

SPECULATION  
AS A FINE ART  
AND THOUGHTS ON LIFE



*By*

DICKSON G. WATTS

TRADERS PRESS, NEW YORK, N. Y.

## FOREWORD

---

*You have opened the tomb of a great man. His name, his books and his exchange have almost vanished. Dickson G. Watts, author of SPECULATION AS A FINE ART and THOUGHTS ON LIFE, was a charter member and President of the New York Cotton Exchange.*

*The revival of Edwin Lefevre's book, REMINISCENCES OF A STOCK OPERATOR, has renewed interest in the book because "Old Dickson" wrote the bible for successful speculators. Reference is constantly made of SPECULATION AS A FINE ART, yet there is not a copy in the Library of Congress or The New York Public Library. This was one of the few books written on speculation by a successful speculator.*

*Dickson G. Watts was President of The New York Cotton Exchange between 1878 and 1880. This exchange was one of the greatest arenas of speculation in America. Seats sold for as much as \$45,000. At this writing, the bid is \$770 and the trading ring is deserted. The epitaph of The Cotton Exchange is that our Great Society of Free Enterprise supports the price of cotton above the world market. Speculators cannot out-bid The Government, so the price cannot go up. The price cannot drop because Uncle Sam has unlimited funds. There is a remote possibility that the cotton producers will grow cotton faster than the Government can print money and the market will be free again.*

*Pandora's Box is open. You have parts of THOUGHTS ON LIFE and SPECULATION AS A FINE ART in your hands.*

*Did "Old Dickson" originate the quotations and rules of speculation or did he just pass them along? At any rate, he used the knowledge to good advantage. Can you?*

J.R.L. 3/16/65

# CONTENTS

---

	<i>Page</i>
SPECULATION AS A FINE ART . . . . .	7
<i>What Is Speculation</i>	
<i>Laws Absolute</i>	
<i>Rules Conditional</i>	
LIFE . . . . .	15
BUSINESS . . . . .	35
SOCIETY . . . . .	42
LANGUAGE . . . . .	44

# SPECULATION AS A FINE ART

## WHAT IS SPECULATION?

Before entering on our inquiry, before considering the rules of our art, we will examine the subject in the abstract. Is speculation right? It may be questioned, tried by the highest standards, whether any trade where an exact equivalent is not given can be right. But as society is now organized speculation seems a necessity.

Is there any difference between speculation and gambling? The terms are often used interchangeably, but speculation presupposes intellectual effort; gambling, blind chance. Accurately to define the two is difficult; all definitions are difficult. Wit and humor, for instance, can be defined; but notwithstanding the most subtle distinction, wit and humor blend, run into each other. This is true of speculation and gambling. The former has some of the elements of chance; the latter some of the elements of reason. We define as best we can. *Speculation is a venture based upon calculation. Gambling a venture without calculation.* The law makes this distinction; it sustains speculation and condemns gambling.

All business is more or less speculation. The term speculation, however, is commonly restricted to business of exceptional uncertainty. The uninitiated believe that chance is so large a part of speculation that it is subject to no rules, is governed by no laws.

This is a serious error. We propose in this article to point out some of the laws in this realm.

There is no royal road to success in speculation. We do not undertake, and it would be worse than folly to undertake, to show how money can be made. Those who make for themselves or others an infallible plan delude themselves and others. Our effort will be to set for the great underlying principles of the "art" the application of which must depend on circumstances, the time and the man.

Let us first consider the qualities essential to the equipment of a speculator. We name them: Self-reliance, judgment, courage, prudence, pliability.

1. *Self-Reliance.* A man must think for himself, must follow his own convictions. George MacDonald says: "A man cannot have another man's ideas any more than he can have another man's soul or another man's body." Self-trust is the foundation of successful effort.

2. *Judgment.* That *equipoise*, that nice adjustment of the faculties one to the other, which is called good judgment, is an essential to the speculator.

3. *Courage.* That is, confidence to act on the decisions of the mind. In speculation there is value in Mirabeau's dictum: "Be bold, still be bold; always be bold."

4. *Prudence*. The power of measuring the danger, together with a certain alertness and watchfulness, is very important. There should be a balance of these two, Prudence and Courage; Prudence in contemplation, Courage in execution. Lord Bacon says: "In meditation all dangers should be seen; in execution one, unless very formidible." Connected with these qualities, properly an outgrowth of them, is a third, viz: promptness. The mind convinced, the act should follow. In the words of Macbeth: "Henceforth the very firstlings of my heart shall be the firstlings of my hand." Think, act, promptly.

5. *Pliability*. The ability to change an opinion, the power of revision. "He who observes," says Emerson, "and observes again, is always formidable."

The qualifications named are necessary to the makeup of a speculator, but they must be in well-balanced combination. A deficiency or an overplus of one quality will destroy the effectiveness of all. The possession of such faculties, in a proper adjustment is, of course, uncommon. In speculation, as in life, few succeed, many fail.

Each department of life has its language, expressive if not elegant, and in dealing with the subject we must perforce adopt the language of the Street. The laws given will be found to apply to speculation

of any kind. They are universal laws; but for the sake of clearness we assume the case of speculation as conducted in one of our exchanges, where they can be best demonstrated.

## LAWS ABSOLUTE.

1. *Never Overtrade.* To take an interest larger than the capital justifies is to invite disaster. With such an interest a fluctuation in the market unnerves the operator, and his judgment becomes worthless.

2. *Never "Double Up";* that is, never completely and at once reverse a position. Being "long," for instance, do not "sell out" and go as much "short." This may occasionally succeed, but is very hazardous, for should the market begin again to advance, the mind reverts to its original opinion and the speculator "covers up" and "goes long" again. Should this last change be wrong, complete demoralization ensues. The change in the original position should have been made moderately, cautiously, thus keeping the judgment clear and preserving the balance of the mind.

3. *"Run Quickly,"* or not at all; that is to say, act promptly at the first approach of danger, but failing to do this until others see the danger, hold on or close out part of the "interest."

4. *Another rule is, when doubtful, reduce the amount of the interest;* for either the mind is not satisfied with the position taken, or the interest is

too large for safety. One man told another that he could not sleep on account of his position in the market; his friend judiciously and laconically replied: "Sell down to a sleeping point."



## *LIFE*

Compensations do not always compensate.

A common deception, — self-deception.

Hold in time, or take the jump.

A danger known is half overcome. A fault recognized is half conquered.

A great insult, — tell a man he can't take a joke.

Fools try to prove that they are right. Wise men try to find when they are wrong.

That writer is the greatest who says the least and suggests the most.

Follow the vague and intangible, and it will become definite and tangible.

A man's good qualities are often, at bottom, only pride.

Two standards, — one for yourself and one for your neighbor. The first should be fixed, the second flexible.

## *BUSINESS*

TAKE short views. If you shoot at a near mark, even if your hand shakes you will hit it. If you shoot at a distant mark, and your hand vibrates slightly, you will miss it.

When danger threatens, don't stand like a sheep; run like a deer.

Imagination is as great a power in business as it is in art, in literature, or in religion.

Make your theories fit your facts, not your facts your theories.

Don't storm the fortress of fortune; lay siege to it.

Opportunities are always there, but the opportunist is lacking.

Stubborn men don't live long — financially.

In practical affairs the "personal equation" is not sufficiently taken into the account.

Trust your impulses; they are often a higher reason.

## *MEN*

SOME men are so mellow that they are rotten.

Little men talk of people; great men, of things.

The self-important man is seldom important to others.

No man is as good as he is thought to be; no man as bad.

A tiresome man, — a man with a theory.

Money adds nothing to an extraordinary man, but it is the “saving grace” of an ordinary man.

The able man compares himself with the known and is proud. The great man compares himself with the unknown and is humble.

The vain man is laughable; the proud man is insufferable.

An able man disdains the wisdom of other men; a great man uses the wisdom of other men.

That man is greatest who quickens most the lives of other men.

All see; few observe, fewer still compare.

The finished fabric of science is the raw material of philosophy.

Destruction must often precede construction, but most men stop at the former.

Common sense is sense men have in common.

Defer to a man and he will listen to you.

The dangerous classes, — enthusiasts and fools.

A true estimate of one's self is not vanity.

Suffering of the body is pain, of the mind anguish, of the spirit agony.

Man can improve on nature. Perhaps that is his business here.

The distant is the great, the near the little. But the little-near controls man rather than the distant-great.