

Complete Story. 12

The Break in "Turpentine,"

A TALE OF AMERICAN FINANCE.

By Edwin Lefevre, author of "The Woman and Her Bonds."

In the beginning of the beginning the distillers of turpentine carried competition to the quarrelling point. Then they carried the quarrel to the point of silence, which meant that no time was to be wasted in words. All were losing money; but each hoped that the others were losing more, proportionately, and therefore would go under the sooner.

It was Mr Alfred Neustadt, a banker in a famous turpentine district, who first called his brother-in-law's attention to the pitiable sight. Mr Jacob Greenbaum at once perceived possibilities for successful operations. He felt that the time was ripe. He would form a Turpentine Trust!

First he bought for a song all the bankrupt stills; seven of them. Later on, in his scheme of trust-creation these selfsame distilleries would be turned over to the "octopus" at a good round sum. Then he secured options on nine others, the tired-out-death plants. In this way he was able to "control a large productive capacity" at an expenditure positively marvellous—it was so small. It was also in his brother-in-law's name. Then the banking house of Greenbaum, Lazarus and Co. stepped in, interested accomplices, duped or coerced into selling enough of their distillers to assure success, enjoyed the more stubborn, wheedled the more credulous, gave way gracefully to the shrewder, and gathered them all into the fold. The American Turpentine Company was formed, with a capital stock of 30,000,000dols, or 300,000 shares of 100dols, each. The cash needed to pay Mr Greenbaum, Neustadt, and others who sold their plants for "part cash and part stock," was provided by an issue of 25,000,000dols, of 6 per cent. bonds, underwritten by a syndicate composed of Greenbaum, Lazarus, and Co.; L. and M. Hirsch; Morris Steinfeld's Sons; Walford, Harris and Co.; Davis Bros.; Silberman and Lindheim; Rosenthal, Shaffran and Co.; and Zeman and Morris.

The prospectus of the "trust" was of masterpiece of persuasiveness and vagueness. In due course of time the public subscribed for the greater part of the 25,000,000dols. of bonds, and both bonds and stock were "listed" on the New York Stock Exchange—that is, they were placed on the list of securities which members may buy or sell on the floor of the Exchange.

Tabularly expressed, the syndicate's operations were as follows:—

Authorized bonds.....	\$25,000,000
Authorized stock.....	30,000,000
Total.....	\$55,000,000
Actual worth of property.....	12,900,000
Quia pura.....	\$42,200,000

Paid to owners for 41 distilleries representing 90 per cent. of the turpentine production (and 121 per cent. of the consumption) of the United States:

Cash (from bond sales).....	\$5,975,983
Bonds.....	12,900,000
Stock.....	18,249,990
Total.....	\$37,125,973
Standard's commission, stock.....	12,988,599
Retained in Co.'s treasury, unissued.....	2,000,000
Expenses and discounts on bonds, etc.....	765,717
Total.....	\$53,099,999

These figures were not for publication. They told the exact truth.

The public knew nothing of the company's earning capacity, save a few tentative figures from the prospectus, which was a sort of financial gospel according to Greenbaum, but which did not create fanatical devotees among investors. The stock, unlike the Kipling ship, had not found itself: it was not market-proven, not seasoned; no one knew how much dependence to put on it; wherefore the banks would not take it as collateral security on loans, and wherefore the "speculative community," as the newspapers call the stock-gamblers, would not touch it, since in a pinch it might prove utterly unvendible. It remained

for the syndicate to "make a market for it."

Mr Greenbaum took charge of the market conduct of "Turp," as the "tape" called the stock of the American Turpentine Company. First the manufacturers who had received shares in part payment were induced to promise not to sell their holdings, thus precluding any untimely unloading. Then the price was marked up by means of "matched" orders—preconcerted and therefore not bona fide transactions. Mr Greenbaum told one of his brokers to sell 1000 shares of "Turp" to another of his brokers, and shortly afterwards the second broker sold the same 1000 shares to a third by pre-arrangement—this being the "matching" process—with the result that the tape recorded transactions of 2000 shares. After this "matching" had gone on for some time, readers of the tape were supposed to imagine that the stock was legitimately active and strong—two facts which in turn were supposed to whet the buying appetite. It was against the rules of the Exchange, but how could convictions be secured?

"Turp" began at 25, and as the syndicate had all the stock in the market, it was easily manipulated upward to 35. Every day many thousands of shares, according to the Stock Exchange's official records, "changed hands"—from Greenbaum's right to his left and back again!—and the price rose grandly and steadily. But something was absent. The manipulation was not convincing. It did not make the general public nibble. The only buyers were the "room traders," that is, professional stock-gamblers, who reasoned not illogically that the "Greenbaum gang" had all the stock, and that perforce the "gang" had to find a market for it, and the only way to do this was by a nice "bull" or upward movement. When a stock rises and rises and rises, the newspapers are full of pleasant stories about it, and the lumps read but do not run away; then buy on the assumption that, as the stock has already risen ten points, it may rise ten more. This explains why they make so much money in Wall-street—for the natives.

Greenbaum and his associates were "practical" financiers, thoroughly familiar with Wall-street. They marked up the price of "Turp" ten points; but they could not arouse public interest in it so that people would buy it. Indeed, at the end of three weeks, during which the "Street" had been flooded with impressive advice to buy because the price was going higher, all they had for their trouble was more stock—6003 shares from Ira D. Keep, a distiller, who sold out at 38 because he needed the money (most of the others held on to their stock by agreement); and they also were obliged to buy back from the "room traders" at 35 and 36 and higher, much of the same stock the "gang" had sold at 30 and 31 and 32 and 34. Then the manipulators had to "support" the stock at the higher level, that is, they had to keep it from declining, which could be done only by continuous buying. By doing this the public might imagine there was considerable merit in a stock which was in such good demand from intelligent people as to remain firm, notwithstanding its previous substantial rise.

Every attempt to sell "Turp" met with failure. At length it was decided to allow the price to sink back to an "invitingly low" level. It was done. But still the invited public refused to buy. Efforts to encourage a short interest to over-extend itself into "squeezeable" proportions failed similarly. The Street was afraid to "go short" of a stock which was so closely held. The philosophy of short selling is simple; it really amounts to betting that values will decline. A man who "sells short" sells what he does not possess, but hopes to buy, later on, at a lower price. But since he must deliver

what he sells to the man who buys, he borrows it, giving the lender ample security. To "cover" or to "buy in" is to purchase stock previously sold short. Obviously, it is unwise to be short of a stock which is held by such a few that it may be difficult to borrow it. To "squeeze" shorts is to advance the price in order to force "covering." This is done when the short interest is large enough to make it worth while.

In the course of the next few months, after a series of injudicious fluctuations which gave to "Turp" a bad name, even as Wall-street names went, despite glowing accounts of the company's wonderful business and after distributing less than 35,000 shares, the members of the "Turpentine Skindicate," as it was popularly called, sorrowfully acknowledged that, while they had skillfully organised the trust and had done fairly well with the bonds, they certainly were not howling successes as manipulators. During the following eight months they sold more stock, chiefly to their friends. But there still remained a great deal to market.

Now, manipulators of stocks are born, not made. Anybody can buy stocks or can sell them. But not every one can sell stocks and at the same time convey the impression that he is buying them, and that prices therefore must inevitably go much higher. The art requires boldness and consummate judgment, knowledge of technical stock-market conditions, infinite ingenuity and mental ability, a careful study of the curious psychological phenomena of gambling, to say nothing of knowing thoroughly the various brokers to be employed, their capabilities, limitations and personal temperaments; also, their price.

Adequate manipulative machinery, moreover, can be perfected only with much toil and patience and money. Professional Wall-street will always tell you that "the tape tells the story." The little paper ribbon therefore must be made to tell such stories as the manipulator desires should be told to the public. He must produce certain effects which should preserve an appearance of alluring spontaneity.

Several members of the syndicate had many of these qualities, but none had them all. It was decided to put "Turp" stock in the hands of Samuel Winkleman Sharpe, the best manipulator Wall-street had ever known. "Jakey" Greenbaum said he would conduct the negotiations with the great plunger.

Sharpe was a financial free-lance, free-booter, and free-thinker. He had made his first fortune in the mining camps of Arizona, and finding that field too narrow, had come to New York, where he could gamble to his heart's content. He was all the things that an ideal manipulator should be, and several more. He had arrived in New York with a sneer on his lips and a loaded revolver in his financial hands. The other "big operators" looked at him in painted astonishment.

"I carry my weapons openly," Sharpe told them, "and you conceal your dirks. Don't hurt yourselves trying to look honest. I never turn my back on such as you." Of this encounter was born a hostility that never grew faint. Sharpe had nothing of his own to unload on any one else, no property to over-capitalise and sell to an indiscriminating public by means of artistic lies; and his enemies often did. So they called him a gambler, very bitterly, and he called them philanthropists, very cheerfully. If he thought a stock was unduly high he sold it confidently, aggressively, stupendously. If he thought a stock was too low he bought it boldly, ready to take all the offerings and bid for more. And once on the march, he might be temporarily checked, but forced by the enemy to halt for a day or a week or a month; but inevitably he arrived. And such an arrival

And as a manipulator of stock-values he had no equal. On the bull side he rushed a stock upward so steadily, so boldly and brilliantly, but, above all, so persuasively, that lesser gamblers almost fought to be allowed to take it off his hands at incredibly high prices. And when in the conduct of one of his masterly bear campaigns he saw fit to "hammer" the market, values melted away as by magic—Satanic magic, the poor lumps thought. All stocks looked "sick," looked as though prices would go much lower; murmurs of worse things to come were in the air, vague, disquieting, ruin-breeding. The atmosphere of the street was supersaturated with apprehension, and the black

shadow of panic brooded over the Stock Exchange, chilling the little gamblers' hearts, wiping out the last of the little gamblers' margins.

Greenbaum was promptly admitted to Sharpe's private office. It was a half-darkened room, the windows having wire-screens, summer and winter, in order that prying eyes across the street might not see his visitors or his confidential brokers, whose identity it was advisable should remain unknown to the street. He was walking up and down the room, pausing from time to time to look at the tape. The ticker is the only telescope the stock-market general has; it tells him what his forces are doing and how the enemy is meeting his attacks. Every inch of the tape is so much ground; every quotation represents so many shots.

There was something feline in Sharpe's stealthy, soundless steps, in his mousethreads, in the conformation of his face—broad of forehead and triangulating chinward. In his eyes, too, there was something tigerish—unmelodramatically cold-hearted and coldly curious as they looked upon Mr Jacob Greenbaum. Unconsciously the un-fanciful Trust-maker asked himself whether Sharpe's heart-beats were not ticker ticks, impassively indicating the pulse of the stock-market.

"Hallo, Greenbaum."

"How do you do, Mr Sharpe?" quoth the millionaire senior partner of the firm of Greenbaum, Lazarus and Co. "I hope you are well? Yes, you must be. I haven't seen you look so fine in a long time."

"You didn't come up here just to tell me this, Greenbaum, did you? I am feeling pretty well, thanks. How's your turpentine? Oh!"—with a long whistle—"I see. You want me to go into it, hey?"

"What's the matter with a pool?"

"How big?" coldly.

"Up to the limit." Again the Trust-maker smiled uncertainly.

"You haven't all the capital stock, I hope."

"Well, call it 100,000 shares," said Greenbaum, more uncertainly and less jovially.

"Who is to be in it besides you?"

"Oh, you know, the same old crowd."

"Oh, I know," mimicked Mr Sharpe, scornfully, "the same old crowd. You ought to have come to me before; it will take something to overcome your own reputations. How much will each take?"

"We'll fix that O.K. if you take hold," answered Greenbaum, laughing. "We've got over 100,000 shares, and we'd rather some one else held some of it. Nearly all of the rest of the stock, issued as part payment, is still held by the distillers. Here are our agreements with them to hold on until we give the word to sell. They won't leak, and there's mighty little stock afloat."

"Bring your friends here this afternoon. Good-bye. And, I say, Greenbaum."

"Yes?"

"No funny tricks at any stage of the game."

"What's the use of saying such things, Mr Sharpe?" with an experimental frown.

"The use is so you won't try any. Come at four," and Mr Sharpe began to pace up and down the room. Greenbaum hesitated, still frowning tentatively; but he said nothing, and at length went out. Sharpe looked at the tape. "Turp" was 20.

He resumed his restless march back and forth. It was only when the market "went against him" that Mr Sharpe did not pace about the room in the mechanical way of a menagerie animal, glancing everywhere, but seeing nothing. When something unexpected happened in the market, Sharpe stood beside ticker immobile, because his over-worked nerves were tense—like a tiger into whose cage there suddenly enters a strange and eatable animal.

On the minute of four there called on Mr Sharpe the senior partners of the firms of Greenbaum & Co.; I. & M. Hirsch; Morris Steinfeld's Sons; Walford, Harris & Co.; David Bros.; Silberman & Lindheim; Rosenthal, Shaffran & Co.; and Zeman & Morris.

They were ushered not into the private office, but into a sumptuously furnished room, the walls of which were covered with dashing oil paintings of horses and horse-races. The visitors seated themselves about a long oaken table.

Mr Sharpe appeared at the threshold. "How do you do, gentlemen? Don't