FINANCIAL

Buying Investment Experience

INVESTMENT experience comes high. It costs more than any other kind of experience except experience in marriage. Like a marriage, an investment is often only to be proven good or bad by committing oneself to it. In other words you risk your money—and you observe what follows. If you lose the first time you are likely to say "Such-and-such an investment is never any good. I lost money in it." Yet another man might draw a totally different conclusion from HIS experience because he didn't lose. Having lost your money it takes a long time to scrape up another pile with which to try again— and then you don't want to take any chances. Once bitten—twice shy! In finance one does NOT turn the other cheek.

And getting investment advice from people who HAVE had experience isn't always easy, or wise. The average man, if he knows of a "good thing" doesn't want to let everybody in on it. That is one thing that makes these full page ads of Bonanza Oil Mines, etc., look so foolish. Why, if they are so good, is it necessary to take a full page in the daily papers to get capital to back them. Why will otherwise sane men and women actually believe that the promoters of such schemes are really only thinking of the interests of the small investor? The man who has investment advice worth taking is the kind of man who shrinks from the responsibility of telling you what stock or what bond to buy or not to buy. The man who is willing to advise you—in detail—for nothing, is usually an excitable person who has, or thinks he has, a special recipe for making a fortune. I met one of those men two years ago who had mortgaged all he had and borrowed all he could, to invest in the flax industry in Canada. Well, the flax industry has possibilities and good ones no doubt—for the right people—but that man is only making 3 per cent. on his money after all, where he had expected to clear up "seventy thousand dollars in the first year!" That man was once advising people very solemnly to invest in flax.

The things a financial writer can do is to give general investment advice. One of the first generalities should be—beware of patents. There is, perhaps nothing more alluring to the small investor than the chance to invest his all in a patent. Heaven help him! The fact that a patent will really work, that it will do the things that are claimed for it, is never any criterion of its worth as an investment. The fact that such-and-such a railway company or some other great corporation has written a polite letter saying how interested it is in the matter—means nothing. The fact that the inventor has a friend who has a brother who heard a man say that if he had ten thousand dollars he would buy up those patents and keep anybody else from having even so much as a look in—means nothing. A certain doctor the other day was shown a working model of a device that was "absolutely certain" to prevent train wrecks. It was "absolutely impossible" for anything to happen to a train when this device was used on that road. It was simple and cheap and a demonstration had been held on one of the great big trains that runs between Chicago and Montreal. One of the Sunday papers had a double page spread with sensational drawings showing how the patent worked, telling the life story of the humble but honest inventor, and how now he was being offered millions for his device. Well—the doctor invested and lost all his savings. Was the inventor dishonest? No. Was the invention no good? No. Is it in use on the railways of the world—or any railway? No. Why? Because it would be too much trouble to equip all the trains. Because directors won't spend money until they MUST. Because the government can't force the railway to use a protective device merely because it is a good one. And because—in short—the promoting company hadn't the push and the pull to put across the deal.

The best thing to do with a patent is to steal it. I don't seriously advise readers of this page to do it. Theft is wrong and, after all, inventors have some rights and should be respected. But it takes a mighty clever patent lawyer and a mighty shrewd patentee to take out a patent that can't be pirated in some way or other. One of the famous air-brakes—the first—brought its real inventor nothing. He died in the poor-house and the firm whose name is now on the brake, pirated his ideas and made millions. Perhaps the real inventor had not quite perfected a certain detail. The pirating concern straightened that point out and made a practical success of the thing. Can you deny that it deserves credit. But can you fancy yourself as one of the men who originally backed the patentee? Lawsuits are proverbially unprofitable. Lawsuits usually gain the patentee nothing.

Beware of patents, especially when patentees are enthusiasts—they have to be to keep alive. And enthusiasm is catching. When you feel enthusiastic about an investment—don't.

Can the Americans Lend Money?

NEW YORK is swarming with Canadian financial brokers. I met on 42nd street last week a Toronto man who told me he had been in New York for more than six months, had an office there and three other branch offices in the United States. What for? Gathering in American money for investment in Canadian enterprises. Not all the money coming into Canada is confined to the big companies that are listed on the stock and bond lists.

The increasing opportunities for Canada are perhaps best described by quoting the concluding paragraphs of an article by George E. Roberts, of the National City Bank, New York, in the Annals of the American Academy of Political and Social Science:

We have ample capital to allow of our making extensive investments abroad. Our own capital equipment is greater per head than that of any other country, and naturally there are larger profits to be made in building up the equipment of others than in increasing our own. The chief obstacle to our making investments abroad is the lack of experience in foreign operations. We are not accustomed to distant investments. Even at home our investments are chiefly local.

Land with the improvements upon it has furnished the principal outlet for savings. The average investor in this country likes to be able to walk around and survey his investment occasionally. Considering the wealth of the country, the distribution of stocks and bonds among the people is not what it should be. Our financial fabric would be safer if bank deposits were less and the investments held by the banks were held by the people direct, but this statement must be qualified by adding, provided the people are qualified to select sound securities. An enormous amount of capital is lost annually in wildcat and blue sky schemes, because people are impatient of small returns and unable to discriminate among the investments offered. The popularity of land investments frequently causes inflated prices, with losses resulting. This country's ability to absorb securities would be enormous if the great body of the people was educated to that class of investments, and acquired the habit of buying them and saving for them.

Our ability to increase our foreign trade depends largely upon our willingness to assist our would-be foreign customers in their development. If we will build railways in South America, or China, and take stocks or bonds in payment, we can have all of that kind of work we want to do for years to come, and have the subsequent orders for locomotives, cars, and other equipment and supplies. But the contractors and manufacturers cannot take these securities in payment for their work. They must have money to pay for the labour and other costs. The American investor must do for our manufacturers what British and German investors have done for the manufacturers of those countries; they must accustom themselves to foreign enterprises and make a world's market for securities.

It goes without saying that this cannot be done in a day, or a year. Nobody would advise the American investor to rush out, fired by a patriotic impulse, and buy the first foreign bond that is offered. The business must be handled with exceeding care, and only upon personal knowledge or through experienced and responsible agencies. There is not the slightest danger that the business will grow so fast as to restrict necessary American investments. There is no probability that our foreign investments will increase fast enough to take up even ten per cent of our increasing capital accumulations. Argentina has been growing faster than all of the rest of South America, and total capital investments in Argentine railways since 1900 have averaged only $48,000,000 per year. If Mexico was a safe field for investment, capital would flow over the border like a flood, and its movement would give such a stimulus there and here, and the two countries would react upon each other so rapidly, that we would never miss what we sent.

What the U.S. Got From the Allies

The following table shows what the Americans have had in the shape of war orders from the Allies. The sensational development since the war began is worth thinking about:

Articles Exported.	Twelve months ending June 1914.	1915. (Value.)	1916.
Horses	$3,388,819	$64,046,534	$73,531,146
Mules	690,974	12,726,143	22,945,312
Horse Shoes	98,835*	2,001,258*	2,135,079*
Aeroplanes and parts of	226,149	1,541,446	7,002,005
Automobiles and parts of (not including engines and tires)	33,198,806	68,107,818	120,000,866
Automobile tires	3,505,267	4,963,270	17,936,227
Railway cars, carriages, motor cycles, bicycles, wheelbarrows and hand trucks	51,676,222	85,108,341	167,742,608
Explosives	6,272,197	41,476,188	467,081,928
Barbed wire	4,039,590*	7,416,389*	23,909,209*
Boots and shoes	17,867,234	24,696,795	47,134,810
Harness and Saddles	786,455	17,460,519	7,529,720
Firearms	3,442,297*	9,474,947*	18,065,485*
Surgical appliances, including instruments	1,494,888	4,979,044	3,521,888
	$118,900,590	$324,545,357	$933,632,002