficient attention to those already available is equally to be regretted."—Senator Theodore E. Burton.

INVESTMENTS AND SPECULATION.

By Louis Guenther.

INTRODUCTION.

Every head of a corporation, every business man, in fact everyone employed in a responsible position and upon whose judgment the success of an enterprise largely depends, should provide himself with a general knowledge of the problem of investments and speculation.

Investment and speculation are so closely associated with the well-being of trade that the two are inseparable. Figuratively speaking, they are the propelling forces governing the money market, which, in turn, is the vital life-blood of business. This is an indisputable fact. It cannot be denied.

Many a merchant and many a manufacturer who has mastered the problem of investment and speculation has been able to put his knowledge to great financial advantage in his ability to foresee a drain upon the money market and its consequent effect upon interest rates by providing for all his banking accommodations long before interest rates have hardened.

So, also, have they been able by anticipating a depression in trade to curtail expenditures and guard their credit accounts from weakness. Such a knowledge prevents them from being caught off their guard by a sudden dropping off in business. And, vice versa, they are in a position to detect a revival in trade by the same barometer, the money market.

As it is also true that business, whatever may be its

nature, is a calling, purely confined to the making of profits some time or other, surplus funds are accumulated which are intended for investment. The intelligent and safe investment of such idle funds requires a general knowledge of investment and speculation. Fortified with such knowledge, the owner of surplus funds guards himself from serious errors. It inculcates in him the absolute importance of being guided by actual facts, and not by hearsay advice of others. It can harm no one to know how to differentiate between investments and speculation; it can only benefit him.

The author of *Investments and Speculation* in this series on *Business Administration* has undertaken to handle an unusually dry subject in such a way as to make it interesting reading. While not a text book in any sense of the word, it still exhaustively covers *Investments and Speculation* and its different phases so that it conveys directly to the reader's mind a thorough knowledge of the fundamentals of each. Not only will this book prove a great help to all business men, but equally instructive to any who have an ambition to enter the banking or brokerage business.

This reference book presents an exhaustive treatment of all phases of *Investments and Speculation*, furnishing the thoughtful reader with reliable information for guidance in business transactions.

I. DEFINING INVESTMENT AND SPECULATION.

Defining the difference between investments and speculation will not prove an easy task, as there are no fast and set rules to distinguish the one from the other.

The lexicographers commonly describe the word investment as follows: "To lay out capital in the purchase of property for permanent use as opposed to speculation."

And then they state that speculation is: "To make a purchase or investment that involves risk in the hope of probable gain"; again, "As a more or less risky investment of money in expectation of considerable gain."

It is plain to see that in each case the word means the employment of capital for gain. Broadly speaking there is no distinction between the two methods of laying out capital, beyond that made in the public mind by the measure of risk involved. In human experience it has often turned out that such measure of risk has so changed, from what seemed, on the yesterday, to have been surrounded by all the safeguards against loss, as to embrace all the elements of hazard on the morrow.

This may appear rather a strange statement. Still it is an indisputable truth. A simple example will easily establish it: For instance, there is no safer investment in the mind of the public than a government bond; at least so far as our own government bonds are concerned. Suppose, however, a government was conquered and its possessions invaded by the forces of a foreign foe, what would be the natural outcome of such a disaster? The securities issued by the stricken nation would rapidly decline in value, through the apprehension aroused among investors over the uncertainty as to how the invaders would deal with the nation's creditors. They could, if they so desired, wipe