AVOIDING WORTHLESS STOCKS

It is a common belief that the farmer is a particularly "easy mark" for the financial fakir and the get-rich-quick artist. As a matter of fact, the people who live in cities are just as often swindled out of their money by a fake proposition or induced to sink their savings in a wild cat scheme. Remember Calgary oil! Both farmers and city men, therefore, need to be on their guard when they have money to invest, and should be careful to scrutinize every proposition that is put before them to discover whether or not it is worthy of their confidence. McClure's Magazine, to assist its readers in taking care of their money maintains a financial and insurance department and has issued a booklet reproducing a number of articles from its pages by the editor of the department, Albert W. Atwood. One of these articles, which deals particularly with the question of detecting and avoiding worthless stocks, is reproduced below:

Financial Swindler's Methods

"Whenever a concern becomes immensely prosperous, making an enormous profit on a fixed capital, and as soon as the fact becomes known, there is a tendency for capital to gravitate in that direction. Then comes the wildcatter's great opportunity, the swindler's paradise. After every big success, arrives the fakir to capitalize it. Goldfield had its tens of successes—and its hundreds of failures. The same is true of Cobalt, Southern California, Calgary, and every other mining and oil field. It is true of every industry.

"The real get-rich-quick artist is an opportunist. He holds himself in readiness to take advantage of everything that comes along. He works first in mining stocks, then in oil stocks, then with a new invention or a land proposition. Before buying stocks, look up the record of the promoter and see whether he has not previously been connected with other industries, with none too great success.

"The swindler always promises too much; his literature is too plausible. He criticizes other propositions, other investments. Usually he is over-vehement. His letters are personal. He wants to let you in on the "ground floor." He is holding the stock just a little longer for you. He is absolutely certain the stock is going up. He bubbles over with enthusiasm. He conveys an air of optimism, buoyancy, and good nature. It is all fake. That is the way he works, and you must look out for it.

"The honest investment banker or broker may publish a booklet describing the property whose securities he is selling, and have it as attractive as possible. But it will be a statement of facts bearing on the subject, not a glowing description of other big successes. It never treats of irrelevant subjects. The swindler's circular always says more about property in general than about the property owned by his particular company.

To Avoid Worthless Stocks

"Avoid stocks whose promoters, in their pamphlets, show any of the following tendencies:

"1. Ridiculing of conservative savings banks.

"2. Denouncing Wall Street (which may or may not be a very bad place, but is invariably denounced by stock promoters for their own purposes and to throw a blind over their own operations).

"3. Failure to state conspicuously the par value of the stock.

"4. Selling the stock at some absurdly low price, such as two cents a share.

"5. Selling the stock at far below the par value and yet representing it as a big earner.

"6. Attempts to work the hurry-hurry game.

"7. Advancing the price of the stock by vote of the directors. This is sometimes done by legitimate concerns, but they do not make a hue and cry of it in their circulars, as the swindlers do.

"8. Offering a limited number of shares to one person.

"9. Declaring that the present allotment of stock will soon be exhausted. Even if it is, which is unlikely, there are literally thousands of other good investments, and probably five thousand legitimate reputable brokers,