# THE INVESTOR'S PRIMER

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## PREFACE.

There has long been a demand for a concise handbook which would give, in simple, understandable language, definitions of all the important terms and phrases employed in the investment and banking business. This little book represents an effort to in some measure supply this demand.

The book is really in two parts, the first part covering the general definitions of finance; the second giving specific information regarding the various issues of preferred and guaranteed stocks which are generally classed among the investment issues. Many other small books furnish information regarding bonds, quotations, etc., etc., but this specific and useful information has not, as far as the writer knows, been heretofore presented for popular uses, in this particular way.

Although the definitions are all arranged alphabetically in dictionary style, yet, to facilitate practical use of the volume, an alphabetical index is inserted in the back.

## Introduction

THE investment of money is a business, just as the manufacture of shoes and the selling of food are businesses. But modern investing is even more than a business; it is influenced by and covers all businesses, all enterprises, all industry. In the early days of the Republic, the situation was, of course, somewhat different. At that time there was but little wealth and therefore little capital. Population was sparse, privation was great, men were absorbed in holding body and soul together, in feeding and clothing themselves, rather than in seeking for luxuries. There was no leisure class in those days and, as a consequence, no investing class. For then, an investing class could only be drawn from a leisure class. Nowadays investors are made up from all classes, and a vast amount of money which is invested in stocks and bonds and other enterprises is the money of the poor, of the moderately-well-to-do and of the industrious, as well as of the merely rich and the non-industrious or idle. One hundred years ago only a very few could spare anything beyond their daily needs for investment in outside things. If they accumulated any wealth at all above their cost of living, it was used to buy or build a home, raise and educate a family or develop a small undertaking of their own. And, indeed, even though they acquired or possessed surplus wealth, practically the only forms of investment accessible were government securities or loans upon realty. There were no railroads, no trolley companies, no manufacturing enterprises of large size, or other fields for the productive employment of surplus capital. Even savings banks were practically unknown, and mining or exploration enterprises were largely of that uncertain, speculative nature that only the boldest and least timorous would look favorably upon.

But to-day the field of investment covers enterprises of every conceivable nature. Manufacturing corporations covering every thinkable need or luxury of the human being, distributing concerns selling every kind and class of necessity and luxury in the line of food, clothing, or what not, are all embraced in the investment field. Transportation methods of every kind from the stage-coach to the powerful locomotive, from the coal cart to the automobile, are operated with the capital of investors. Our department stores, our restaurants, our candy manufacturers, our theaters, our magazines and newspapers, the advertisements in the street cars, many of the metropolitan barber shops, the boot-black stands, and the news stands and book stores are operated by corporations, the capital in which is largely derived from investors. Not a large building is now put up on lower Broadway but that an enormous corporation puts in the foundation; another corporation erects the superstructure and still others put on the finishing touches, all being concerns whose shares or bonds are owned by investors in all parts of the country. The hats we wear, the umbrellas we carry, the suit of clothes, the shoes, the socks, the shave we had this morning, or the ham we ate this noon—all these were shaped and produced to a large extent by the money of investors. When we realize that one corporation in this country boasts of over eighty thousand stockholders, and that many others are known to have over thirty thousand, we begin to get a slight idea of the magnitude of the investment field.

But this is not all. Not only is all modern business essentially the investors' field, but all the obligations of municipalities, of counties, cities and States are held by investors.

The governments themselves build up their navies and armies, carry on wars and develop public works with the money of investors. A case in point is our own Panama Canal. And not only do the investors of one country supply funds for their own activities, but they also supply much for the activities of other nations. Thus, when the American is investing money in a Mexican gold mine or in Japanese Government bonds, he is supplying investment funds to undertakings in those countries, and when the Englishman or Frenchman buys our railroad or industrial bonds or stocks, he is supplying investment capital for undertakings in our own country. The investors' field in this country would seem, therefore, to be limited only by the wealth of the country itself.

But what about the methods for investing money? Where does the money come from? Does it all come into Wall Street and the other financial centers, or does it flow directly from the pockets of the investors into the undertaking or enterprise itself?

Speaking broadly, there are two methods by which money is invested in any given enterprise. These are, direct and indirect. The person who places money directly, or through a broker or banker, in a specific enterprise or undertaking is a direct investor. He person-