

ALL ABOUT OPTIONS.

The question of dealing in futures is one that has been intimately associated with the development of market conditions. The subject as presented to us has been in existence about 30 years, but in that short time its scope has been extended, its purpose clearly defined and laws formed for its minutest regulation, so that now the machine exists as a definite organization. Let us look to its origin and development, its extent, method of the business, its effect on market prices, and the general light in which it is regarded.

Our primitive ancestor was self-supporting; he sowed, reaped, manufactured, and lived unto himself. But his industry grew; he produced more than he needed, so he exchanged with his neighbor. Their exchanges soon became numerous—too numerous, indeed, for individual attention, and another party, the trader, was called upon to aid in the exchange movements. Trade, however, was soon centralized, and the barterer soon gave way to large retail dealers, a part of the latter being in turn replaced by wholesale houses, they assuming the risk of extra products, while the retailer's sole duty was to care for his trade.

But soon industrial and commercial expansion so enlarged business, one part of the producing world became so closely connected with every other part, that the merchant, instead of having to watch only the local trend of values, was forced to compete in a world-wide market. His business was to handle and store his goods.

Now, it is quite plain that he could not do this properly and keep both eyes on everything else, as it were. Another party was required, one who was ready to assume larger risks—a speculator pure and simple, and who is willing to supply the goods wholesale. Business men today must make their plans ahead, and the speculator is the man who is ready to guarantee the miller wheat all the year round, and that, in a nut-shell, is summed up in the one word "futures."

The speculators in, say, Chicago and New York are an organized separate class of men. Their declared purpose is "to inculcate just and equitable principles in trade, to establish and maintain uniformity in commercial usage, to acquire, preserve and disseminate valuable business information." They are organized under charters of corporation or listed under general law. Some exchanges trade only in one specific product as cotton, coffee, etc., but our attention is centered chiefly on Chicago and New York, where wheat and corn are dealt in.

At these places the business of dealing in "futures" is carried sometimes to extremes.

Each day, so to speak, they meet, and members offer to one another wheat to almost any extent. We will take a typical instance: A, in January, offers B 10,000 bushels of wheat for delivery in May buyer's option.

That is to say, that in America the buyer has the option of calling for delivery—on paper—of that 10,000 bushels, and on any day of that month which he may choose. Of course, there is no actual delivery, and the deal is settled by the paying over of margins, either one way or the other—a loss to one and a gain to the other, maybe a gain or a loss to both.

In England we buy for shipment in certain months, and the seller can choose any day in that, and, perhaps, the following month, which best suits his purpose. So far, so good. The intention of buyer and seller may have been perfectly legitimate. One had wheat to sell, the other wanted to buy. But wait. The wheat in question is not in the seller's hands. Instead, he holds simply a warehouse receipt issued to him as guarantee that upon demand that much wheat would be delivered

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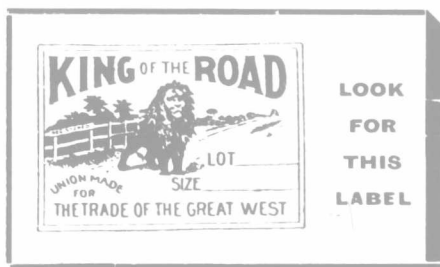


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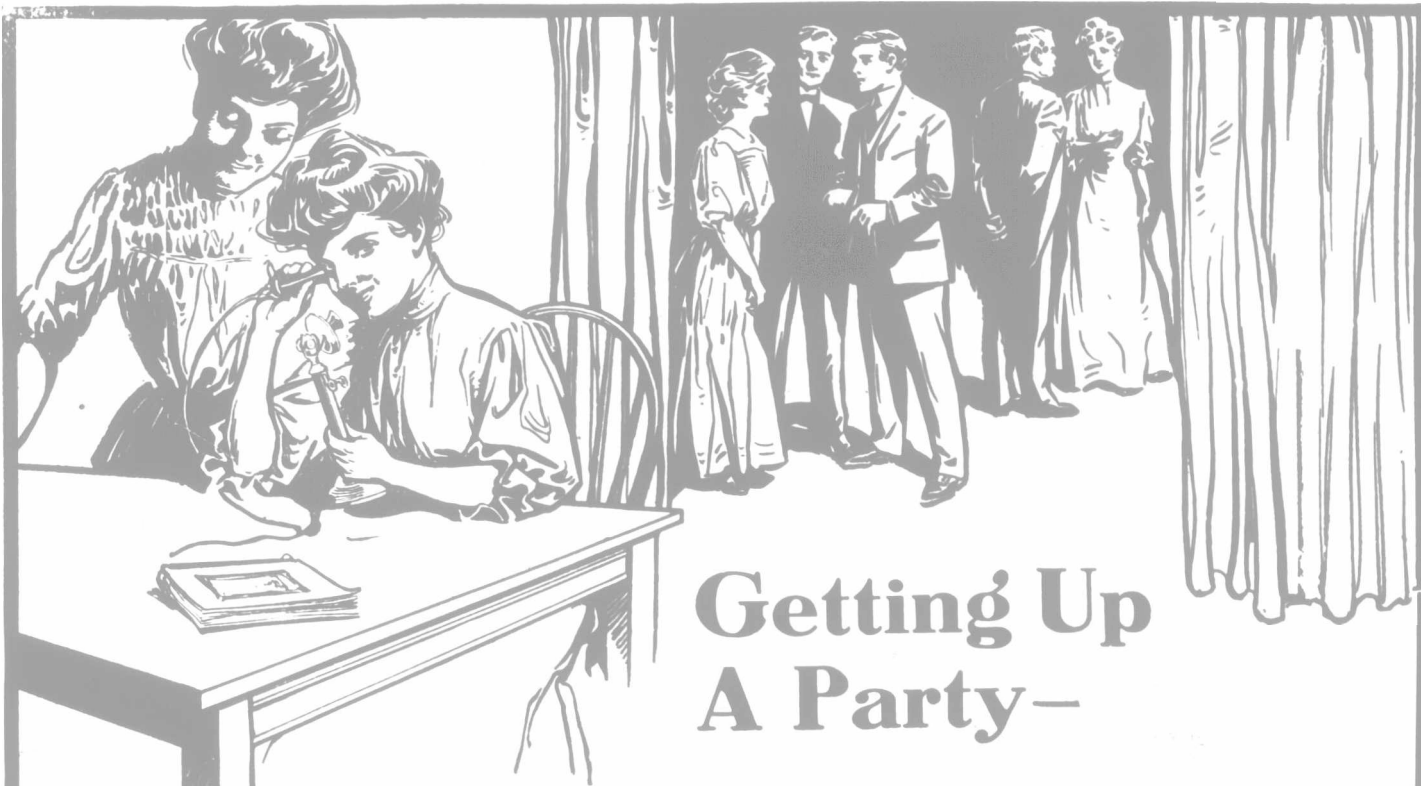
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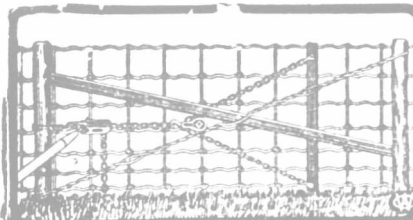
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