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—Roger Lowenstein

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of a  
**Stock Operator**

.....  
**EDWIN LEFÈVRE**

FOREWORD BY ROGER LOWENSTEIN

# Reminiscences of a Stock Operator

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Foreword by  
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## FOREWORD

**I**N 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

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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."

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"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



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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 90½.*" If you put up a