

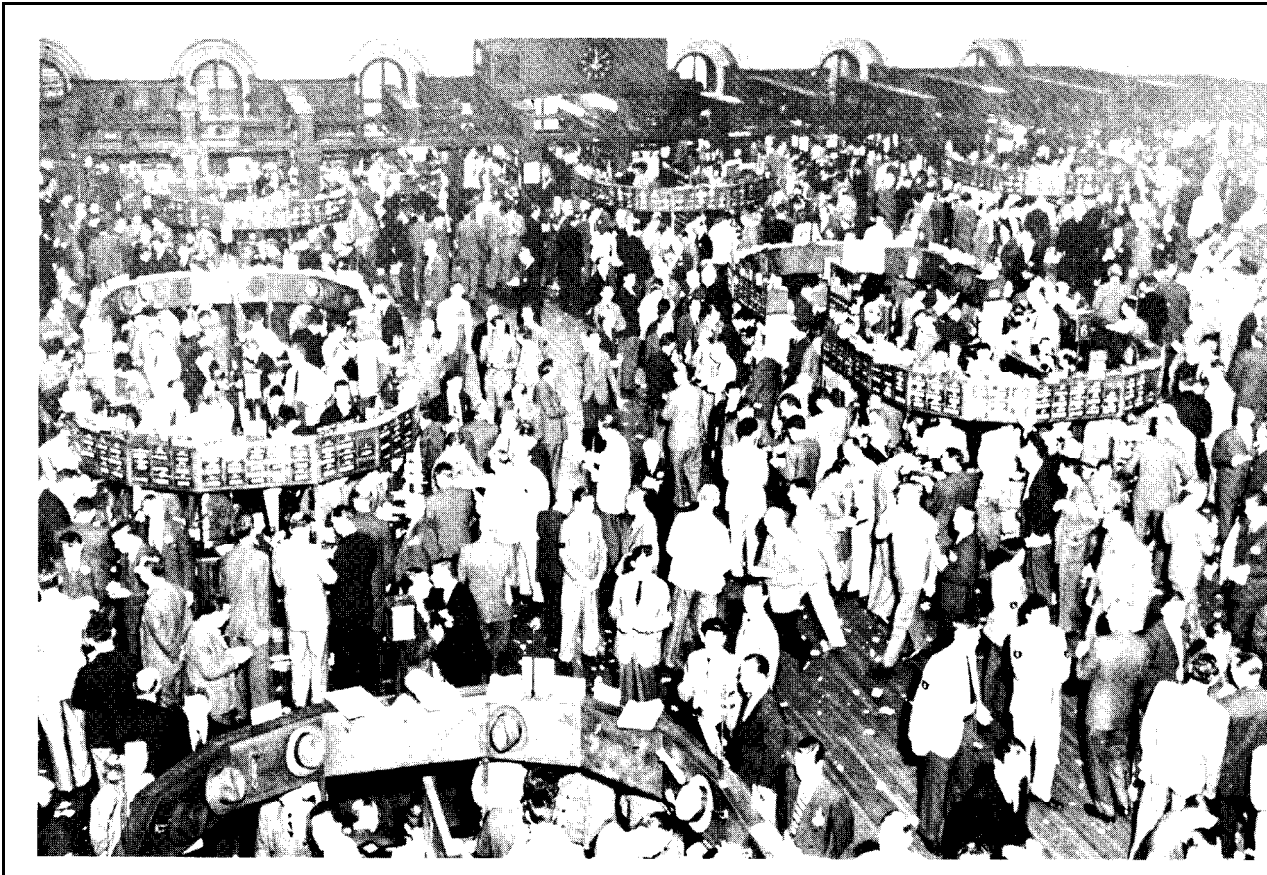
Oasis

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Stock prices tumbled 50 years ago this month, and the Roaring Twenties came to an abrupt end. Out of the Depression that followed came the Social Security Act and other laws to increase the Federal role in managing the economy.

THE CRASH



Confusion reigns on the Stock Market floor in 1929.

WHILE IT'S NOT an occasion that anyone would want to celebrate, the 50th anniversary of the stock market crash occurs this month. Few SSA employees were old enough (most of us weren't even born!) to remember that fateful day in 1929; But most aged Americans now drawing social security benefits remember the Crash. They remember even more clearly the Great Depression that followed.

The Depression caused record high unemployment, tremendous hardships, and even hunger for many millions of people. But in one of history's ironies, the Crash and the Depression were indirectly responsible for passage of the Social Security Act in 1935.

Widespread economic and social *insecurity* brought about the program which provides *security* for nearly all families when workers retire, become disabled or die. No doubt the social security program would have come into existence eventually in any case, but the terrible conditions of the Depression hastened its birth.

Let's look back at the period before the Crash-the 1920s, also called the

Jazz Age, For many, it was a delightful decade, coming after the bloodshed and sacrifice of World War I and before the hard times of the 1930s.

What were the Roaring Twenties like? They were a time of social revolt, of changing moral codes, of shifting crazes, and of avid hero worship.

In every generation, many parents and grandparents think that the youth are going to the dogs. This was particularly true in the twenties—a time of rapid social change. Young women became flappers by the droves. They discarded the long, thick dresses of their mothers, and put on thin ones with short sleeves and hemlines up to the knee.

“Some of the wilder young things rolled their stockings below their knees, revealing to the shocked eyes of virtue a fleeting glance of shin-bones and kneecaps,” related Frederick Lewis Allen in his 1931 book, *Only Yesterday, An Informal History of the 1920s*. Young women even went so far as to abandon their corsets! Although Allen wrote right after the decade’s end, his witty, informal book has held up remarkably well.

Bobbed hairstyles became very popular. Sales of perfume soared, with 2,500 brands on the market. Cotton underwear gave way increasingly to silk and rayon, and petticoats vanished. Allen commented that “no longer were silk stockings the mark of the rich.” He quoted a workingman’s wife as saying, “No girl can wear cotton stockings to high school. Even in winter my children wear silk stockings. . . .”

Even “nice” girls were smoking cigarettes and wearing rouge and lipstick—previously the mark of a “fallen” woman. They began taking unchaperoned rides in autos with their boyfriends. For many courting couples, the auto took the sofa out of the parlor, put it on wheels, and moved it onto secluded lanes.

Speaking of autos, America’s love affair with the car soared through the twenties. Passenger cars in use nearly quadrupled from 6 million in 1919 to 23 million in 1929.

When Ford’s eagerly awaited

Model A was unveiled in December 1927, a million frenzied car-worshippers tried to jam into the company’s headquarters in New York City to catch a glimpse of it. Throngs also flocked to Ford showrooms in Detroit and other cities. Mounted police were called out to maintain order.

Controversial movies, books, and new magazines such as *True Confessions* helped to create, and then capitalize upon, the new morality. They were condemned by some religious leaders as works of the devil.

Crazes came and went. The old Chinese game of mah jongg was simplified, and it swept the country. Crossword puzzles came into vogue. Goldfish swallowing for college men was “in” for a while. Dances like the Charleston and the Black Bottom became the rage.

Another craze was started by a Frenchman, Emil Coué, after he came to this country in 1923. He



Flaggpole sitting was just one of the many fleeting crazes of the 1920s.

suddenly became famous and set up Coué Institutes all across the U.S. His formula for self-improvement, “Day by day in every way, I am getting better and better,” was repeated over and over by millions of followers. This chant could be called the theme of the decade.

John Burnham, in an essay in *Change and Continuity in Twentieth Century America, The 1920's*, stated that “One of the striking developments of the 1920s was the culmination on a mass scale of public interest in personal, introspective accounts of private experiences.”

Mass interest in mental improvement, physical culture, psychology, popular psychoanalysis, letters to the lovelorn, etc., was part of a general cult of the self. New social norms produced and justified self-centered attitudes and self-indulgent behavior.

Radio was another mania in the twenties. Sales of radios increased 1400 percent from 1922 to 1929. The crooning of the old charmer, Rudy Vallee, captivated millions of avid listeners.

Radio’s wide audience helped spark a huge interest in sports and in their heroes. The great and flamboyant home run king, Babe Ruth, made baseball the national pastime. There was hardly a youngster in America who didn’t keep track of how many homers The Babe hit.

Sports super heroes also included football’s Red Grange (the Galloping Ghost), boxing’s Jack Dempsey and Gene Tunney, and golf’s Bobby Jones.

But the biggest hero of the twenties was not to be found in sports. He was a loner—the Lone Eagle. When he made the first solo trans-Atlantic flight to Paris in May 1927, Charles Lindbergh became the world’s idol. America went wild with relief and joy that he had landed safely.

President Calvin Coolidge reflected the national mood by sending a navy cruiser to bring Lindy and his “Spirit of St. Louis” back home. No Caesar returning to Rome ever received such a triumphal welcome. The public welcome with ticker-tape parade in New York

dwarfed any previous celebration. Also awaiting him were 55,000 tele-Trams, one of which had 17,500 names of well-wishers.

Not all was fun, games, and glory during the decade. There were more serious events like the Sacco-Vanzetti case. Sacco and Vanzetti, radical immigrants from Italy, were tried for murder in Boston. They were convicted and their case became an international cause celebre.

Although new evidence was uncovered after the trial which made their guilt seem doubtful, proper Bostonian Judge Webster Thayer sentenced the two to death. They were sent to the electric chair in August 1927, amid wide protests.

Prohibition became the law of the land after the 18th amendment was ratified in 1919. But the problem lay in how to enforce it. Millions of Americans ignored the law and obtained liquor illegally.

The supply came from two sources. Moonshiners made large amounts of illicit alcohol in stills from the Tennessee hills to New York apartments. And smugglers slipped boatloads of foreign booze across the 18,700 miles of coastlines and land borders of the U.S. Prohibition agents to prevent such illegal activities were few and far between.

Organized crime soon began to dominate the rum-running trade. Al Capone and gang warfare in Chicago and elsewhere made national headlines. Speakeasies were easy to find in any American city, and corruption was rampant.

Frederick Lewis Allen quotes a column in the *New York World* that epitomized the confused attitude of many Americans toward Prohibition.

"Prohibition is an awful flop.

We like it.

It can't stop what it's meant to stop.

We like it.

It's left a trail of graft and slime,

It's filled our land with vice and crime,

It don't prohibit worth a dime,

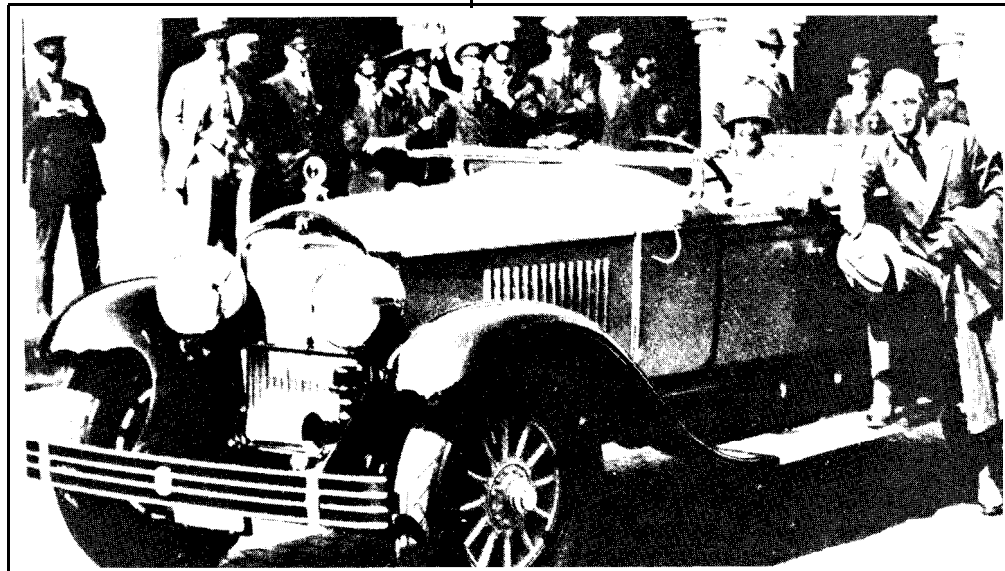
Nevertheless we're for it"

The "wets" and the "drys" debated Prohibition. Each side blamed the other for the disrespect for law

engendered by the widespread flouting of Prohibition. They marshaled their own statistics and experts to prove their side was right. In the end, the wets won the political debate, and Prohibition was repealed in 1933.

The mass-produced auto made it easy for people to flock to vacation lands like the year-round sun and sand of Florida. Land sales there began to boom, and by 1925 the boom was in full bloom. Developers christened Miami the "Wonder City," the "Fair White Goddess of Cities," and the "World's Playground." Ft. Lauderdale became the "Tropical Wonderland." Some land fortunes were made in just a few months.

Inside lots sold for up to \$20,000, and seashore lots-even those miles



TOP: Charles Lindbergh with his "Spirit of St. Louis" after his famous solo flight across the Atlantic. ABOVE: The love affair with the automobile filled the lives of millions during the 'Roaring 20s.' LEFT: Flappers sometimes concealed flasks in their garters to evade Prohibition.

and miles from Miami-skyrocketed to as high as \$75,000. Many unknowing investors bought lots sight unseen from shady promoters -and later found their land to be worthless, under 10 feet of water or in a swamp.

The bubble began to burst in the summer of 1926 when the sharp operators pulled out. People started to default on their payments. Then in September, a devastating hurricane hit the Gold Coast of Florida. Over 400 people died and 50,000 were left homeless. The storm destroyed what remained of the Florida Land Boom.

New subdivisions became ghost towns, building stopped, and many banks failed. What transpired in south Florida in 1926 might have been a warning to the Nation that hard times were coming.

But in the rest of the country- from New York City to the Golden Gate-the economic boom went on. The "bulls" were in the saddle on Wall Street, with stock market prices soaring to record heights.

Speculative fever was intense in the late 1920s. Whenever financial confidence started to falter, President Coolidge and Treasury Secretary Mellon made reassuring remarks and stocks spurted again.

Few people listened to those observers who forecast an end to good times. They were derided as prophets of gloom and doom. Even elevator operators and newsstand vendors were getting and passing on "inside" tips on hot stocks. The Big Bull Market became a national mania.

An article in *Ladies Home Journal* entitled "Everybody Ought to be Rich" fitted the prevailing mood. The gateway to fortune seemed open wide. People thought the boom would last forever. They looked forward to the day when they could sell some stocks at huge profit, buy a mansion and a fleet of cars, and loll on the beach.

Alas, this dream was never to be. The stock market peaked in September 1929. Stock prices began to waver and then fall in October. Wall Street spokesmen soothingly assured anxious investors that all would be

well and that the bull market would soon resume.

But on Thursday, October 24, 1929, the Crash came with a vengeance. As prices tumbled, there was a frantic stampede to get out from under. Wall Street was in chaos- no one knew just what was happening. The stock ticker was late and unreliable.

Many millionaires with highly margined stock holdings were wiped out in that 1 day. Some committed suicide. Billions of dollars in paper profits vanished without a trace.

Millions of American families lost their life savings- in the Crash or later as other investments and savings also were wiped out. The Roaring Twenties had come to an abrupt end,

Within 21/2 years of the Crash, over 90 percent of all stock market values at their 1929 peak were gone. Tens of thousands of businesses failed and over 8,000 banks became insolvent by 1935.

What had caused the Crash? The main reason was excessive speculation. People were able to buy stocks on as much as 90 percent margin (which meant that they only had to pay 10 percent of the stock's value). The market was also subject to a great deal of insider manipulation, pyramid schemes, etc., which added to the instability of the market.

Another reason for the Crash was the psychology of the market. The bull market had prospered in wild dreams, while the bear market that followed was consumed by its own nightmares. Selling led to more selling, and the process fed upon itself.

The causes of the Great Depression of the 1930s included the wipe-out of individual savings and business profits in the Crash, the rapid drop in production that followed, and the banking crisis mentioned above.

Until 1933, the Federal Government seemed unable to do anything effective to prevent or alleviate the Depression. Presidential pronouncements- so effective in the heady Coolidge area- didn't work anymore.

For example, in May 1930 President Herbert Hoover reassured the

Nation that "we have now passed the worst and with continued unity of effort we shall rapidly recover." But there was no recovery, and the downturn only grew worse.

President Franklin Roosevelt, after his inauguration in March 1933, took a number of dramatic steps to restore confidence. Under his Administration, the Congress passed many laws to increase the Federal role in managing the national economy.

One of the most important of these was the Social Security Act in 1935. It established the national social security program that today plays such a vital role in American life.

Most economists believe that we will never have another Great Depression. Paul Samuelson, in his basic text, *Economics*, states that "economic science knows how to use monetary and fiscal policy to keep any recession that breaks out from snowballing into a lasting chronic slump."

Federal regulatory agencies such as the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), and the Federal Deposit Insurance Corporation (FDIC) have the authority to combat excessive speculation and unsound business and banking practices. The FDIC also assures savers that they will get their money back if federally regulated financial institutions fail.

Samuelson and other economists cite certain built-in stabilizers in the economy as preventing any depression. These stabilizers are Government payments that increase during recessions when unemployment increases.

Social security, welfare payments, and unemployment compensation are the three main automatic stabilizers. Nonautomatic stabilizers- that is, those requiring legislative action- such as lowered taxes and public works projects could also be used to prevent a recession from turning into a depression.

We may have economic crises in the future, but another Great Depression is as unlikely as another era like the Roaring Twenties. □