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—Roger Lowenstein

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Edwin Lefèvre

Foreword by Roger Lowenstein
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Reminiscences of a Stock Operator

EDWIN LEFÈVRE

Foreword by
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TO JESSE LAURISTON LIVERMORE
IN the late 1970s, when I was thirsting for a job in journalism, The Wall Street Journal hired me to cover the copper market. My assignment was to get to know the traders who bought and sold copper futures and submit a report on the daily fluctuations. It being an era of high inflation, copper was bullishly inclined, and under my untutored but watchful eye its price increased from 80 cents a pound to 90 cents to, eventually, $1. Promptly I reported (after canvassing my newfound sources) that copper was rising on account of there being “more buyers than sellers.”

“More buyers than sellers!” my editor guffawed. He was a clownish man with a pointed head; he saw humor in everything, in particular his new cub reporter. “Your job is to tell us why there are more buyers than sellers.”

This seemingly straightforward advice led me into a maze of trader’s lore that came to seem indistinguishable from outright guesswork if not invention. On some days, I was told that the advance (or, as it were, the decline) was triggered by “investors,” and was therefore predictive of the future trend. On other days, the price change was ascribed to “speculators,” evidently a less reliable sort. Most mysteriously of all, the price could move for “technical reasons,” which advances I was urged to dismiss as having no significance whatsoever. Still, it was rising, wasn’t it?

Copper cracked $1.50 and throughout its run paid not the slightest heed to the “reasons” I was dutifully laying bare. I knew that something in my analyses was deficient, but I didn’t know what. The problem was a lack of preparation. I hadn’t read Edwin
Lefèvre’s *Reminiscences of a Stock Operator*; therefore, I did not know how to write about commodities markets, or stock markets, or any other kind of market.

If I had read it, I would have understood that “the tape” utters a more powerful argument than any reason or affidavit; you do not argue with the tape, you do not explain it or deconstruct it. And I would have read it on the third page and I would have read it in a single paragraph:

Of course there is always a reason for fluctuations, but the tape does not concern itself with the why and the wherefore. It doesn’t go into explanations. I didn’t ask the tape why when I was fourteen, and I don’t ask it today, when I am forty. . . . What the dickens does that matter?

The author of these lines, the son of a Union Army officer, had been trained as a mining engineer but followed his heart and, in the 1890s, turned to chronicling the exploits of Wall Street moguls. Though the public was as hungry as today for a glimpse into the inner workings of the stock market, in that era, little hard information was available. But Lefèvre, who wrote novels as well as journalism, had a knack for capturing the smell, and also the sound—the vernacular, that is—of Wall Street. In 1922, he caused a stir with a serialized account of a famous—"infamous" is also a term that springs to mind—speculator who was willing to spill the secrets of the trade to readers of *The Saturday Evening Post*. His story was republished between hard covers the following year.

Though Lefèvre wrote in the first person, *Reminiscences* is based on several weeks of interviews with a trader whom he calls Larry Livingston. Livingston did not exist; it is a nom de guerre for Jesse Livermore, one of the greatest stock speculators ever.

Livermore had begun his career just before the turn of the century, making wagers of a few dollars in "bucket" shops—parlors in which people who did not have the means to open a brokerage account made small bets against the house. The bucket shops booted him out for the unpardonable crime of consistently winning. By the end of World War I, Livermore had made, lost, and made millions, and was generally being blamed for any sizable
disruption in the stock and commodities markets, not always
without reason.

Though he was destined to play a marquee role in the great
crash of 1929, before his untimely and tragic end, Reminiscences
is a fictionalized memoir only of Livermore’s early and ascendant
years. Do not ask which part exactly is fiction; Livermore was one
of those American originals whose amplifications (especially in
the hands of a writer as gifted as Lefèvre) merely served to
enhance the overall verisimilitude of his story.

And so we have a tell-all confession of how traders worked in the
era predating the federal securities laws: of the tipsters, the
manipulations, the brazen efforts by corporate managers to ride
their own stocks up and down and always in advance of a hapless
public. A modern writer called Reminiscences a portrait of “a
period in the stock market that no longer exists.” This is true and
yet it is untrue. Human nature has not noticeably improved since
Lefèvre’s day, nor have the morals of those attracted to Wall Street
as a source of easy swag. When Lefèvre-cum-Livingston observes,
“In every boom companies are formed primarily if not exclusively
to take advantage of the public’s appetite for stocks,” not a few
contemporary hucksters (dot.com promoters, for instance) come
to mind.

And yet the tempo, the patois of his characters, is sheer Roar-
ing Twenties. Livingston in Atlantic City, supposedly taking a
break from the market, could easily be one of Damon Runyon’s
track-addicted horse players.

One morning after we had breakfasted and had finished
reading all the New York morning papers, and had got tired of
watching the sea gulls picking up clams and flying up with them
twenty feet in the air and dropping them on the hard wet sand to
open them for their breakfast, my friend and I started up the
Boardwalk. . . . Harding Brothers had a branch office on the
Boardwalk and we used to drop in every morning and see how
they’d opened. It was more force of habit than anything else . . .

This is the signal that Livingston is getting the itch to trade, if only
there is some action in the market. Sure enough—
I was looking over the quotation board, noticing the changes—they were mostly advances—until I came to Union Pacific. I got a feeling that I ought to sell it. I can’t tell you more. I just felt like selling it.

Prose that good is its own reason. But there are at least two others that are worthy of mention. The first is personal. Since parting ways with the copper market, I have been, for most of my career, tailing financial operators who were, shall we say, less than saintly and in some cases downright roguish. Most of them have hidden behind hired mouthpieces (later, they hide behind their lawyers). They give us a sanitized version or no version at all.

Livingston, though admittedly a literary construct, speaks directly to us. He names names and pins prices. Does not the president of the Borneo Tin Company, a Mr. Wisenstein, whisper to Livingston’s wife, during a dinner in Palm Beach, that she will make “a great deal of money” by buying his stock? Livingston’s “reminiscence” uncorks the fragrance of the sugary corruption that permeated the Wall Street of those freewheeling days far more than can any secondary source, not to mention any publicist.

Livingston’s response to the whisperer is too good to reveal here, but it will not give away too much to note that Livingston has prepared us for the encounter by observing, matter of factly, that Wisenstein is also the manager of the stock pool. That is to say, the company president is in charge of market operations (all of which would now be illegal) to manipulate the price of the company stock! When folks complain about regulation, as they always have and always will, we must ask whether the good old days were really so good.

Nor does Livingston shy from recounting, stroke by stroke, his own manipulations. I had not thought it possible to create, through cleverly timed purchases, the aura of such interest in a stock that one might move the price higher even while, on a net basis, dispensing of a position in it. Livingston turns the trick with Imperial Steel—”a beautiful piece of manipulation,” as he allows in an uncommonly self-congratulatory mood. Perhaps he’s a trifle defensive, for he crankily objects to the fact that stock manipulation has gotten a bad name, and insists there is nothing crooked
or underhanded about it. It is a brave show, but Livingston’s own prescriptions for cleaning up the market, some of which anticipate the soon-to-be-enacted securities laws, betray the stirrings of a sense of propriety. At all events, we get to hear the operator’s unvarnished account of his own machinations.

The other reason for reading Lefèvre is, of course, that his anecdotal yarns are strung with pearls of advice that the aspiring trader will find most useful. I am not a trader, and I admit that the business of following the tape has always struck me as a sure route to buying high and selling low. Livingston, of course, recognized this danger; you will see his answer. He also recognized that what he did was very different from “investing.” Speculators buy the trend; investors are in for the long haul; “they are a different breed of cats.” One reason that people lose money today is that they have lost sight of this distinction; they profess to have the long term in mind and yet cannot resist following where the hot money has led. Livingston had no delusions; he was a speculator first and last. Yet, surprisingly, the qualities that worked for him are also those of a great stock picker. These qualities are patience, self-discipline, and a mind-set of detachment. One could get angry at the tape, but the tape didn’t care. Livingston deduced that it was better to learn from his mistakes rather than to pretend he hadn’t made them. His distinguishing trait would seem to have been self-awareness. As with gambling—as with any sport—it is our inner demons that do most harm.

You would expect a speculator to covet tips—Livingston calls them “hope cocktails”—but he urges us (and himself) to resist their siren. This reflects his keen appreciation of market psychology. If somebody likes a stock, it should be evident from the tape; if it is not, then the tip is a false lead; it is empty air. The public is craven for tips; it wants to be told. But Livingston confidently repeats, “I have always played a lone hand.”

Well, almost. Once in Saratoga Springs, another of those resorts where he goes to pretend that he is on vacation, Livingston sells a stock he had been accumulating (once again, it is Union Pacific) on the basis of a tip from his broker. The tip turns out to be wrong. It is a costly error—instructive to him and also to us. Our teacher ruefully reflects that he could have learned the
same lesson while losing a lot less money. “But Fate does not always let you fix the tuition fee. She delivers the educational wallop and presents her own bill.” Happily, Fate has delivered the education to us at a far more reasonable price. It, along with the exquisite pleasure to be found in Lefèvre’s street-smart narration, has been attracting stock market fans to Reminiscences through many a bull and bear market.

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