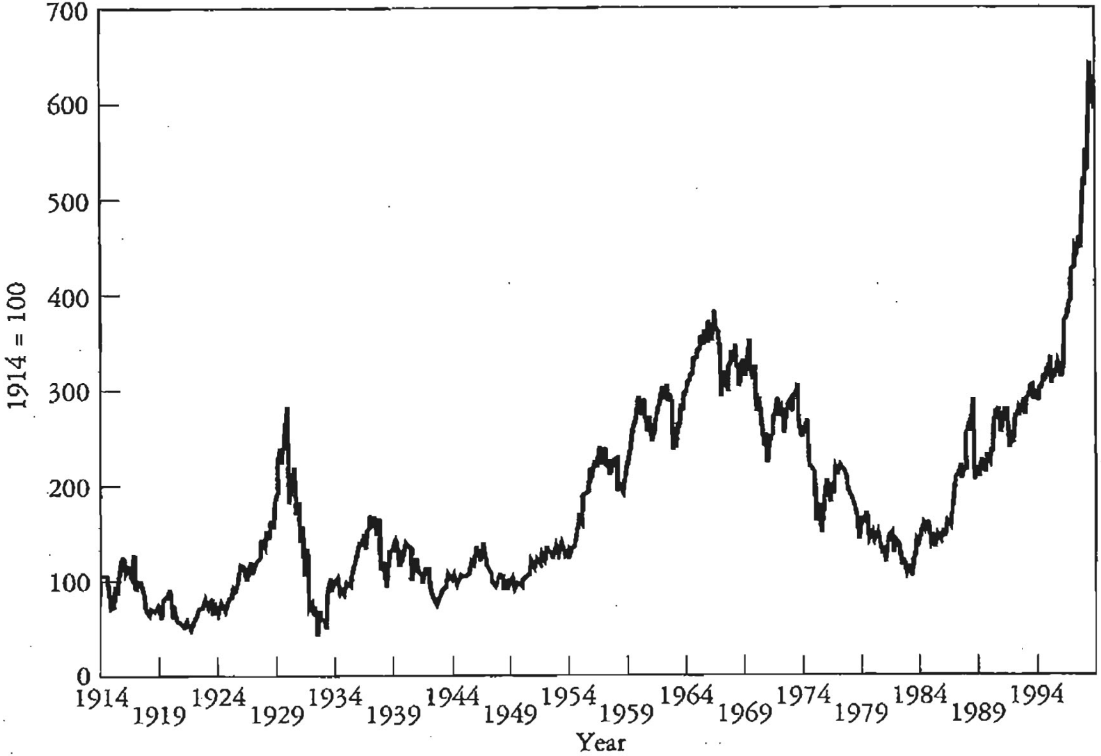


Figure 13.6. Real Dow Jones Industrial Average, 1914–1997. Note: The Dow Jones Index is adjusted by the consumer price index. Source: Phyllis Pierce, ed., *The Dow Jones Averages, 1885–1985* (Homewood, 1986) and Dow Jones & Company, www.dowjones.com.

Eugene White, "Banking and Finance in the Twentieth Century," in Stanley Engerman and Robert Gallman, eds., *The Cambridge Economic History of the United States, Vol. III, The Twentieth Century* (New York, 2000), p. 758.

TELEGRAM.

730

file

The White House,

Washington. Oct. 29th-1929.

Mr. President:-

Mr. Rand, of Remington-Rand Company New York has just telephoned stating that he thinks you should issue statement to the press tonight for publication tomorrow morning, such as this:-

"I am of the opinion that speculators excessives have been thoroughly liquidated and sound investment securties have been reduced to a safe and attractive level.

Now is the time for Bankers, Brokers, and Investors to exercise the utmost of patience and cool judgement in all dealings with one another."

Mr. Rand states that conditions are very serious and if exist for day or two longer as they have for past few days, will result in ruining millions of business people.

States reaction not alone in New York, but all over the Country, as he has been in touch with different sections of the country over long-distance phone, and states business people of the Country are looking to you for some such statement to save the situation.

Richey.

920 P.M.

GPO

THE LITERARY DIGEST

(Title registered in U. S. Patent Office and in Foreign Countries)

PUBLIC OPINION, *New York*, and CURRENT OPINION, *New York*, combined with THE LITERARY DIGEST
(Titles registered in U. S. Patent Office)

Vol. CIII, No. 6 New York, November 9, 1929 Whole Number 2064

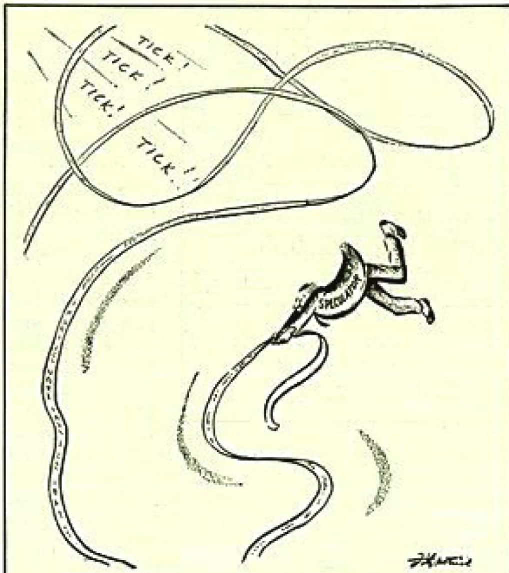
TOPICS · OF · THE · DAY

(This title registered in U. S. Patent Office)

WALL STREET'S "PROSPERITY PANIC"

THE WORST PANIC in Wall Street's history—at least in peace times—record-breaking in magnitude and in wide-spread losses, was nevertheless an entirely new kind of panic. Future historians, it is freely predicted, will speak of it as "the prosperity panic of 1929." "The panics of the past were brought about by something fundamentally wrong with finance or business, crop failures, earthquakes, strained international relations, prohibitive rates for money, inflated inventories, and the like," remarks *The Wall Street Journal*. But this October catastrophe on Wall Street was purely a speculative stock-market panic, all authorities agree. The downward moves in other markets were repercussions of the crash in stock values in New York. One writer frankly terms it "a gamblers' and not an investors' panic."

Yet, if it was a prosperity panic, it was also our "worst prosperity panic." Following preliminary reactions in September, after the bull market had reached its peak at the beginning of the month, the big crash came in the final days of October. After nearly two weeks of steady shrinkage, on Thursday, the 24th, all records for stock-exchange transactions were left far behind, total sales reaching 12,894,650 shares, with the ticker hours late in reporting closing transactions. Leading stocks dropt anywhere from twenty to fifty points. But the worst was yet to come. Monday was a bad day, and then on Tuesday, the 29th, transactions on the Stock Exchange went into astronomical figures, with total dealings of more than 16,000,000 shares, and a total loss in estimated market value of all securities of something like $15,000,000,000. As Laurence Stern notes in the New York *World*, "in the total decline since September 3, the shrinkage of stock values is conservatively placed at $50,000,000,000, the most drastic securities deflation in the history of the world." The final orgy of selling was "a financial nightmare, comparable to nothing ever before experienced in Wall Street," continues this writer—"it rocked the financial district to its foundations, hopelessly overwhelmed its mechanical facilities, chilled its blood with terror." Wall Street's cry for money shook the city, newspapers reporting pawnbrokers turning away hundreds eager to raise almost anything on jewels and silver. Jerusalem has its wailing wall; "in Wall Street every wall is wet by tears," observed one market commentator. A fashionable restaurant in a newspaper advertisement asked its guests to please not "discuss Wall Street."



WONDERING WHETHER HE'S A YACHT OWNER OR A STREET-SWEEPER
—Fitzpatrick in the St. Louis *Post-Dispatch*.

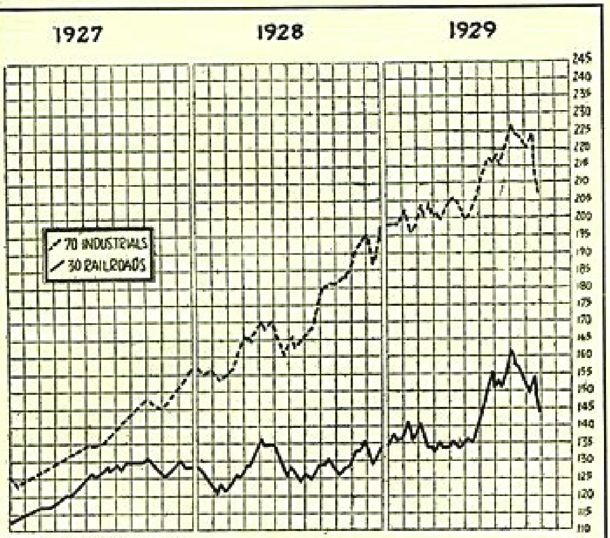
And yet, through it all, the prevailing note of newspaper editorial comment was that of confidence, and reassuring statements about business conditions were given out by economists, bankers, business executives, and political leaders, from President Hoover down. Nor was this all mere talk, for on the very day of the biggest crash the United States Steel Corporation and the American Can Company made a practical expression of their belief in existing and coming prosperity by each declaring extra dividends of one dollar a share. An attempt to sum up the general trend of all the printed discussion of the Wall Street crash was made by L. F. Parton in a Consolidated Press dispatch from New York, as follows:

"Summarized, the big doings of Wall Street indicate that this was a psychological break rather than a disaster due to a collapse of essential values; that it was speculators and not investors who were hurt; that the effectiveness of the modern credit structure of the country, allowing greater mobility of capital, has again been demonstrated; that, with neither brokerage houses nor banks collapsing, the underlying business foundation of prosperity remains firm; that, on the whole, the psychological effects of the deflation will be wholesome and make possible a gradual recovery responsive to essential values rather than speculative interest."

"Unfortunately a collapse of the stock market has wider effects than the checking of unwarranted speculation," admits the Washington *Post*, calling attention to the serious side of the situation:

"It gives rise to doubt and fear as to the future of business, and in connection with the reckless attempt to tear down the protective tariff the market collapse will probably bring about at least a temporary shrinkage of both production and consumption. This shrinkage will reduce incomes and cause unemployment to an extent that can not be estimated, but which will inevitably make itself manifest in reduced revenue from income taxes. Whether the sum total will be so large as to make tax-reduction impossible can not be foreseen now, but it is safe to predict that the Treasury and Congress will not consider tax-reduction unless the present financial paroxysm disappears without leaving permanent damage to prosperity."

The financial ruin of so many consumers is bound to have some effect, reasons B. C. Forbes in his New York *American* column; for example, "just as the stock-market profits stimulated the buying of all kinds of comforts and luxuries, so will stock-market losses inevitably have an opposite effect." That "a transitory period of business recession" was partly accountable for what happened in the stock market is the opinion of an unnamed president of a group of investment trusts who is quoted in the New York *Times*. "The current earnings of business are unsatisfactory," is the still more definite statement made by H. Parker Willis, editor of the New York *Journal of Commerce*.



From the New York *Herald Tribune*

THREE YEARS OF STOCK-MARKET HISTORY

The diagram shows the price trend of two selected groups of representative stocks on the New York Exchange, each year being divided into the twelve months. The sharp break in October is shown by the sharply descending curve in both lines.

However, such utterances are much in the minority. "Preeminently outstanding is the general sentiment of confidence," reports the Boston *News Bureau*. As we read in the New York *Sun:*

"The depression in Wall Street will affect general prosperity only to the extent that the individual buying power of some stock speculators is impaired.

"No Iowa farmer will tear up his mail-order blank because Sears-Roebuck stock slumped. No Manhattan housewife took the kettle off the kitchen stove because Consolidated Gas went down to 109. Nobody put his car up for the winter because General Motors sold 40 points below the year's high.

"So long as American industry is on a sound basis we shall have prosperity."

The view that the stock-market quake "was a local disturbance," to use the words of the Troy *Times*, is one frequently exprest by papers outside of New York City. "Irrespective of the antics of stocks," we read in the Chicago *Evening Post*, "prosperity will continue," and scores of papers might be quoted to the same effect. As the New York *World* sees it, the country's power both to produce and to consume wealth is unimpaired. Reassuring statements come from dozens of business executives, railroad presidents, bank officials, and merchants, which are collected by the newspapers in various cities. The National Industrial Conference Board finds "no known factor in the field of industrial enterprise" that gives warrant for the violent fluctuations in the stock market. *Dun's Review* is positive: "Nothing in the existing commercial situation, nothing in its immediate prospects, has furnished the cause for the drastic stock-market readjustment."

President Hoover himself told the newspapermen the day after one of the worst breaks that "the fundamental business of the country, that is, production and distribution of commodities, is on a sound and prosperous basis." A more detailed message from the Administration was given out over the radio by Julius Klein, Assistant Secretary of Commerce. He wished mainly to emphasize "the fundamental soundness of that great mass of economic activities on which the well-being of the vast majority of us all depends." After all, he continues, "the number of citizens whose buying ability has been affected by the decline in the value of speculative securities is not very large; their purchases do not make up a very significant fraction of the demand for goods." Dr. Klein says that even accepting the liberal estimate of a million speculative accounts, "these would still involve less than 4 per cent. of all the families in the entire nation—these speculative accounts could be matched twice over by the more than 2,000,000 families who derive their livelihood from export trade, which is almost entirely unaffected by this movement." Prices, we are told, have been steady, not inflated. The purchasing power of the people is not changed by the drop in stock prices. There is no reason "for expecting reduced purchases of commodities on the part of the wage-earner." There are no large stocks of manufactured goods to be worked off. Dr. Klein is inclined to agree with many newspaper writers who hold that stock-market reaction may be in some ways a good thing for business—"the diversion of capital from stock-market speculation to direct productive enterprise might readily increase the demand for commodities of this sort."

Roger W. Babson, the securities analyst, who predicted the decline weeks before it occurred, admits that fundamentals are all right, but "no amount of optimistic interviews or statistics on fundamentals" can bring the sold-out speculators back into the market for some time to come. In other words, says Mr. Babson in the New York *Herald Tribune*, "the pep has gone from the market and the buying power has been crusht." What happened within the last two weeks seems to Mr. Babson to be "only a severe reaction in the early stages of a bear market." And he is inclined to think that for a while investors will buy bonds rather than common stocks.

On the other hand Prof. Irving Fisher, the Yale economist, is quoted in the New York *American* as being more optimistic regarding stocks:

"Relatively speaking, the 1929 stock market has been stabilized at a high level, and judging by the underlying conditions of business and industry, it bids fair to remain so.

"After this experience the market should be largely purged of weak accounts. But unless I am wrong about the factors underlying the plateau to which the stock market has risen, there will be further tendency to rise rather than to fall as soon as present conditions are stabilized."

Further discussion of the stock-market break will be found in the Investments and Finance department on page 72.

GOING INTO A HUDDLE

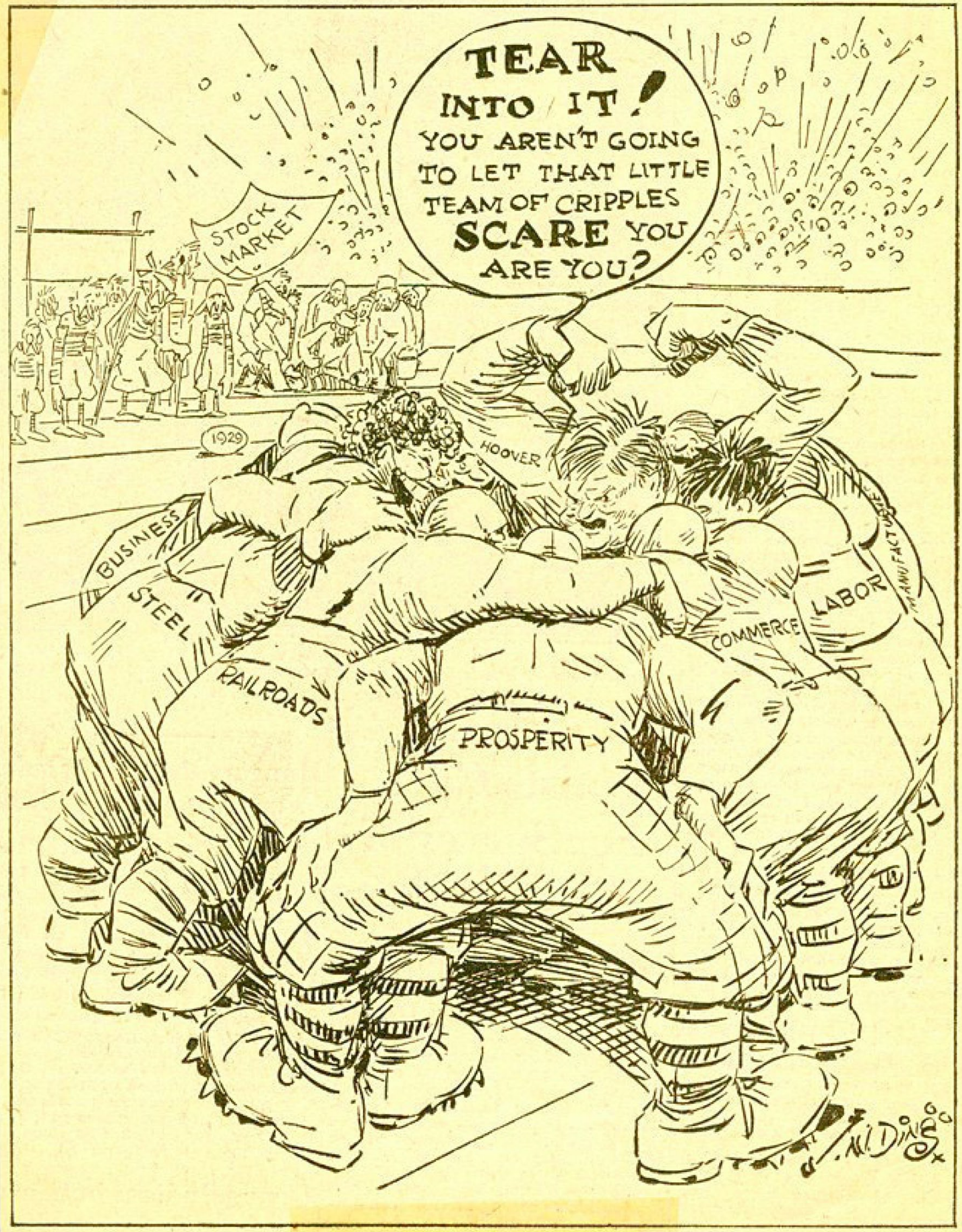
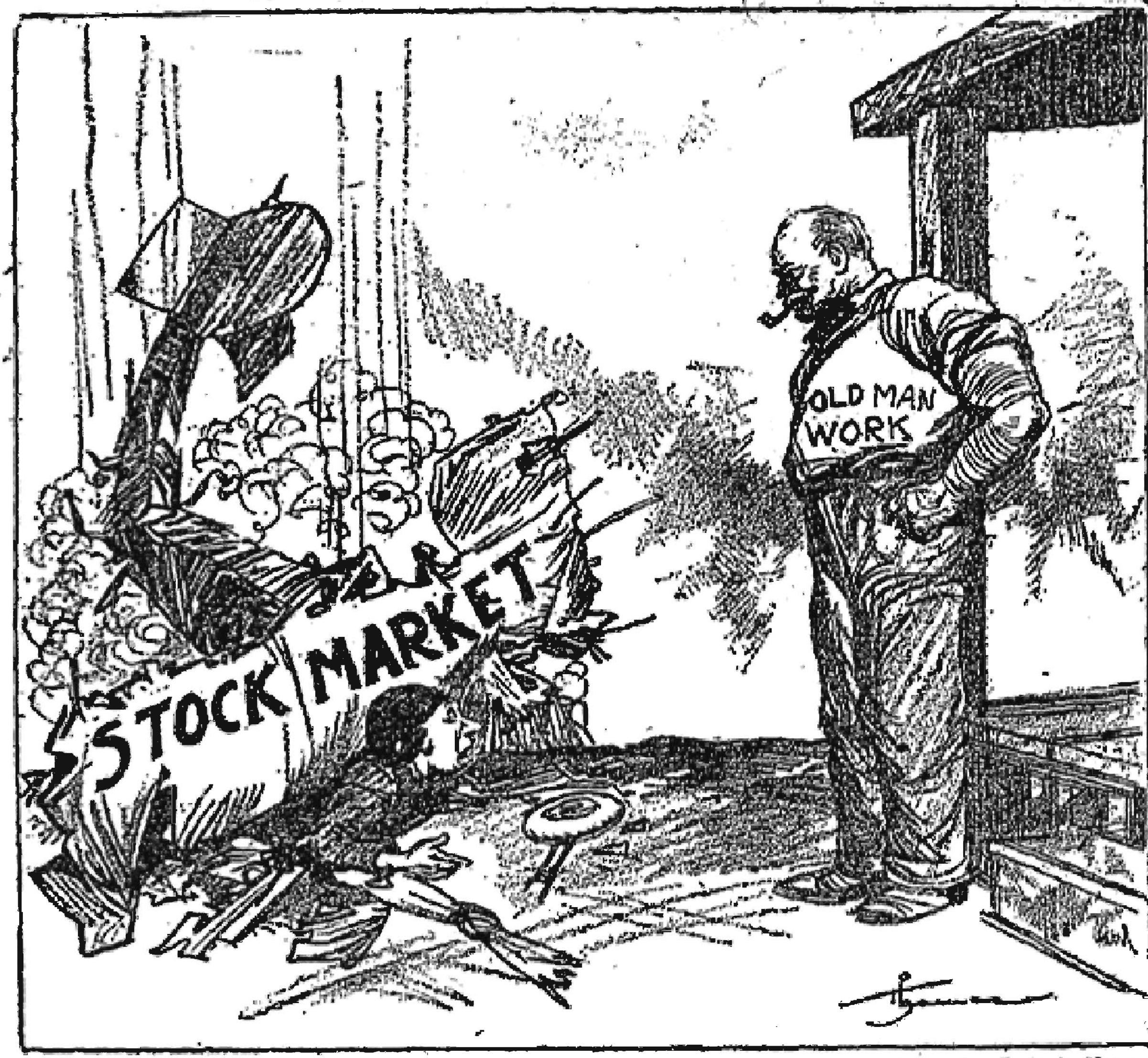


Illustration 11 -- No Title

Gardner, Rea
Life (1883-1936); Nov 29, 1929; 94, 2456; American Periodicals
pg. 10

Impressions of Magazine Offices.
The Wall Street Journal.



From the Detroit News.

The Prodigal Son Returns.

Washington Post, November 4, 1929, p. 6, reprinted from the *Detroit News*

SOUTH CAROLINA WRITERS' PROJECT
LIFE HISTORIES
TITLE: GEORGE MEHALES
Date of First Writing December 1938
Name of Person Interviewed George Mehales
Fictitious Name None
Street Address The Dixie Lunch E. Main Street
Place Spartanburg, S. C.
Occupation Part Owner of a Greek Restaurant
Name of Writer R. V. Williams

FEDERAL WRITERS' PROJECT
DISTRICT NO. 4
SPARTANBURG, S. C.
ROBERT V. WILLIAMS
GEORGE MEHALES
THE DIXIE LUNCH
EAST MAIN STREET
SPARTANBURG, S. C. GEORGE MEHALES

EXCERPT (pp. 6-8)

"My brother and I decided that it would be necessary for one of us to go to Greece to look after the property that Uncle Louis had left us. My brother said I was freer to go than he was. The trip was my second trip home. I was lucky to get it because the immigration officials told me I would have a hard time getting back. When they found out I was an American citizen and that I served during the war, I didn't have any trouble at all. I stayed in Greece about three months, and then came back here.

"I stayed in New York for a while, and then came back to Spartanburg. I had always wanted to come back here. I lived here with some Greek friends for a while. I took up school teaching again while I was looking around for something better. Two of my brothers in Greece died within ten days of each other. They left me about three hundred dollars in American money."

"What did you do with the money," I asked him.

"Tell you, Bob, it was like this. I found an owner of a small restaurant here - not mentioning any names - that needed some capital. With what I had and what I borrowed from my brother, I went into business with him. Our business jumped up fast, and we had to hire extra people to take care of the trade. We were open day and night. Then his wife became sick - or should I say ill? She had the same disease that killed my brothers. He decided to take her to Arizona for her health, and he wanted to sell out to me. I bought it and was broke in less than six months. I couldn't get it out of my head that I wanted the best restaurant fixtures that money could buy. I was making good money but it wasn't enough to meet the expense of my new fixtures. And I was also playing the stock market. One day, one of my customers showed me how much money he was making in the market. I had never even thought about the stock market before. For a few days, I looked at the market page in the newspaper. It looked good to me, and I bit with what you folks call 'hook, line and sinker.' All the money I took in, I put into stocks. The first day of October in 1929 made me feel like I was rich. The stocks I bought had gone up and up. I sold some of them and bought others. I often thought about what my mother had said and that was 'You'll get rich in America someday!' I should have paid for my fixtures, but I figured I could pay them any time. You might think I would have known better, but I didn't. I figured I could pay my debts any time, and I just let them ride.

"Trouble hit me hard during the last day of October of that year. I had become so interested with the market that I let my own business go down. I wasn't there half the time. I need my own place of business as a place to hang around in. Business dropped off, but I didn't care 'cause I was making plenty money in the market.

"During the last days of October, my stocks began to drop. I was gambling on the margin. My brother called me and told me I would have to put up more cash. I went to the bank and put up all the cash I had in the bank with my brother. It seemed to me that things would soon get better. I sent a telegram to my brother and he sent me one thousand dollars. I had about five thousand dollars invested. On that day of October 29, they told me I needed more cash to cover up. I couldn't get it. I was wiped out that day."

http://memory.loc.gov/cgi-bin/query/r?ammem/wpa:@field%28DOCID+@lit%28wpa332030213%29%29

STUDS TERKEL

HARD TIMES

An Oral History of the Great Depression

PANTHEON BOOKS

A Division of Random House, New York

Library of Congress Catalog Card Number: 69–20195

Manufactured in the United States of America

9 8 7 6

when we think about a Depression. With more men out of work, we'd have an easier time finding good salesmen. [The more men out of work, the more applicants we have. By multiplying our salesmen, we'd have an offset to the fact that there are fewer people to whom to sell. Progress through catastrophe.]

Arthur A. Robertson

His offices are on an upper floor of a New York skyscraper. On the walls are paintings and photographs. A portrait of President Johnson is inscribed "To my friend, a patriot who serves his country." Another, of Hubert Humphrey—"To my friend, Arthur Robertson, with all my good wishes." Also, a photograph of Dwight Eisenhower: "To my friend, Arthur Robertson." There are other mementoes of appreciation from Americans in high places.

He recounts his early days as a war correspondent, advertising man and engineer. "We built a section of the Sixth Avenue subway. I've had a peculiar kind of career. I'm an industrialist. I had been in Germany where I picked up a number of porcelain enamel plants. I had a hog's hair concession from the Russian government. I used to sell them to the outdoor advertising plants for brushes. With several associates, I bought a company nineteen years ago for $1,600,000. We're on the New York Stock Exchange now and recently turned down $200 million for it. I'm chairman of the board, I control the company, I built it.

"I thought seriously of retiring in 1928 when I was thirty. I had seven figures by the time I was twenty-four."

In 1929, it was strictly a gambling casino with loaded dice. The few sharks taking advantage of the multitude of suckers. It was exchanging expensive dogs for expensive cats. There had been a recession in 1921. We came out of it about 1924. Then began the climb, the spurt, with no limit stakes. Frenzied finance that made Ponzi* look like an amateur. I saw shoeshine boys buying $50,000 worth of stock with $500 down. Everything was bought on hope.

Today, if you want to buy $100 worth of stock, you have to put up $80 and the broker will put up $20. In those days, you could put up $8 or $10. That was really responsible for the collapse. The slightest shake-up

* A Boston financier of the Twenties. His "empire" crashed, many people were ruined. He went to prison.

caused calamity because people didn't have the money required to cover the other $90 or so. There were not the controls you have today. They just sold you out: an unwilling seller to an unwilling buyer.

A cigar stock at the time was selling for $115 a share. The market collapsed. I got a call from the company president. Could I loan him $200 million? I refused, because at the time I had to protect my own fences, including those of my closest friends. His $115 stock dropped to $2 and he jumped out of the window of his Wall Street office.

There was a man who headed a company that had $17 million in cash. He was one of the leaders of his industry and controlled three or four situations that are today household words. When his stock began to drop, he began to protect it. When he came out of the second drop, the man was completely wiped out. He owed three banks a million dollars each.

The banks were in the same position he was, except that the government came to their aid and saved them. Suddenly they became holier than thou, and took over the businesses of the companies that owed them money. They discharged the experts, who had built the businesses, and put in their own men. I bought one of these companies from the banks. They sold it to me in order to stop their losses.

The worst day-to-day operators of businesses are bankers. They are great when it comes to scrutinizing a balance sheet. By training they're conservative, because they're loaning you other people's money. Consequently, they do not take the calculated risks operating businesses requires. They were losing so much money that they were tickled to get it off their backs. I recently sold it for $2 million. I bought it in 1933 for $33,000.

In the early Thirties, I was known as a scavenger. I used to buy broken-down businesses that banks took over. That was one of my best eras of prosperity. The whole period was characterized by men who were legends. When you talked about $1 million you were talking about loose change. Three or four of these men would get together, run up a stock to ridiculous prices and unload it on the unsuspecting public. The minute you heard of a man like Durant or Jesse Livermore buying stock, everybody followed. They knew it was going to go up. The only problem was to get out before they dumped it.

Durant owned General Motors twice and lost it twice . . . was worth way in excess of a billion dollars on paper, by present standards, four or five billion. He started his own automobile company, and it went under. When the Crash came, he caved in, like the rest of 'em. The last I heard of him I was told he ended up running a bowling alley. It was all on paper. Everybody in those days expected the sun to shine forever.

October 29, 1929, yeah. A frenzy. I must have gotten calls from a dozen and a half friends who were desperate. In each case, there was no sense in loaning them the money that they would give the broker. Tomorrow they'd be worse off than yesterday. Suicides, left and right, made a terrific impression on me, of course. People I knew. It was heartbreaking. One day you saw the prices at a hundred, the next day at $20, at $15.

On Wall Street, the people walked around like zombies. It was like *Death Takes A Holiday*. It was very dark. You saw people who yesterday rode around in Cadillacs lucky now to have carfare.

One of my friends said to me, "If things keep on as they are, we'll all have to go begging." I asked, "Who from?"

Many brokers did not lose money. They made fortunes on commissions while their customers went broke. The only brokers that got hurt badly were those that gambled on their own—or failed to sell out in time customers' accounts that were underwater. Of course, the brokerage business fell off badly, and practically all pulled in their belts, closed down offices and threw people out of work.

Banks used to get eighteen percent for call money—money with which to buy stock that paid perhaps one or two-percent dividends. They figured the price would continue to rise. Everybody was banking on it. I used to receive as much as twenty-two percent from brokers who borrowed from me. Twenty-two percent for money!

Men who built empires in utilities, would buy a small utility, add a big profit to it for themselves and sell it back to their own public company. That's how some like Samuel Insull became immensely wealthy. The thing that caused the Insull crash is the same that caused all these frenzied financiers to go broke. No matter how much they had, they'd pyramid it for more.

I had a great friend, John Hertz. At one time he owned ninety percent of the Yellow Cab stock. John also owned the Checker Cab. He also owned the Surface Line buses of Chicago. He was reputed to be worth $400 to $500 million. He asked me one day to join him on a yacht. There I met two men of such stature that I was in awe: Durant and Jesse Livermore.

We talked of all their holdings. Livermore said: "I own what I believe to be the controlling stock of IBM and Philip Morris." So I asked, "Why do you bother with anything else?" He answered, "I only understand stock. I can't bother with businesses." So I asked, "Do men of your kind put away $10 million where nobody can ever touch it?" He looked at me and answered, "Young man, what's the use of having ten million if you can't have big money?"

In 1934—after he went through two bankruptcies in succession—my accountant asked if I'd back Livermore. He was broke and wanted to make a comeback in the market. He always made a comeback and paid everybody off with interest. I agreed to do it. I put up $400,000. By 1939, we made enough money so that each of us could have $1,300,000 profit after taxes. Jesse was by this time in the late sixties, having gone through two bankruptcies. "Wouldn't it be wise to cash in?" I asked him. In those days, you could live like a king for $50,000 a year. He said he could just never get along on a pittance.

So I sold out, took my profits, and left Jesse on his own. He kept telling me he was going to make the killing of the century. Ben Smith, known as "Sell 'Em Short Ben," was in Europe and told him there was not going to be a war. Believing in Smith, Livermore went short on grain.* For every dollar he owned, plus everything he could pyramid.

When I arrived in Argentina, I learned that Germany invaded Poland. Poor Jesse was on the phone. "Art, you have to save me." I refused to do anything, being so far away. I knew it would be throwing good money after bad.

A couple of months later, I was back in New York, with Jesse waiting for me in my office. The poor fellow had lost everything he could lay his hands on. He asked for a $5,000 loan, which, of course, I gave him. Three days later, Jesse had gone to eat breakfast in the Sherry-Netherlands, went to the lavatory and shot himself. They found a note made out to me for $5,000. This was the man who said, "What's the use having ten million if you can't have big money?" Jesse was one of the most brilliant minds in the trading world. He knew the crops of every area where grain grew. He was a great student, but always over-optimistic.

Did you sense the Crash coming in 1929?

I recognized it in May and saved myself a lot of money. I sold a good deal of my stocks in May. It was a case of becoming frightened. But, of course, I did not sell out completely, and finished with a very substantial loss.

In 1927 when I read Lindbergh was planning his memorable flight, I bought Wright Aeronautic stock. He was going to fly in a plane I heard was made by Wright. I lived in Milwaukee then. My office was about a mile from my home. When I left my house, I checked with my broker. By the time I reached my office, I had made sixty-five points. The idea of everything moving so fast was frightening. Everything you bought just seemed to have no ceiling.

People say we're getting a repetition of 1929. I don't see how it is possible. Today with SEC † controls and bank insurance, people know

* "Selling short is selling something you don't have and buying it back in order to cover it. You think a stock is not worth what it's selling for, say it's listed as $100. You sell a hundred shares of it, though you haven't got the stock. If you are right, and it goes down to $85, you buy it at that price, and deliver it to the fellow to whom you sold it for $100. You sell what you don't have." Obviously, if the stock rises in value, selling short is ruinous. . . . Ben Smith sold short during the Crash and made "a fortune."

† Securities and Exchange Commission.

their savings are safe. If everybody believes, it's like believing in counterfeit money. Until it's caught, it serves its purpose.

In 1932 I came to New York to open an office in the Flatiron Building. Macfadden, the health faddist, created penny restaurants. There was a Negro chap I took a liking to that I had to deal with. He agreed to line up seventy-five people who needed to be fed. At six o'clock I would leave my office, I'd march seventy-five of 'em into the Macfadden restaurant and I'd feed 'em for seven cents apiece. I did this every day. It was just unbelievable, the bread lines. The only thing I could compare it with was Germany in 1922. It looked like there was no tomorrow.

I remember the Bank Holiday. I was one of the lucky ones. I had a smart brother-in-law, an attorney. One day he said to me, "I don't feel comfortable about the bank situation. I think we ought to have a lot of cash." About eight weeks before the bank closings, we decided to take every dollar out of the banks. We must have taken out close to a million dollars. In Clyde, Ohio, where I had a porcelain enamel plant, they used my signature for money. I used to come in every Saturday and Sunday and deliver the cash. I would go around the department stores that I knew in Milwaukee and give them thirty-day IOU's of $1.05 for a dollar if they would give me cash.

In 1933, the night Jake Factor, "The Barber," was kidnapped, an associate of mine, his wife, and a niece from Wyoming were dancing in a night club. Each of us had $25,000 cash in our socks. We were leaving the following morning for Clyde, and I was supposed to bring in $100,000 to meet bills and the payroll. We were all dancing on $25,000 apiece. In the very place where Jake Factor was kidnaped for $100,000. The damn fools, they could have grabbed us and had the cash.

Jimmy McPartland

Jazz musician. A trumpet player, he was regarded by Bix Beiderbecke as his successor. He came East, out of Chicago, in the late Twenties, along with Benny Goodman, Bud Freeman, Gene Krupa, Eddie Condon.

So many guys were jumping out of windows, you know, because they lost their money. Goodness gracious, what for? We used to say to each other: Are they nuts? What is money? We were musicians, so what is money? That's nothing. The important thing is life and living and enjoying life. So these guys lose all their money, what the hell's the difference, we used to cept for old Joe Kennedy. He was a robber baron. These New Dealers felt they had a mission to perform. Roosevelt attacked people—with some reason. But without justice. All people on Wall Street are not crooks.

My friends and I often spoke about it. Especially after his hammy fireside chats. Here we were paying taxes and not asking for anything. Everybody else was asking for relief, for our money to help them out. . . . A certain amount of that is O.K., but when they strip you clean and still don't accomplish much, it's unfair.

They were do-gooders, trying to accomplish something. I give them credit for that. But they didn't listen to anybody who had any sense.

Hoover happened to be in a bad spot. The Depression came on, and there he was. If Jesus Christ had been there, he'd have had the same problem. It's too bad for poor old Herbie that he happened to be there. This was a world-wide Depression. It wasn't Hoover's fault. In 1932, a Chinaman or a monkey could have been elected against him, no question about it.

John Hersch

He is the senior partner in a large brokerage house in Chicago. From his LaSalle Street office, on this late afternoon we can see the crowds below, worrying toward buses and parking lots, heading home.

"It's been a fascinating business for me right from 1924 to 1968. I've been in it a long time, and I'm very proud of it. It's entirely different than it was in the Twenties. The canons of ethics are extremely strict. There are still bad episodes once in a while, but it's a big society."

His is an air of worldly-weariness.

I CAME into the business, out of the University of Chicago, about Christmas, 1924. I had about $3,000 in the stock market, which was all the money I had. On Black Friday—Thursday, was it?—that margin account went out of the window. I may have had about $62 left.

My wife had a colossal $125 a week job with a Shakespearean theater company. That night, she came home to our little apartment, and she said, "Guess what happened today?" I said, "What?" She said, "I quit." I was making about $60 a week and she was making $125. Two-thirds of our income and all of our savings disappeared that day.

I was a margin clerk. He's a man who keeps the figures on individual accounts, if they're carrying stocks on margin—that is, if they're carrying stocks without paying for them.

When the break started, you had a deluge of selling, from weakened margin accounts. We had to stay up all night figuring. We'd work till one o'clock and go to the LaSalle Hotel and get up about five and get some breakfast and continue figuring margin accounts. 'Cause everybody was in trouble. But everybody.

The guy I worked for was sitting in the wire room, watching the tape. The tape was something to see, because Radio Corporation, let's say, would be ninety-five on the tape . . . they'd flash you sixty on the floor. The floor was a madhouse. I said to him: "Are we solvent?" He says, "I won't know till about twelve tonight." He was half-serious. It was brutal.

The Crash—it didn't happen in one day. There were a great many warnings. The country was crazy. Everybody was in the stock market, whether he could afford it or not. Shoeshine boys and waiters and capitalists. . . . A great many holding company pyramids were unsound, really fictitious values. Mr. Insull was a case in point. It was a mad dream of get-rich-quick.

It wasn't only brokers involved in margin accounts. It was banks. They had a lot of stinking loans. The banks worked in as casual a way as the brokers did. And when they folded. . . .

I had a friend in Cincinnati who was young and attractive. He had a wife and children and he was insured for $100,000. Life was over as far as he was concerned. He took a dive, to take care of his wife and kids. There was a number who took the dive, to collect on insurance policies. It's unthinkable now, when you know how many people have been able to come back.

There were others that impress me. I kept hearing about town that their businesses were in trouble. But they never lowered their standard of living a bit. They lived like kings, right through the Depression. I've never been able to figure this out. I knew some people who maintained their Lake Shore Drive apartments and cars, and everybody knew they were in trouble. I never knew how they did it, and I didn't care particularly. My friends and I were all broke, and we had no pretensions.

You had no governmental control of margins, so people could buy on a shoestring. And when they began pulling the plug . . . you had a deluge of weakness. You also had short-selling and a lack of rules.* There were many cases of staid, reputable bankers making securities available on special deals—below the market price—for their friends. Anything went, and everything did go.

Today, there are very few bankers of any repute who have objected to the Securities Exchange Commission. They believe that the regulation in 1933 was a very, very sound thing for our business.

In '32 and '33, there was no securities business to speak of. We played

* "Now under SEC rules, you can only sell if the stock goes up an eighth. You can't sell it on the downtake."

a lot of bridge in the afternoons on LaSalle Street. There was nobody to call or see. It was so quiet, you could hear a certificate drop. (Laughs.) Nobody was making a living. A lot of them managed to eke out $40, $60 a week, but mostly we played bridge. (Laughs.)

I found a certain obtuseness about what's going on in the country. Even after it happened. Of course, at the beginning of the New Deal, the capitalists embraced Franklin Roosevelt as a real savior of our system. The Chicago *Tribune* wrote laudatory articles about him. Editorials. As soon as things got a little better, the honeymoon was over. You know all those old stories about guys getting on the train at Lake Forest: they were always looking for one headline every morning, that black headline about F.D.R. These people. . . .

It took this guy with the long cigarette holder to do some planning about basic things—like the SEC and the WPA and even the lousy Blue Eagle. It put a new spirit in the country.

The Bank Holiday of 1933 brought a certain kind of joyous, devil-may-care mood. People were just gettin' along somehow. It was based on the theory: Good grief, it couldn't get much worse. They bartered things for things.

The Irish Players were in Chicago, and everybody took potatoes to get in. People were taking vegetables to the box office. And they had big audiences.

I'm not trying to detract from the fact that there was wholesale misery in the Depression, 'cause you knew there were people living under the Michigan Avenue Bridge. Gentlemen in old $200 suits were selling apples. There was plenty of misery. I never want to see another. . . .

I don't find that people remember the Depression or think about it. I don't find it coming up in conversations. I also discover that a great many people, even professors, who might have gotten $300 a month during the Depression—some of them are worth a hundred, a hundred fifty thousand bucks today. You've never seen so much money around in history as there is today. Never. It's happened in the last twenty-three years . . . the development of industry and the creation of equities in business.

Another remarkable thing about the Depression—it never resulted in revolution. I remember that out in Iowa some place, there was a fellow named Reno,* who led a small following. There were some trucks turned over, and sheriffs weren't allowed to foreclose. But when you consider what was going on in the country—the whole country was orderly: they just sat there and took it. In retrospect, it's amazing, just amazing. Either they were in shock, or they thought something would happen to turn it around. . . . My wife has often discussed this with me. She thinks it's astonishing, the lack of violent protest, especially in 1932 and 1933.

* Milo Reno, leader of the Farm Holiday Association.