PSYCHOLOGY OF INVESTMENT

On Too Much Confidence and the Sanctity of Print

BY STEPHEN HUTCHINGS.

(Concluded.)

Those rare old German mediævalists who evolved the printing press, for which Caxton gets most of the credit, little dreamt, I trow, as they tinkered at their invention, what mighty consequences hung upon their work. Their rudely-carved letters marked an epoch and gave to civilization its most potent agent, such as we moderns might pause to contemplate with wonder and not a little reverence. But we do not, and the more cultured we are the less we seem to care, the bulk of newspaper men being the least mindful of the high purpose of the press and the character of the display in its columns.

What Print Conveys.

In the eyes of certain sections of the community, print conveys a peculiar sense of truth and sanctifies the subject-matter. I have known persons avid of mere advertisements—not for their literary charm, which is conspicuously absent, but, I suspect, for that personal note to which things that should be rigidly private are adverted. I refer to advertisements of patent medicines.

Did one of the sufferers appear in the flesh and detail the cure of an ulcer, these morbid readers would likely shut their ears to the business and tell him to "go to ——," in the manner of the Elizabethans. Even if they found the story credible, they would deem the subject far from delectable, yet they take an interest in other total strangers in remote parts of the country, whose thankful letters the Patent Cure advertiser sets forth as testamentary evidence of his infallible medicine.

They have a strong bias to the printed word which they accept as resolutely as they accept the Bible, and they are ready to swallow any pill or potion apparently for no other reason than that its merits are talked of in type and that a cook at Hamilton or Halifax, who had a tumour, writes that she is mercifully cured by Billikin's Brown Ointment and able to resume her duties more blithe than ever. So the quack flourishes because these pusillanimous souls prefer to nurse themselves on syrups and squills in 50-cent bottles, to going to a qualified doctor. Perhaps it is that the doctor might frighten them by telling them too much?

Weak as Monomaniacs.

We get an equivalent to this in finance, with the possible difference that financial home-curers may really run to a practitioner when they notice the least bad symptom in their physical entities. But in financial matters they are as weak as the monomaniacs I have mentioned.

They mess and fiddle with every kind of antidote to make or mend their fortunes, and are never a cent the better for it. They try everything: perhaps it is a brilliant conception of their own, perhaps their broker suggests something, and perhaps they follow the advice of charlatans who canvass them in the guise of financial magic of a philanthropical turn, the most fatal of all.

Simpleton's Money Bags.

The application of these quack balsams never for an instant stays the deliquescence which attenuates the Simpleton's money bags. His capital steadily diminishes, afflicted by the wasting disease of his own foolish ignorance. As for himself, he sits into the silent watches, haggard but hopeful, waiting for the crisis to pass. But it does not pass; it grows with fairy magic, visibly higher and higher. Swinging like a factory chimney in the wind, and tilting worse and worse until it clatters about his ears in a cloud of dust and missiles, laying him and his dependants low.

That is the tragedy. If he made his money in business, Simpleton deserves his fate. He is well aware that his fortune was not built directly by a too childlike trust in strangers. Yet he hazards the whole to interested and untried counsel, gentlemen with axes to grind and shares to sell.

There is something decent in a business failure that is due to external influences, whether they be the perversity of heaven or the vagaries of humanity. One can even imagine the bankrupt heroic, fighting fearful odds and combinations of adverse circumstances such as no skill could withstand; but, whoever is not connected with professional finance and loses his money on the Stock Exchange or by dealing with unknown and unauthorized outsiders, no matter the nature of specific transactions, has but himself to blame and merely gets his deserts.

Investment as an Art.

Investment is a simple, well-defined art; its elements are based on the plainest logic and no man who keeps his native commonsense green need lose his money, if he observe the A B C of safety. Only the fool and his money are soon parted.

The bland trustfulness of the human kind is extraordinary when we consider that it is contrary to the natural instincts of a world wherein the weak are the prey of the strong.

Many a man has lost his watch by means of that paltry artifice, the Confidence Trick, and many investors likewise lose their dollars because they have no other standard of judgment than by appearances. Probably they have learnt by heart or by rote a few maxims, but their very commonplaceness disarms them. To tell them that beauty is only skin deep is not enough; one must point out, horridly but truly, the existence of a grinning skull beneath the shapely face before they can grasp what you mean.

Too Much for Granted.

So with prospectuses and every manner of literature that expounds a new joint-stock scheme. They take too much for granted on the strength of the type in which the appeal to their cupidity is made. They overlook the fact that to post an application form with a cheque to an unknown address is an act of confidence in itself. Some even get jolly for having the chance. One elderly lady I know who received a prospectus was very much flattered and thought it exceedingly kind of the gentleman who had sent it. "Just fancy," she exclaimed: "fancy his knowing that I had money lying idle!"

The good soul requited the imagined courtesy and sent a cheque for $1,500. Unhappily she did not live long enough to repent it, but the executors failed to get back so much as a dime of the capital let alone any of the absent dividends.

Excuse for an Old Lady.

There is some excuse for a simple old lady doing this, but it is difficult to commiserate with business men whose instincts have been sharpened by a life of commercial activity. The average business man does not buy a pig in a poke unwittingly in his own trade. He looks for a moderate profit and purchases only such goods as he can resell to make that profit.

Experience tells him what he may look for; he examines the goods in a representative sample; perhaps he knows the vendor personally, maybe to the extent of sharing a bottle with him, and he invariably contrives to reduce his risks to the irreducible minimum. Yet the unknown financial missioner who presents him with tracts in the shape of glowing prospectuses, or mimiographed circulars with the grammar all askew, weans our higgler from his cuteness and rubs him in his hands as he would a little piece of moist clay. Confidence in oneself is commendable, but confidence in plausible and anonymous or pseudonymous financial propositions is a folly worse than putting one's trust in princes.

Traces of radium-bearing ores have been found in small quantities in Maisonneuve, Wakefield, Villeneuve and Murray Bay, in Quebec; and at Madoc, Manunse and Snowden, in Ontario, according to a bulletin just issued by the Geological Survey. The quantities, however, are insufficient to be of commercial value.

At a meeting of Grand Trunk Pacific shareholders, held at Montreal, they authorized the issuing of a mortgage deed to secure the new issue of bonds to be made by the company under the guarantee authorized by parliament at the last session. This is the $16,000,000 additional guarantee for the completion of the mountain section of the Grand Trunk Pacific.