

10 Great Lines From 'Where Are the Customers' Yachts?'

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by Ben Carlson

Where Are the Customers' Yachts by Fred Schwed was written almost 75 years ago. I only read this book for the first time a few months ago and it's remarkable how well it still holds up after all these years. It's probably the funniest investment book I've ever read (out of an admittedly small set of competitors).

Here are some of my favorite lines:

- 1. On using statistics to your advantage:** "One can't say that figures lie. But figures as used in financial arguments, seem to have the bad habit of expressing a small part of the truth forcibly, and neglecting the other part, as do some people we know."
- 2. On the value of "I don't know":** "... customers have an unfortunate habit of asking about the financial future. Now, if you do someone the single honor of asking him a difficult question, you may be assured that you will get a detailed answer. Rarely will it be the most difficult of all answers – "I don't know."
- 3. On the cyclical nature of the markets:** "When "conditions" are good, the forward looking investor buys. But when "conditions" are good, stocks are high. Then without anyone having the courtesy to ring a bell, "conditions" get bad."
- 4. On the usefulness of theories:** "All of these theories are true part of the time; none of them true all of the time. They are, therefore, dangerous, though sometimes useful."
- 5. It's a little different every time:** "History does in a vague way repeat itself, but it does it slowly and ponderously, and with an infinite number of surprising variations."
- 6. On the emotions of losing money:** "Like all of life's rich emotional experiences, the full flavor of losing important money cannot be conveyed by literature. You cannot convey to an inexperienced girl what it is truly like to be a wife and mother. There are certain things that cannot be adequately explained to a virgin by words or pictures."
- 7. On second-level thinking:** "Those classes of investments considered "best" change from period to period. The pathetic fallacy is that what are thought to be the best are in truth only the most popular – the most active, the most talked of, the most boosted, and consequently, the highest in price at that time."
- 8. On leverage:** "A man who borrows money to buy a common stock has no right to think of himself as a constructive social benefactor. His is just another fellow trying to be smart, or lucky, or both."

9. On short sellers before the Great Depression: “Before October 1929, nobody objected to short sellers except their families. The families objected to going bankrupt.”

10. On who’s to blame for poor advice: “The burnt customer certainly prefers to believe that he has been robbed rather than that he has been a fool on the advice of fools.”

Source: [Where Are the Customers’ Yachts](#)

BEN CARLSON, CFA's blog, *A Wealth of Common Sense*, focuses on wealth management, investments, financial markets and investor psychology.

GTM Adds to Carlson's list:

11. Schwed's description of investment counselors: "(They) allocate the funds between themselves and their clients in the ancient classic manner, i.e., at the close of the day's business they take all the money and throw it up in the air.

Everything that sticks to the ceiling belongs to the clients."

12. Definition of speculation versus investment: “Speculation is an effort, probably unsuccessful, to turn a little money into a lot.

Investment is an effort, which should be successful, to prevent a lot of money becoming a little”.