

EXTRA

OCTOBER 24, 1929

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BLACK THURSDAY

The Great Wall Street Crash of 1929

BY BRYAN BROWN

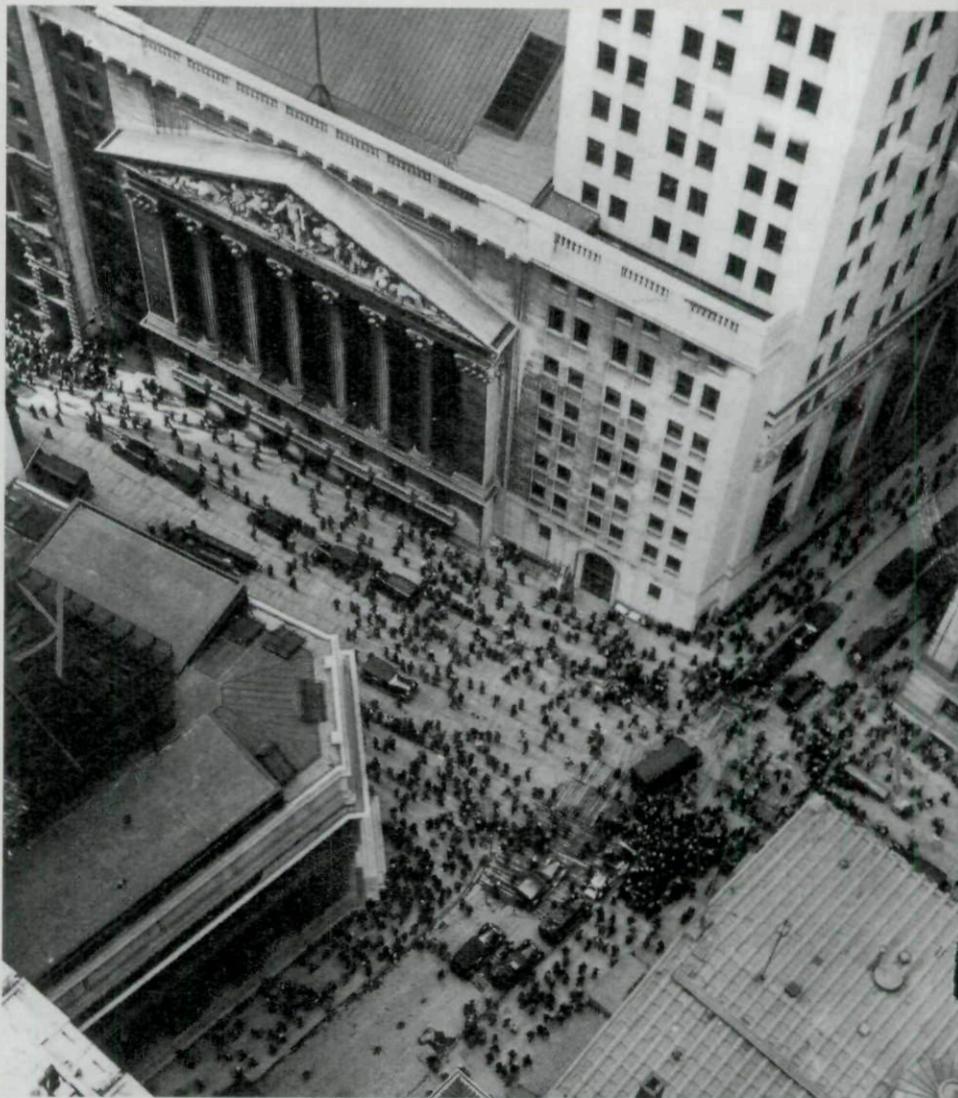
In the 1920s, the United States seemed like a place of limitless possibilities. The economy was booming, and millions of Americans dreamed of getting rich in the **stock** market.

For these people, the center of the world was the New York Stock Exchange on Wall Street in New York City. There, the stocks of America's major businesses were bought and sold, and the engine of the country's prosperity was fueled. Some people made fortunes by buying stocks at one price and selling at a higher one. Many others tried this strategy and failed. Behind the scenes, America's top bankers and corporations **manipulated** (controlled) the prices of stocks to make themselves richer.

All of this made stock prices spiral up and up. Inevitably, they came crashing down. The stock market crash of October 1929 had immense consequences for the country and the world.

Words to Know

- **broker**: one who buys and sells stocks.
- **margin**: a down payment on a stock bought from a broker.
- **stock**: the symbol of partial ownership in a company, issued by the company in order to raise capital (money).



Outside the New York Stock Exchange on Black Thursday.



Nervous investors flood Wall Street during the dark days of October 1929.

CHARACTERS

- **K.C. Investor**, investor in Kansas City, Missouri
- **K.C. Broker**, stockbroker
- Groucho Marx**, actor/comedian, one of the famous Marx Brothers
- Harpo Marx**, Groucho's brother
- Herbert Hoover**, President of the United States
- **Federal Reserve Governor**, an executive of the U.S. national bank
- **Trader A**
- **Trader B**
- Michael Meehan**, key trader, RCA

- William Crawford**, supervisor, New York Stock Exchange
- General Oliver Bridgeman**, key trader, U.S. Steel
- Thomas Lamont**, partner, J. P. Morgan and Company
- Albert Wiggin**, Chairman, Chase National Bank
- Edward Stone**, Wall Street investor
- Edith Stone**, his daughter
- Mabel Stone**, his wife
- **Clerk**, New York Stock Exchange
- Narrators A-D**

* Indicates fictitious character

SCENE 1

Narrator A: For many Americans in the late 1920s, following the stock market with their local **broker** is an obsession. In Kansas City, Missouri, for instance . . .

K.C. Investor (*rushing in breathlessly*): I have 10 minutes for lunch. Quick, what is U.S. Steel trading for?

K.C. Broker (*reading ticker tape*): Let's

see. Looks like it's up 12 points from yesterday.

K.C. Investor: I just made \$7,000. But I should have bought those extra hundred shares when I had the chance.

Narrator A: Comedian Groucho Marx and his brothers have also caught the stock market fever. While on the road, at Boston's Copley Hotel . . .

Groucho Marx: Quick, Harpo. The elevator man just told me some big shots in expensive suits were talking about buying United Corporation. We've got to get to a broker.

Harpo Marx: I'm still in my robe. Let me get dressed.

Groucho: Are you crazy? If we wait for you to get your clothes on, the stock might jump 10 points. Come on!

Narrator A: But other people are worried about the wild spending on stocks. At the White House . . .

Herbert Hoover: It can't be good that so many people are borrowing so much money to buy stocks. What can happen to them?

Federal Reserve Governor: Usually, brokers charge a small **margin** for a stock, and loan the customer the rest. But if the stock goes down too far, the broker sells it to someone else. So the customer loses the stock, *and* still owes most of the money for it. People can have their savings wiped out in the blink of an eye.

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HERBERT HOOVER: The public is mad with greed. They think that they are rubbing an Aladdin's lamp. What will happen if the market goes down all at once?

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Narrator A: The country is about to find out.

SCENE 2

Narrator B: The year 1928 had been a peak for the stock market. Some stocks more than doubled in value. But now, in 1929, the market begins taking some terrible falls. On Wednesday, October 23, stock prices plummet [drop sharply]. Investors and traders leave Wall Street in a state of shock. On Thursday morning, no one knows what to expect.

Trader A: Did you see all those people standing outside, waiting for the market to open?

Trader B: Yeah, they look like dying men checking their own pulse beats.

Trader A: Even Mr. Meehan looks worried.

Narrator B: Michael Meehan is the key stock trader for Radio Corporation of America, or RCA. When the opening bell rings at 10 o'clock, he is immediately overwhelmed.

Trader B (yelling): Selling Radio. Sell!

Trader A (yelling louder): Selling Radio. Who's buying?

Trader B (still louder): Stop pushing, I got here first. Sell!

Michael Meehan: Gentlemen, please! Stay calm. In 10 years, I've never seen the likes of this. No one is buying.

Narrator B: Throughout the morning, Meehan lowers prices by \$5 a share, then by \$10 and more. Still

no buyers. Elsewhere on the floor...

William Crawford: It's chaos out there. How are things with U.S. Steel?

General Oliver Bridgeman: If Steel continues to go down, it could carry everything else down the chute with it.

Crawford: The tickers can't keep up with the dropping prices! No one knows what the real price of a stock is. It's panic, I tell you. I shudder to think what is coming.

SCENE 3

Narrator C: Around noon, the city's top bankers have an emergency meeting at the Wall Street offices

of J. P. Morgan and Company.

Thomas Lamont: Gentlemen, we must do something to stop this panic. I suggest that we pump money into the most important stocks.

Albert Wiggin: I'll agree to spend \$20 million if everyone else does.

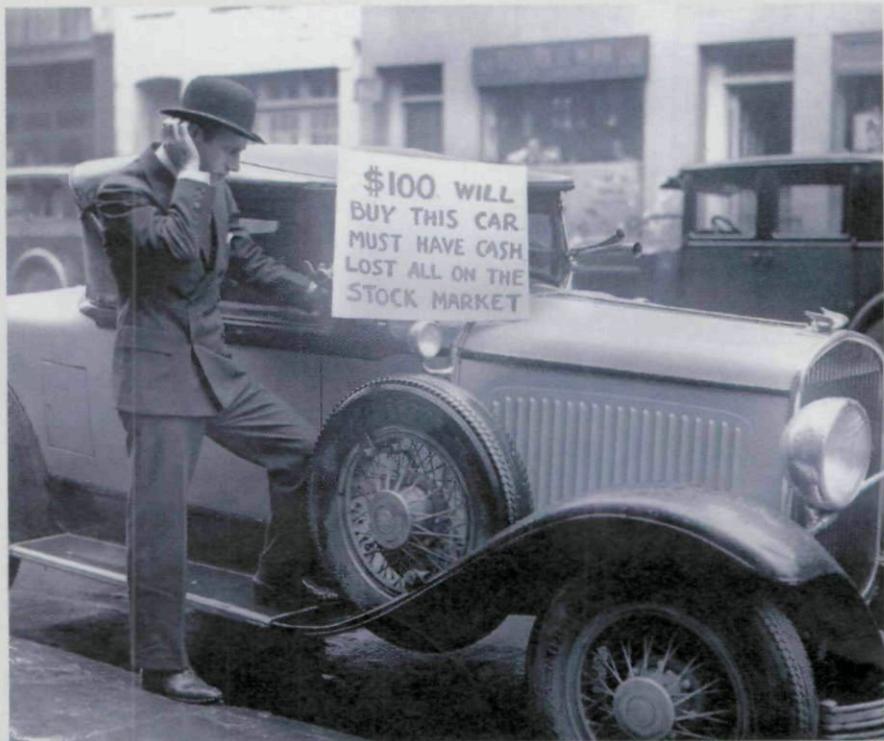
Narrator C: The action of the bankers stops the slide. But it's too late for some people. Waiting at home for her father, who is a Wall Street investor, Edith Stone is worried sick. Finally...

Edward Stone (bursting in): I've lost everything. Everything! I'm going to kill myself. It's the only way. You'll have the insurance...

Narrator C: Edith and her mother



Groucho Marx, hoping to forget the crash, in the 1933 film *Duck Soup*.



A bankrupt investor in New York City tries to sell his luxury roadster.

wrestle him to the ground to keep him from jumping out a window of their high-rise apartment.

Edith Stone: Father, don't do this! Do you want to be remembered as a weakling, a man who gave up?

Mabel Stone: Ed, for heaven's sake, be strong. We'll manage somehow.

Narrator C: With losses of \$3 billion, it is the worst day in the history of Wall Street. People begin calling it Black Thursday. Edward Stone does not jump, but a few ruined businessmen do—and worse is yet to come.

SCENE 4

Narrator D: On Friday, the market steadies. Over the weekend, President Hoover and prominent bankers try to calm the public. But the public is not so calm. When the market opens on Monday, the panic begins again. By the closing bell at 3 o'clock, \$10 billion have

been lost. Few people are reassured by Albert Wiggin's statement to the press.

Wiggin: No corporation I am connected with is selling stocks. We are buying.

Narrator D: In fact, Wiggin is lying. He's secretly selling thousands of shares of Chase stock. The situation is bleak. On Tuesday morning, before the opening bell, Meehan talks to his staff.

Meehan: Thousands of orders came in to sell last night. I know it looks bad. I've lost a lot of my own money. But if we keep trading, things will be OK.

Clerk: Looking at the mood out there, I have my doubts. Now I know how they felt at the Alamo.

Narrator D: The panic continues. That day, some \$9 billion are lost on the New York Stock Exchange alone, and billions more in other exchanges. In Baltimore, Maryland, Groucho Marx is too depressed to perform.

Groucho: I borrowed to pay more margin to my broker. I borrowed against my life-insurance policy to keep the stock. Now I've lost \$240,000! I would have lost more, but that was all the money I had.

Narrator D: The next day, Wednesday, the market finally begins to stabilize. But in six days, investors have lost more than \$25 billion. For millions of Americans, the dream of unlimited wealth through the stock market has died a hard death.

AFTERWORD

The effects of the great Wall Street crash were enormous. The crash was one of the causes of the worldwide economic downturn called the Great Depression (1929-1939). Millions of people lost their jobs, homes, and savings. Some were forced to beg in the streets. In 1932, hearings by the Senate Banking and Currency Committee uncovered massive greed by Albert Wiggin and other Wall Street bankers. Careers were ruined, and some bankers went to jail. Finally, in 1934, Congress created the Securities and Exchange Commission (SEC) to fix the worst abuses of stock manipulation. In the years that followed, the stock market had other terrifying days, and fortunes were gained and lost. Today, Wall Street continues to be the biggest engine of American business and symbol of capitalism—with all its best and worst features. **JS**

Your Turn

THINK ABOUT IT

What lessons should have been learned from the 1929 stock market crash? Do those same lessons apply today? Explain.