

WILEY INVESTMENT CLASSICS

“Overflowing with stories about the legends of Wall Street, century-old methods for making money, and ideas for predicting the current market.”

—From the Foreword by Victor Niederhoffer



# Fifty Years *in* Wall Street

.....

HENRY CLEWS

FOREWORD BY VICTOR NIEDERHOFFER

**FIFTY YEARS  
IN WALL STREET**

**HENRY CLEWS**

*Foreword by Victor Niederhoffer*



**WILEY**

**JOHN WILEY & SONS, INC.**



**FIFTY YEARS  
IN WALL STREET**

## INTRODUCING WILEY INVESTMENT CLASSICS

There are certain books that have redefined the way we see the worlds of finance and investing—books that deserve a place on every investor’s shelf. *Wiley Investment Classics* will introduce you to these memorable books, which are just as relevant and vital today as when they were first published. Open a *Wiley Investment Classic* and rediscover the proven strategies, market philosophies, and definitive techniques that continue to stand the test of time.

**FIFTY YEARS  
IN WALL STREET**

**HENRY CLEWS**

*Foreword by Victor Niederhoffer*



**WILEY**

**JOHN WILEY & SONS, INC.**

Foreword © 2006 by Victor Niederhoffer. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

Full version originally published in 1908 by Irving Publishing Company.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4470, or on the web at [www.copyright.com](http://www.copyright.com). Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at [www.wiley.com](http://www.wiley.com).

### **Library of Congress Cataloging-in-Publication**

Clews, Henry, 1836–1923.

Fifty years in Wall Street / Henry Clews ; foreword by Victor Niederhoffer.

p. cm. — (Wiley investment classics)

ISBN-13: 978-0-471-77203-3 (pbk.)

ISBN-10: 0-471-77203-8 (pbk.)

1. Wall Street (New York, NY) 2. Speculation. 3. Capitalists and financiers—United States. I. Title. II. Series.

HG4572.C6 2005

332.64'2309034—dc22

2005052935

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

# CONTENTS

<b>Publisher's Note</b>	vii
<b>Foreword by Victor Niederhoffer</b>	ix
<b>To My Readers</b>	xix
Chapter 1 My Debut in Wall Street	1
Chapter 2 How to Make Money in Wall Street	9
Chapter 3 Causes of Loss in Speculation	15
Chapter 4 Wall Street During the War	23
Chapter 5 My Part in Marketing the United States Civil War Loans	29
Chapter 6 Secretary Chase and the Treasury	49
Chapter 7 "Corners" and Their Effect on Values	57
Chapter 8 The Commodore's "Corners"	67
Chapter 9 Drew and the Erie "Corners"	77
Chapter 10 Panics—Their Causes— How Far Preventable	87
Chapter 11 Old Time Panics	103
Chapter 12 The True Story of Black Friday Told for the First Time	109
Chapter 13 Our Great American Panics from First to Last	129
Chapter 14 Booms in Wall Street	141
Chapter 15 Wall Street's Wild Speculation, 1900–1904	155
Chapter 16 The Ups and Downs of Wall Street	171

Chapter 17	Grant's Second Term	187
Chapter 18	The Tweed Ring, and the Committee of Seventy	203
Chapter 19	Daniel Drew	213
Chapter 20	Interesting Episodes in Drew's Life	223
Chapter 21	William H. Vanderbilt	233
Chapter 22	"Young Corneel"	253
Chapter 23	Drew and Vanderbilt	265
Chapter 24	Jay Gould	273
Chapter 25	Keene's Career	313
Chapter 26	Villard and his Speculations	325
Chapter 27	Ferdinand Ward	331
Chapter 28	Henry N. Smith	339
Chapter 29	Charles F. Woerishoffer	345
Chapter 30	Why I Am an American	357

## PUBLISHER'S NOTE

*Fifty Years on Wall Street* by Henry Clews received extraordinary reviews upon its publication in 1908. Stretching out to more than 1000 pages, the work was lauded for its unique perspective on the historical, political and financial events of the last half of the nineteenth century. As we read the book today, it serves to remind us of the vital role Wall Street played in United States history. This was the Gilded Age—a period of economic, territorial, and population expansion; a period when tremendous individual fortunes were made and labor unions were borne; and a period when Wall Street and Washington D.C. worked hand-in-hand. Written with the authority of an active participant and in a literate and erudite style befitting the times, *Fifty Years on Wall Street* preserves both the historic record and the individualistic spirit of this amazing period of American history.

We discovered *Fifty Years on Wall Street* through Victor Niederhoffer, who recommended that we re-issue the book as part of our Investments Classics line. Author of the acclaimed *Education of a Speculator* and a collector of investment books, Mr. Niederhoffer owned one of the few remaining copies of *Fifty Years on Wall Street*. Mr. Niederhoffer allowed us to borrow his copy to evaluate. We happily accepted his kind offer because, at the time, the book was selling for \$3500 on the Internet.

As we began reading, *Fifty Years on Wall Street*, we quickly realized that the book would make an excellent addition to our line of investment classics. We think this book will stand the test of time, in the same manner as other Wiley Investment Classics, such as *Reminiscences of a Stock Operator* and *Where Are the Customers Yachts*. However, as enthusiastic as we were, the book presented a problem: it was simply too long. While some contemporary readers undoubtedly would embrace a 1000 page book on Wall Street history, we felt many more would be put off

by the length. We decided to edit the book down to a more manageable size.

To reflect the breadth of the book, we felt we needed to include sections which cumulatively touched on all of the following themes:

- The characteristics of winning and losing speculators
- Wall Street during periods of war
- How operators attempted to “corner” the markets for individual stocks
- The causes and consequences of Wall Street panics
- The influence of Wall Street on national politics
- How individuals like Jay Gould, Daniel Drew, and Commodore Vanderbilt made their fortunes.

We attempted to capture the most interesting and important elements of the book and to do justice to Mr. Clews wide-ranging experiences and expansive sensibility. While some may differ on our selections, we feel confident that contemporary readers will find the new edition of *Fifty Years on Wall Street* a worthy addition to *Wiley's Investment Classics* line.

We hope Mr. Clews would be pleased.

# FOREWORD

Dear Reader:

You are holding in your hand a horn of plenty overflowing with stories about the legends of Wall Street, century-old methods for making money, and ideas for predicting the current market. Ostensibly a recounting of the leading events and personalities that affected the career of a prominent investment manager during the 100 years leading up to the Panic of 1907, *Fifty Years in Wall Street* grows and grows in a fashion similar to Don Quixote, until the noble, rich, and expansive tapestry of nineteenth-century financial life uplifts you into a quixotic fervor and hope for today.

Henry Clews was born in 1836 in Staffordshire, England, on a sheep farm. His father, James, was a potter. Henry married Lucy Madison Worthington, a descendant of President James Madison, and she received her PhD in sociology from Columbia University in 1899. They had two sons, John and Henry, Henry being a renowned sculptor whose mansion in Cannes is still a tourist attraction. A daughter, Elsie, wrote a book that recommended trial marriages. During their fifty years of marriage, Henry and Lucy were lions of New York society, earning reprimands from such muckrakers as Matthew Josephson in the *Robber Barons* and other agrarian reformers of the day and fray.

Henry Clews occupied the same position of prominence in Wall Street that Robert Rubin does today. He came to America in 1853 and started out as a clerk in a firm of wool importers. His initial efforts to gain admittance to Wall Street's inner circle were snubbed until 1857, when fears of excessive trade deficits, caused a panic "during which the average stock dropped 50% in a few days." The chilling effect of this panic, the "Western Blizzard," opened up the closed club to young blood. Clews subsequently became one of the "Three Musketeers" who were mainly respon-

sible for the marketing of United States debt during the Civil War. The reward for the financial marketing and political advice that he gave General Ulysses S. Grant during his campaigns was the traditional one: He was offered the office of Secretary of the Treasury. Unlike Robert Rubin, he turned it down; but like Robert Rubin, he did accept the job of “Fiscal Agent for the United States Government in all foreign countries in place of Baring Brothers.” Regrettably, the profits from this exclusive club were not enough for him to avoid bankruptcy himself. In 1873, the Credit Mobilier crisis caused his firm to go under and led to the loss of funds for all clients, including such distant entities as the City of San Diego.

He reemerged in business in 1877, paid his debts and formed Henry Clews & Co., eventually taking over the entire space of the Mills Building on Wall Street and Broad opposite the stock exchange, an edifice that still exists today. He prospered there as an investment banker and adviser, and was known, like Warren Buffett today, as “The Sage of Wall Street.” He and his business played a prominent part in all Wall Street and city events until his death at the ripe old age of 87 in 1923.

Here are some of my favorite sections of *Fifty Years in Wall Street*, as fresh and resonant today as the day they happened in the 1800s.

## CHAPTER 1: MY DEBUT IN WALL STREET

Clews began his Wall Street career during the Panic of 1857. As in the panics of recent times, the infrastructure of Wall Street was shaken up enough to let an outsider into that exclusive and very profitable club.

## CHAPTER 2: HOW TO MAKE MONEY IN WALL STREET

Timeless advice, good as gold during the nineteenth century and even better during the last 100 years.

Yes, cane investing. Get ready to hobble to the full extent of your wherewithal.

**CHAPTER 4: WALL STREET DURING THE WAR**

The heroic and patriotic role played by Wall Street in providing the capital necessary for the expansion of businesses and the survival of our country during the Revolutionary and Civil wars.

**CHAPTER 7: “CORNERS” AND  
THEIR EFFECT ON VALUES**

Why scarcity would develop if speculators were precluded from their natural inclination to squeeze the weak while simultaneously telescoping prices through time.

**CHAPTER 8: THE COMMODORE’S “CORNERS”**

The illustrious career of Cornelius Jeremiah Vanderbilt; how his ample reserves and fearless campaigns overcame the poor bears who constantly tried to water him down.

**CHAPTER 10: PANICS—THEIR CAUSES—  
HOW FAR PREVENTABLE**

The causes, prevalence, and violence of panics; the importance of interest rates in creating and ending them. Note that Chairman Greenspan apparently was aware of the salubrious impact of interest rates in his command to open up the throttle of liquidity to full speed after the October 1987 panic.

**CHAPTER 11: OLD TIME PANICS**

The history of the New York Stock Exchange, starting with their patriotic agreement never to cut rates—a patriotism which is even stronger today than the day in 1792 that they first agreed to restrain competition.

**CHAPTER 14: BOOMS IN WALL STREET**

A portrait of the greatest operator of the nineteenth century and a depiction of his methods. Like Soros in our day, he was fol-

lowed by everyone and the mere mention that he and his followers were involved in an issue, usually transportation or chemicals-based, was enough to lift the stock to the stratosphere. “The beauty of their methods is the quiet and lack of ostentation with which they carry it on. Their influence is as irresistible as the laws of gravitation.” But unlike Soros, John D. Rockefeller, the richest man in human history up to the end of the nineteenth century, was a chronic bull. His quiet purchases of stocks built a foundation of prosperity that “reaches clear to the bowels of the earth.”

### **CHAPTER 16: THE UPS AND DOWNS OF WALL STREET**

The careers of great operators that have “generally gone up like a rocket and come down like a stick.” At last, we meet a bear, Jacob Little, who was more bearish than Alan Abelson and David Tice combined. He was short of stock during the panic of 1837. “That panic swept the whole United States with the besom of destruction, and sent prices down to zero.” Like his modern counterparts, that left him more bearish and more distrustful than ever. It is hoped that his fate of being wiped out “and submerged” after the outbreak of the Civil War will not be visited upon the chronic bears of today, who as relentlessly as Jacob Little and the other bears portrayed in the chapter, have fought the 1.5 million-percent-a-century rise in stocks.

### **CHAPTER 18: THE TWEED RING, AND THE COMMITTEE OF SEVENTY**

How the Boss manipulated the money markets and conspired to create panics. Lives there a government official—present, former, or prospective—who would not envy and learn from the Boss’s connections and profits from the government—Wall Street interface?

Great books are not only distinguished for their content but for their wonderful language. It would be remiss not to point out

some of the evocative expressions you will find throughout Clews' masterful work.

### Dedication to Veterans

**Aught**—"I have also endeavored to refrain from setting down aught in malice."

### My Debut in Wall Street

**Foot up**—"It was there that Jacob Little made and lost his nine fortunes. It was there that Anthony Morse, the lightning calculator, operated. He could foot up four columns of figures as easily as the ordinary accountant could run up one."

**Old Fogysm**—"This crisis sounded the death knell of old fogysm in the 'street.'"

### Wall Street as a Civilizer

**Bone and Sinew**—"He has no right to set himself up as a censor, a public detractor, and a public libeler upon a set of men and merchants who are the bone and sinew of the commercial and industrial interests and prosperity of the country."

**Mountebank**—"Talmadge has employed his flash wit and mountebank eloquence to bring financial disgrace on the business methods of the whole country by the manner in which he has ignorantly vilified Wall Street."

### More War Reminiscences— British and Napoleonic Designs

**Fair Soil**—"He made a bold attempt to plant that blood-stained foot on this fair soil, in open defiance of the Monroe doctrine, and to crush the liberties that his immortal uncle, even in the full flush of his great conquests, dared not attack and was forced to respect."

### Foreign Intrigues Against American Liberty

**Copper**—"The conclusion was manifest to European statesmen, who, unlike Wall Street men, never 'copper' the points given by spies."

### Secretary Chase and the Treasury

**Gilroy's Kite**—"The height which Gilroy's kite attained would have been nowhere in point of altitude to that which I should have reached had I not had the good luck to have cleared my decks as I did, and in the nick of time."

**Table Tapping**—"I do not indulge in any table tapping or dark seances like the elder Vanderbilt, but this strange, peculiar and admonitory influence clings to me in times of approaching squalls more tenaciously than at any ordinary junctures."

### Corners

**Dotage**—"The members thought he must be mad, or at least in his dotage."

**Dressing Down**—"John, don't them fellows need dressing down?"

**Mooted**—When a compromise was mooted to him, the Commodore replied, "Put it up to a thousand."

**Threescore and Ten**—"He was then threescore and ten, the Scriptural limit of human days."

**Whist**—"It was virtually, at first, a silent game of whist, at which the Commodore was a noted player."

### Daniel Drew

**Drover**—"He dressed like a drover, having originally been employed in that capacity."

**Ennobling**—“Another motive, however less ennobling to man’s nature, seemed to be the true one.”

### **Andrew Johnson’s Vargies**

**Ribaldry**—“These jests were taken seriously by the President, whose hot Southern blood became so aroused that he forgot the dignity of his office and station and condescended to bandy words, and exchange terms of ribaldry with people in the crowd.”

### **Hon. Samuel J. Tilden**

**Propitious**—“He did not wait until the tide began to ebb, but, like an able seaman, set his sail at the propitious moment to catch the prosperous breeze as well as the tide.”

Notice that several of the chapters deal with case studies of the havoc and opportunity found in panics. The timeless method that Henry Clews recommends for making money on Wall Street is to buy stocks below intrinsic value during the two or three squalls that occur during every year. “It is at these times that wealthy old veterans of the street emerge from the repose of their comfortable homes, and in times of panic, which recur sometimes oftener than once a year, these old fellows will be seen in Wall Street, hobbling down on their canes to their brokers’ offices.”

“Then they always buy good stocks to the extent of their bank balances. When the panic has spent its force, these old fellows, who have been resting judiciously on their oars in expectation of the inevitable event, which usually returns with the regularity of the seasons, quickly realize, deposit their profits with their bankers, or the overplus thereof, after purchasing more real estate that is on the up grade and retire for another season to the quietude of their splendid homes and the bosoms of their happy families.”

But is it true? The least that a poor speculator can do, some 150 years after Clews shared his timeless advice, is to test it. Using daily Dow Jones Industrial Average prices from year-end 1899, Mr. Tom Downing and I ran a number of tests. Here is a typical

result. The table shows what follows a decline of more than 10% over a five-day period, close to close.

<b>Date</b>	<b>5-Day Move</b>	<b>Price</b>	<b>Price [t+200]</b>	<b>Subsequent 200 Day Return</b>
5/9/1901	-10.4%	67.38	65.27	-3.1%
12/12/1904	-10.2%	65.77	80.92	23.0%
3/14/1907	-11.9%	76.23	58.65	-23.1%
7/30/1914	-11.3%	71.42	89.90	25.9%
5/10/1915	-10.8%	62.06	94.35	52.0%
2/2/1917	-10.6%	87.01	72.95	-16.2%
10/24/1929	-12.4%	299.47	221.08	-26.2%
6/17/1930	-11.2%	228.57	167.03	-26.9%
12/16/1930	-10.8%	157.51	96.61	-38.7%
9/18/1931	-10.3%	115.08	41.22	-64.2%
12/14/1931	-14.3%	77.22	71.53	-7.4%
4/6/1932	-13.9%	66.46	61.46	-7.5%
6/27/1932	-10.2%	42.93	72.64	69.2%
9/14/1932	-17.6%	65.88	105.04	59.4%
11/30/1932	-10.8%	56.35	93.18	65.4%
2/27/1933	-11.0%	50.16	98.87	97.1%
7/21/1933	-15.5%	88.71	93.91	5.9%
10/19/1933	-14.6%	84.38	88.97	5.4%
7/26/1934	-12.1%	85.51	116.58	36.3%
10/18/1937	-12.7%	125.73	141.73	12.7%
3/28/1938	-10.8%	107.25	148.26	38.2%
5/14/1940	-13.2%	128.27	120.88	-5.8%
5/28/1962	-11.0%	576.93	673.73	16.8%
10/19/1987	-29.6%	1738.74	2134.07	22.7%
8/31/1998	-12.0%	7539.06	10490.51	39.1%
9/20/2001	-12.8%	8376.21	9096.09	8.6%

Mean 13.8%

Note that since 1932, the average move was about 30% in the next 200 trading days, with one decline of 6% out of 14 occurrences. Mr. Downing and I systematically looked at numerous

## FOREWORD

xvii

other definitions of a panic, varying the extent of the decline and the duration—for example, a decline of 5% in three days. The results are qualitatively similar: much regret and potential lodging on the Bowery in the first third of the twentieth century, and much valuable real estate stashed away for the rainy days thereafter. All things considered, the old-time advice on what to do in panics holds up quite well.

In closing, the speculator would do well to recall Clews' sage guidance that "the common delusion, that expert knowledge is not required in speculation, has wrecked many fortunes and reputations in Wall Street, and is still very influential in its pernicious and illusory achievements."

Victor Niederhoffer  
Weston, Connecticut  
September 2005