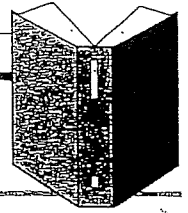


## LITERATURE ACTIVITY



## The Stock Market Crash

In the passage below, Frederick Lewis Allen offers this dramatic account of "Black Tuesday," October 29, 1929.

*As you read, imagine yourself as a stockbroker on the floor of the New York Stock Exchange on that fateful day.*

The big gong had hardly sounded in the great hall of the Exchange at ten o'clock Tuesday morning before the storm broke in full force. Huge blocks of stock were thrown upon the market for what they would bring. Five thousand shares, ten thousand shares appeared at a time on the laboring ticker at fearful recessions in price. Not only were innumerable small traders being sold out, but big ones, too. . . . To give one single example: during the bull market the common stock of the White Sewing Machine Company had gone as high as 48; on Monday, October 28th, it had closed at 11  $\frac{1}{8}$ . On that black Tuesday, somebody—a clever messenger boy for the Exchange, it was rumored—had the bright idea of putting in an order to buy at 1—and in the temporarily complete absence of other bids he actually got his stock for a dollar a share!

The scene on the floor was chaotic. Despite the jamming of the communication system, orders to buy and sell—mostly to sell—came in faster than human beings could possibly handle them; it was on that day that an exhausted broker, at the close of the session, found a large waste-basket which he had stuffed with orders to be executed and had carefully set aside for safe-keeping—and then had completely forgotten. Within half an hour of the opening the volume of trading had passed three million shares, by twelve o'clock it

had passed eight million, by half-past one it had passed twelve million, and when the closing gong brought the day's madness to an end the gigantic record of 16,410,030 shares had been set. Toward the close there was a rally, but by that time the average prices of fifty leading stocks, as compiled by *The New York Times*, had fallen nearly forty points. Meanwhile there was a near-panic in other markets—the foreign stock exchanges, the lesser American exchanges, the grain market.

So complete was the demoralization of the stock market and so exhausted were the brokers and their staffs and the Stock Exchange employees, that at noon that day, when the panic was at its worst, the Governing Committee met quietly to decide whether or not to close the Exchange.

To quote from an address made some months later by Richard Whitney: "In order not to give occasion for alarming rumors . . . the forty governors came to the meeting in groups of two and three as unobtrusively as possible. . . . As the meeting progressed, the panic was raging overhead on the floor. . . . The feeling of those present was revealed by their habit of continually lighting cigarettes, taking a puff or two, putting them out and lighting new ones—a practice which soon made the narrow room blue with smoke. . . ."

After some deliberation, the governors finally decided not to close the exchange.

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### Questions to Think About

1. Based on this account, how would you describe the mood on the floor of the New York Stock Exchange on October 29, 1929?
2. Would the effects of Black Tuesday have been different if the Governing Committee had decided to close the New York Stock Exchange? Explain.