

heavily. I'll admit that the salesman was wrong. But what about you yourself? Did you really 'investigate before you invested'—or afterwards?"

The investor looked sheepish.

"I guess," he said, "that some of the blame is on my shoulders."

The conversation just reported has been left purposely vague because the important thing is not the particular misstatement of the salesman. The thing I wish to emphasize is that just because a man is a security salesman, working perhaps for a house of recognized standing, he is nevertheless human, limited in his knowledge, and, above all, consciously or unconsciously biased in favor of the goods he is offering.

One should never buy securities from a salesman unless there is excellent evidence that the salesman represents a responsible house. If he does represent a good house, you will not have to ask him for his credentials. He will show them, and he will carry with him printed circulars about his offerings which will contain sufficient information to give you a very fair idea of the merit of the offering. In the case of a reliable house the statements which appear in the circular can generally be taken at their face value.

A great many securities are sold by the house-to-house or office-to-office method. In the big cities the representatives of the well-known investment houses have their regular rounds of calls to make on their more or less regular customers. In addition, salesmen from less well known firms are sent up to "work" various lists of names—club

lists, alumni lists, lists of doctors, lawyers, ministers, and so on. The potential customer who has never bought securities tends to feel flattered when called on for the first time by a salesman, and if the salesman is clever and a little unscrupulous, he knows how to make the most of this feeling and to turn it to his own advantage.

No reputable security salesman working for a reputable house will do any one of the following things:

1. Promise or suggest unusual profits.
2. Try to stampede the customer to "buy now."
3. State that this investment is being sold direct to "the people" in order to prevent Wall Street control.
4. Reveal a "confidential" list of large stockholders.
5. Claim that he and his friends have put all that they owned or could borrow into the corporation.
6. Whisper that he understands that there is a standing offer from the biggest company in the field for the company whose stock he is selling.
7. Claim that the company "will always buy back its stock from a customer who needs cash."
8. Use high-pressure "hurry-up" tactics.

This list could be somewhat extended, but it is probably long enough now to put the unsuspecting on his guard. There is—or should be—no more mystery about an investment than about a player-piano, an automatic refrigerating machine, or a pair of shoes. In every case when a salesman meets a prospective customer there is a legitimate

bargain to be made, on a legitimate basis.

What would you think of a man who called at your home to sell you a vacuum cleaner and spoke as follows: "I am giving the opportunity to buy this vacuum cleaner just to a few people who have been recommended to us" (by some scout who gets a commission). "It is the best vacuum cleaner on the market. I will not demonstrate it, but I will tell you that J. P. Morgan has been trying to buy the company in order to put up prices and add to his millions. The cost to-day is \$62.50, but next week the price will go up to \$94.78, so this is the chance of a lifetime. Here is a fountain pen and here is the dotted line."

Burlesque as this may be, it is not a great exaggeration of the methods used by some security salesmen. They get away with it because of the peculiar psychology of some would-be security buyers.

The proportion of honest and conscientious security salesmen to crooked or devious ones is much more heavily in favor of the former than it was a few years ago. Probably the vast majority of the men and women who make their living in this way are all right. Certainly it is true that practically all those who have remained in the "selling game" for a period of several years respect it and themselves and govern themselves accordingly. Against these it is not necessary to put up any defenses. But the alert investor will always be on the lookout for the security salesman who does not measure up. If he is of this type, it is certain that what he has to sell will be likewise. W. L. S.

From Inquiring Readers

IT was "listed on the Boston curb," and it went bad. The name of the stock is Bagdad Silver Mines. The purchaser bought in good faith and on the promise of a salesman as to dividends. For a time there was a market for the stock—or what was dressed up to look like a market. Now, apparently, nothing. "Can you help us?" he wrote.

"We are sorry to say," we answered, "that there is a very small possibility of your getting your money back. The old rule 'caveat emptor'—let the buyer beware—applies in this case. The fact that you bought as a result of misrepresentation is hard to prove—although it is, of course, the fact.

"The only chance of getting your money back is for the price of the stock to go up sufficiently. Speculative stocks of this kind are manipulated by brokers

in such a way that there is rarely a real market. The game is to sell new stock all the time rather than to allow trading in the old. The reason for this is that the promoters make their money in this way and not by trading."

A READER in the East holds the following securities:

- Anaconda Copper Mining Company 6s, due 1953,
- New York Telephone 6s, due 1941,
- New York Edison Company 6½s, due 1941,
- New York Central Debenture 6s, due 1935,
- Oriental Development Company 6s, due 1953,
- United States Rubber 5s, due 1947,
- American Locomotive common,
- Straus Real Estate Bonds.

He considers selling American Locomotive and possibly New York Edison, buying Armour of Delaware 5½s of 1943, Suburban Light and Power Company, Ohio, 5½s, due 1953, and Inland Power and Light Corporation 30-year 6s. "I might add," he says, "that I am thirty-five years old, married, with four young children. My salary is \$3,000, out of which I save about \$500 each year."

The problem thus put up to us is thoroughly interesting. Our analysis:

"In the first place, your present holdings are all excellent investments. None of your bonds are selling above the present call price. It would be well for you to make note of the call provisions, so that if the prices go up above these points you can sell. Of course, you have a very fair profit on some of these bonds

which you might well wish to take and reinvest.

"As to your proposed investments, Armour of Delaware is the best of the three.

"You have a very fair yield on your capital, and we see no compelling reason for making sales or exchanges. In your circumstances, we would feel that you have now a very good 'back-log' which should not be disturbed.

"As to future investments, it is not our policy to suggest specific securities, but we shall be glad to give you any information we can on stocks or bonds which interest you. Have you given thought to any common stock investment trusts? We feel that for the small investor such a trust gives a degree of stability and diversification which cannot be obtained in any other way."

A GOOD friend in Maine writes us as follows:

"I am interested in your statement, issued on June 22, regarding real estate bonds, but there is one feature regarding these bonds now being issued which you may wish to consider—i. e., the guaranty of prompt payment, principal and interest, of such bonds by responsible bonding companies such as the National Surety Company, the Maryland Casualty Company, and others.

"It may be that you will wish to make some further comment on this feature of this class of investments."

The only comment we would make at this time is that the standing of the guarantor company is of vital importance. A guaranty is no stronger than its maker.

A PRETTY good little list is suggested by a reader in Virginia. Its character can be judged by our answer:

"Studebaker common is one of the best of the motor stocks. The preferred is generally rated as in the investment class. The common is rated almost as high.

"United States Rubber common is speculative. It is not a 'wild' speculation; but, on the other hand, it is not an investment for widows and orphans.

"Nichols & Sheppard. I presume you refer to the new issue of 10-year 6 per cent notes. We consider these sound.

"Standard Oil of New Jersey common. A high-grade investment.

"Arundel Mortgage Company. You speak of the bonds. These are well secured, and, in our opinion, of investment grade. As you do not mention any specific issue, we would suggest, if you are contemplating purchasing, that you examine carefully the provisions of the issue that interests you."

Free for All

Stamps and the Air Mail

ON page 273 of the June 29 issue you state: "For the first time, also, authorized and official mail across the Atlantic by airplane will be carried by the America."

I would point out that this statement is incorrect. Probably some philatelist near home will have drawn your attention to the error, since the stamps used by the Alcock-Brown mail have already become quite valuable. The several authorized and official mails, to my knowledge, commenced with the heroic attempt of Messrs. Hawker and Grieve, who left here on May 18, 1919, both of whom dropped into the Atlantic and were rescued some distance off the coast of Ireland. This was followed within a month by the successful accomplishment of Messrs. Alcock and Brown, who left here on June 14, 1919, and reached Ireland sixteen hours and twelve minutes afterwards.

On May 23 of this year Pinedo left Trepassey, Newfoundland, for Rome, Italy, via the Azores, calling at Madrid and Lisbon, and reached Rome on June 22, carrying some three hundred letters.

As a subscriber of your paper, I thought you would be interested in having your attention brought to the error referred to.

Considerable local flying with mails from points within Newfoundland were made by Major Cotton and Captain Bennett in 1921 and 1922, with mails from Botwood, Newfoundland, to Cartwright, Labrador; on March 30, 1923, stops were made and mails dropped at St. Anthony and Battle Harbour. This trip was made in midwinter and a severe blizzard and snow-storm was encountered. The return trip was made in seven hours, only five of which were

passed in actual flying. The machine was equipped with skids for landing on the ice, which was successfully performed, with only slight damage to the skids.

Three sacks of mail were brought from Cartwright, five hundred miles away, in seven hours, which, if sent by the only other available means—that is, by overland mail carriers to Quebec—would take as many weeks; in fact, only three to four mails are sent to Cartwright, on the Labrador coast, from January 1 to May in each year.

I, personally, have business interests fifty, two hundred and fifty, and three hundred miles apart, all of which have lakes and dams near by, and I am looking forward to the advent of a practical and economical commercial seaplane.

St. John's, Newfoundland. H. MACPHERSON.

Bullets of Gold

THAT article "The Red Man and the Black Hills," by Colonel Charles F. Bates, is more than interesting—it is sadly true.

But as to gold, its presence in that region has long been known to a few. In that almost forgotten book "The Oregon Trail," which I read as a boy seventy-five years ago, Mr. Parkman, quoting a trapper's words, says, "There is gold in the Black Hills." I have not the book at hand, but the statement is there, and can be read to-day. There is a tradition also that the red men there used bullets of gold in their firearms. I have read that story somewhere in past years, but cannot locate its place.

Brooklyn, New York.

JOHN E. NORCROSS.

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