What made the "Roaring '20s" crash?

Featured Source	**Source A:** "Billions Lost in New Stock Crash", *The Milwaukee Leader* (WI), October 28, 1929

As the Stock Market Crash of 1929 was unfolding, thousands of people began selling their shares in the stock market due to panic and recalling of loans from brokers (see Source D). This caused the value of the stock market to plummet. To try and avoid a crash, many bankers and wealthy businesses bought up as much of the stocks that were being sold. However, their buying could not keep up with the selling of shares, contributing to the crash.

"Woe unto you who build your palaces with the sweat of others! Each stone, each brick of which it is built, is a sin!" —Book of Enoch.

The Milwaukee Leader

HOME EDITION

"Unawed by Influence and Unbribed by Gain"

Vol. 18—No. 275. MONDAY EVENING, OCTOBER 28, 1929. PRICE THREE CENTS

BILLIONS LOST IN NEW STOCK CRASH

BANKERS' AID FAILS TO END SELLING WAVE

What made the "Roaring '20s" crash?	
Featured Source	**Source B:** "Selling Panic Hits N.Y. Market with Great Force", *Douglas Daily Dispatch* (AZ), October 25, 1929

As the market began to fall, thousands of people began selling their shares in the stock market due to panic and recalling of loans from brokers (see Source D). This caused the value of the stock market to plummet as panic continued to spread.

Selling Panic Hits N. Y. Market With Great Force

By CLAUDE A. JAGGER. Associated Press Financial Writer.

NEW YORK, Oct. 24 (AP) — Wall street was thrown into a stock selling panic today of the gigantic and overwhelming proportions that the enormous growth of speculative activity in recent years had predicated.

All trading records on the stock and curb exchanges were smashed, and stock prices tumbled with the most dizzy swiftness yet witnessed, until reassuring statements from bankers in the early afternoon checked the drop, and an enormous short covering movement set in which cut in half scores of losses running from $15 to $40 a share in important stocks.

Sales on the New York stock exchange reached the amazing total of 12,894,600 shares, and the ticker ran for four hours and eight minutes after the closing gong. This turnover exceeds by 50 per cent the previous record of March 26. Utter turmoil reigned on the floor of the exchange, and it appeared for a time that it might be necessary to suspend trading.

This stampede of selling was a continuation of the flood of liquidation which swept into the market in the last hour yesterday, when trading for a brief time was equal to today's terrifying pace. It culminated a downward movement which has been growing more and more decisive since early September.

The huge number of speculators who have been attracted to the market during its almost steady rise of the past five years had their first taste of an old fashioned, disastrous break, and naturally were panic stricken. Good and bad stocks were dumped overboard together.

American and Foreign Power closed off 14, and one of the most severe losses was in radio, off more than 10. Johns-Manville dropped 40 points and rallied 30. Standard Gas dropped 27. Utilities were the most vulnerable, the general list showing acute weakness, even Standard of New Jersey selling off more than 10 points for a time.

What made the "Roaring '20s" crash?	
Featured Source	**Source C:** "Stock Crash Laid to Foreign Sales", *Evening Star* (Washington D.C.), October 27, 1929

During the Crash, many countries that had invested their money into American companies through stocks began selling their shares for cash – or as this article states "foreign liquidation of American securities" – contributing to the crash. In addition, speculation– or the practice of purchasing high-risk shares in hopes of making a quick and large profit– drove stock prices to incredibly inflated prices, also contributing to the crash.

STOCK CRASH LAID TO FOREIGN SALES

Dumping of Securities by European Holders Held Chief Factor in Decline.

BY JOHN F. SINCLAIR.

Special Dispatch to The Star.

NEW YORK, October 26.—The stock market crash of last week which sent thousands of stock buyers down to financial defeat, was primarily precipitated by foreign liquidation of American securities. While this fact is clear to a well informed few, the statement will come as a distinct surprise to a great majority of traders in securities.

It is doubtful if the financial world will see in the next 10 years another such crash—a crash which shook not only the Wall Street exchange to its foundation, but also shook a score of other exchanges in the leading cities of the country.

Chicago experienced almost as violent a recession as did New York. San Francisco saw her stocks melt away on her exchange in a few hours. So did Los Angeles. Detroit and Cleveland saw similar conditions.

Waited for Crash.

What was behind the biggest crash in the history of American stock exchanges?

For some time it has been admitted generally that stocks were high. In fact, for the last three years a number of leading financiers have been predicting a drop in the prices of securities.

I know of one large investor who has not been in the market except once during the whole of that period. Last week, on Thursday, this man began buying almost at the bottom of the list. His capital now shows an increase of just about 20 per cent in three days. He waited three years for that chance. He felt a crash was due, but, unlike many, he refused to go back until "something happened."

Other thousands, however, who also believed the market was due for a crash, have been playing it vigorously and successfully during this whole period. They figured they could go in, take a profit and get out without burning their fingers.

Some did. But the difficulty of such a plan is knowing when the crash will come. They were playing with fire. When the crash came last week, with dramatic suddenness, many—a great many—of these men were caught along with the rest.

Banking Situation Excellent.

I should say that not one in twenty of these "knowing" stock market speculators got out of last week's market with any profits.

But what caused the market to crash at this particular time? That is the question that is on the lips of every man interested in present conditions.

It is not because credits are strained. The banking situation is excellent. Reserves are higher than they were a year ago. The Federal Reserve Bank is in the most enviable position of any central bank of the world today.

Business throughout the country is maintaining itself on a high level, much higher than one year ago. The net profits which are being announced this Fall by the various industrial corporatiosn are almost universally higher by 20 to 40 per cent than they were one year ago. So there must be some other reason for the stock debacle.

Investment services, too, were lame on the "time" element. Some have been asking their clients to keep a certain percentage of their funds liquid, but most of these investment services did not foresee the crash coming last week. Some of the most important ones even recommended the purchase of certain stocks in their very last bulletins.

Underlying Causes.

Despite all these conditions, now turn to what really happened.

Based on the amount of losses involved in the stocks traded in on the New York Stock Exchange during last week, when about $8,000,000,000 melted away, the week is the worst the exchange has ever experienced.

Add to these losses the amount lost in all the other exchanges of the country and the total will probably reach about $12,000,000,000.

A careful survey of the whole situation during the last few months shows the underlying causes for this reversal in the prices of securities.

The extraordinary and frenzied speculation on Wall Street during the last year had driven interest rates up to a very high level. Other nations being on a gold standard were forced to do likewise or lose gold to the United States.

So dear money in the United States caused by the frenzied stock speculation meant dear money in other nations. It spelled high money rates in Austria, Hungary, Germany, France, England and other nations.

Cheap money, which drives the wheels of industry around, being lacking, industry itself began to drop and recede outside the United States.

John Maynard Keynes, British economist, in a recent statement said if the recent high rates in the United States had lasted for another six months it would have been a real danger throughout the world.

What made the "Roaring '20s" crash?	
Featured Source	**Source D:** "Market Disrupted By Another Wave of Wild Selling", *Brownsville Herald* (TX), October 28, 1929

Throughout the 1920s, the practice of buying stocks "on margin" became common. This meant that people could buy $100 of stock with only about $10 of their own money and borrow the rest. That felt exciting when prices rose—small money could make big gains—but it was dangerous because the loan could be called back at any time. If prices dipped, the broker could demand more cash immediately, forcing people to sell fast. That "forced selling" turned small drops into big crashes as people had to dump their stocks at once.

The Brownsville Herald

THE VALLEY FIRST—FIRST IN THE VALLEY—LEASED WIRE SERVICE OF THE ASSOCIATED PRESS—(AP)

THIRTY-EIGHTH YEAR—No. 118 | BROWNSVILLE, TEXAS, MONDAY, OCTOBER 28, 1929 | EIGHT PAGES TODAY | 5c A COPY

STOCK PRICES IN DISASTROUS CRASH

Market Disrupted By Another Wave Of Wild Selling

Many Issues Break $5 to $45 Per Share and Ticker Falls Hour Late After Deluge With No Support At Hand

Many traders, large and small, who held on last week in the expectation bankers would support the market until it had become stabilized, were forced to throw their holdings overboard because of inability to supply additional margin to protect dwindling accounts. Bear traders, sensing the market's weakness, hammered unmercifully at high priced stocks, which dropped $1 to nearly $5 a share between sales.

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What made the "Roaring '20s" crash?	
Featured Source	**Source E:** "Bankers Unable to Check Latest Crash of Prices", *South Bend News-Times* (IN), October 29, 1929

As many people had bought stocks "on margin", they had invested little of their own money in the stocks, while the broker had invested most of the value of the share. During the Crash, many brokers began calling their loans back in need of cash to bolster the market, forcing people to sell their stocks immediately. As people were forced to sell their shares to pay back brokers, the market continued to fall. Many brokers panicked as the market fell, as the value of the shares they sold eventually fell lower than the down payment for the share. For example, people bought $100 of stock with only about $10 of their own money and borrowed $90 of the broker's money. When the market began to crash, the value of that share plummeted from $100 to less than $10. This led to the failure of many brokerages, as they lost millions of dollars.

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20 PAGES | SOUTH BEND NEWS-TIMES | Monday's Paid Circulation 29,821

VOL. XLVI, NO. 302* | SOUTH BEND, INDIANA, TUESDAY, OCTOBER 29, 1929 | TWO PARTS—PART ONE | PRICE THREE CENTS

STOCK VALUES DROP 10 BILLION

BANKERS UNABLE TO CHECK LATEST CRASH OF PRICES

Reasons Apparent

Reasons for this nervous unsettlement in the various markets were not hard to find when they occurred, but no one expected another reaction of the scope of Monday's. Briefly the following reasons should suffice to justify the break:

1—Further selling out of weakened margin accounts. Brokers pored over their books all day yesterday instead of spending the day on the links, and the result of their work meant selling out of hundreds of small and large holders on the opening and in early trading.

What made the “Roaring ‘20s” crash?

Featured Source	**Source F:** “Predictions for 1929 ‘Bullish’ With Some Note of Caution, *The Brownsville Herald* (TX), December 27, 1928

There were signs of a crash even before the fall of 1929. While many economists were “bullish”, or optimistic at the end of 1928, some business leaders noticed that many industries across the country were headed toward overproduction of goods. The main industries impacted were automobiles, oil, and crops. With an overproduction of goods, prices dropped, causing a drop in value and a slowing of the economy. When the economy slows, people are not buying, they are selling.

Thursday, December 27, 1928 The Brownsville Herald Page Seven

Predictions for 1929 Trade ‘Bullish’ With Some Note of Caution

Overproduction Is Warned Against By Some Forecasters

By A. LESLIE GOULD
(Associated Press Financial Writer)

NEW YORK, Dec. 27.—(AP)—While business leaders generally forecast greater prosperity for 1929, some add to their “bullish” predictions a word of caution against overproduction through too rapid expansion of factories.

In prosperous times, it is pointed out in business reviews written especially for the Associated Press, money is too easily obtained by manufacturers for factory additions, resulting in overproduction in later years and disastrous price wars to keep plants operating.

What made the "Roaring '20s" crash?	
Featured Source	**Source G:** Various headlines, *South Bend News-Times* (IN), November 7, 1929

Once the damage was done, market traders, brokers, and those that had invested in the stock market were stunned by the toll it had taken on the market. More ripples would be felt later, as over $30 billion dollars were lost in the crash.

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28 PAGES | SOUTH BEND NEWS-TIMES | Tuesday's Paid Circulation 31,608

VOL. XLVI, NO. 311 | SOUTH BEND, INDIANA, THURSDAY, NOVEMBER 7, 1929 | TWO PARTS—PART ONE | PRICE THREE CENTS

STOCK PRICES DROP 15 BILLION

MARKET TRADERS ARE STUNNED BY SUDDEN DECLINE

What made the "Roaring '20s" crash?

Featured Source	**Source H:** Various Headlines, Southbend Times, Brooksville Journal, and Milwaukee Leader, New Britain (CT) Herald, November 1929-January 1930

The Stock Market Crash of 1929 had lingering impacts. In 1930, rumors began spreading that banks would not allow their account holders to sell their stock at the bank. This caused a frenzy that led to the failures of banks across the country, as people were demanding more cash than the bank had.

$500,000 BY PLANE AVERTS BANK RUN

TAYLORVILLE, Ill., Nov. 13.—When depositors threatened to close the doors of one of the four remaining banks here, $500,000 dropped out of the sky accompanied with officers of the Federal Reserve bank of Chicago, stemming the all-day bank run. Similar runs had caused the closing of six banks in the county.

A Bank Failure In Illinois.

"Out of the sky dropped money bags to bring renewed faith to a panic stricken town and to stave off a bank run which would almost certainly have resulted in empty vaults at the only bank which remained open"—reads a news item in describing the hurry up delivery of cash by airplane. It might be called to mind that this bank failure was not in Florida, but in Taylorville, Illinois.

Crowd at Arrest Starts Bank Run

CHICAGO — Because a crowd gathered to watch a policeman arrest a disorderly man in front of the Independence State bank, others jumped to the conclusion something was wrong at the bank and the run on the institution caused it to close its doors, officials said today. Deposits dropped from $5,600,000 to $4,000,000, president Louis Bomash said. Bank examiners announced depositors would not lose anything.

Woonsocket Savings Bank Run Continues

Woonsocket, R. I., Nov. 27 (AP)—A run on the Woonsocket Institution of Savings which began yesterday continued yesterday. About 50 depositors were waiting in line when the doors opened and others constantly joined them.

All depositors were paid upon application and the withdrawals were made without any of the excitement which prevailed yesterday.

A large amount of cash was brought here during the night to replenish the bank's ready currency. Two local banks renewed offers made yesterday to purchase all deposit books of the institution at face value.

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https://www.loc.gov/item/sn82014519/1929-11-27/ed-1/