Stock Market Crash, 1929

Jonathan Norton Leonard

OVERVIEW

Stock prices were incredibly high in October 1929. The so-called bull market could not last. On Thursday, October 24, the stock market plunged, providing a warning of the crash that was to come. Jonathan Norton Leonard, a journalist and historian, described what happened in these excerpts from his 1944 book *Three Years Down.*

GUIDED READING As you read, consider the following questions:

- Does this description convey a sense of the devastation that is about to affect the whole nation?
- What was the mood on Wall Street immediately before the stock market crash?

That Saturday and Sunday Wall Street hummed with week-day activity. The great buildings were ablaze with lights all night as sleepy clerks fought desperately to get the accounts in shape for the Monday opening. Horrified brokers watched the selling orders accumulate. It wasn't a flood; it was a deluge. Everybody wanted to sell—the man with five shares and the man with ten thousand. Evidently the week-end cheer barrage had not hit its mark.

Monday was a rout for the banking pool, which was still supposed to be "on guard." If it did any net buying at all, which is doubtful, the market paid little attention. Leading stocks broke through the support levels as soon as trading started and kept sinking all day. Periodically the news would circulate that the banks were about to turn the tide as they had done on Thursday, but it didn't happen. A certain cynicism developed in the board rooms as the day wore on. Obviously the big financial interests had abandoned the market to its fate, probably intending to pick up the fragments cheap when the wreck hit the final bottom. "Very well," said the little man, "I shall do the same."

When the market finally closed, 9,212,800 shares had been sold. The *Times* index of 25 industrials fell from 367.42 to 318.29. The whole list showed alarming losses, and margin calls were on their way to those speculators who had not already sold out.

That night Wall Street was lit up like a Christmas tree. Restaurants, barber shops, and speakeasies were open and doing a roaring business. Messenger boys and runners raced through the streets whooping and singing at the tops of their lungs. Slum children invaded the district to play with balls of ticker tape. Well-dressed gentlemen fell asleep in lunch counters. All the downtown hotels, rooming houses, even flophouses were full of financial employees who usually slept in the Bronx. It was probably Wall Street's worst night. Not only had the day been bad, but everybody down to the youngest office boy had a pretty good idea of what was going to happen tomorrow.

The morning papers were black with the story of the Monday smash. Except for rather feeble hopes that the great banks would step into the gap they had no heart for cheerful headlines. In the inside pages, however, the sunshine chorus continued as merry as ever. Bankers said that heavy buying had been sighted on the horizon. Brokers were loud with "technical" reasons why the decline could not continue. . . .

These noble but childish dabbles in mass psychology failed as utterly as might have been expected. Even the more substantial contributions of U.S. Steel and American Can in the shape of $1 extra dividends had the same fate. Ordinarily such action would have sent the respective stocks shooting upward, but in the present mood of the public it created not the slightest ripple of interest. Steel and Can plunged down as steeply as if they had canceled their dividends entirely. The next day, Tuesday, the 29th of October, was the worst of all. In the first half hour 3,259,800 shares were traded, almost a full day's work for the laboring machinery of the Exchange. The selling pressure was wholly without precedent. It was coming from everywhere. The wires to other cities were jammed with frantic orders to sell. So were the cables, radio and telephones to Europe and the rest of the world. Buyers were few, sometimes wholly absent. Often the specialists stood baffled at their posts, sellers pressing around them and not a single buyer at any price.

This was real panic. It was what the banks had prevented on Thursday, had slowed on Monday. Now they were helpless. Reportedly they were trying to force their associated corporations to toss their buying power into the whirlpool, but they were getting no results. Albert Conway, New York State Superintendent of Insurance, took the dubious step of urging the companies under his jurisdiction to buy common stocks. If they did so, their buying was insufficient to halt the rout.

When the closing bell rang, the great bull market was dead and buried. 16,410,000 shares had changed hands. Leading stocks had lost as much as 77% of their peak value. The Dow Jones index was off 40% since September 3. Not only the little speculators, but the lordly, experienced big traders had been wiped out by the violence of the crash and the whole financial structure of the nation had been shaken to its foundations. Many bankers and brokers were doubtful about their own solvency, for their accounting systems had broken down. The truth was buried beneath a mountain of scribbled paper which would require several days of solid work to clear away.

Source: Leonard, Jonathan Norton. *Three Years Down.* J.B. Lippincott Company, 1944.