ANDREW ROSS SORKIN

NEW YORK TIMES BESTSELLING AUTHOR OF
TOO BIG TO FAIL

1929

INSIDE THE GREATEST CRASH
IN WALL STREET HISTORY—
AND HOW IT SHATTERED A NATION

1929

INSIDE THE GREATEST CRASH IN WALL STREET HISTORY—AND HOW IT SHATTERED A NATION

Andrew Ross Sorkin

VIKING

VIKING
An imprint of Penguin Random House LLC
1745 Broadway, New York, NY 10019
penguinrandomhouse.com

Image credits may be found on this page.

Cover design: The Heads of State

DESIGNED BY MEIGHAN CAVANAUGH, ADAPTED FOR EBOOK BY CORA WIGEN

LIBRARY OF CONGRESS CONTROL NUMBER: 2025025147
Hardcover ISBN 9780593296967
Ebook ISBN 9780593296974

The authorized representative in the EU for product safety and compliance is Penguin Random House Ireland, Morrison Chambers, 32 Nassau Street, Dublin D02 YH68, Ireland, https://eu-contact.penguin.ie.

prhid_prh_7.3a_153463419_c0_r0

CONTENTS

For my children,
Henry, Max, and Sydney.
Love you always.

The ordinary human being does not live long enough to draw any substantial benefit from his own experience. And no one, it seems, can benefit by the experiences of others. Being both a father and teacher, I know we can teach our children nothing...Each must learn its lesson anew.

—Albert Einstein, October 26, 1929

AUTHOR'S NOTE

Many people know 1929 as the year of the stock market crash—the event that triggered the Great Depression and scarred a generation.

But what led to it, and what followed, is a far more intricate, complex drama—one that is misunderstood or unknown. At its core, it is a deeply human story.

After writing *Too Big to Fail*, about the financial crisis of 2008, I wanted to explore the most infamous crash in history with the same level of depth, granular detail, and human emotion—not just to tell the story but to better understand what we might learn from it.

The narrative that follows is the product of more than eight years of reporting and thousands of hours of research: an account built on private letters, diaries, memos, notes, oral histories, court records, board transcripts, depositions, and lawsuits—some of which had never been published or closely examined.

In one instance, I was granted access, for the very first time, to the confidential board minutes of the Federal Reserve Bank of New York during the most pivotal months of 1929. In another, I was able to secure a revealing, unpublished memoir of a Wall Street insider who lived through it all.

Each scene in this book was assembled from fragments: an offhand remark in a four-hundred-page transcript, a forgotten oral history, a clipped line in a newspaper, a floor plan showing how far someone had to walk to deliver a message. Detail by detail, layer by layer, the picture came into focus.

By understanding the motivations and disparate stories of the central actors, we can begin to understand how this calamity happened. Which is why this is not a story about those who endured the fallout—it's about those who helped set it in motion, because that's where the responsibility lies, and where the lessons remain.

What emerged from this work changed how I understood this period in history. Much of what I uncovered challenged my assumptions—and may challenge yours. And if the characters, issues, and policy choices from that time appear to echo our present moment a little too clearly, that's because they do.

The arc of the story of 1929 may feel like the response to Ernest Hemingway's famous line: "How did you go bankrupt?"

"Two ways," Hemingway's character replies. "Gradually, then suddenly."

That's how confidence—the lifeblood of our economy—disappears: gradually, and then suddenly.

While I was fortunate to uncover previously unseen documents during my research, this book would not exist without the enduring scholarship of others. Because this is written as a narrative, most citations appear in the endnotes, along with commentary that expands or contextualizes particular details.

I'm indebted to the many researchers, archivists, economists, and historians who devoted their lives to studying this period; to the journalists who wrote contemporaneously in the newspapers and magazines of the time; and to authors like John Kenneth Galbraith, whose *The Great Crash 1929* remains canonical; John Brooks, whose *Once in Golconda* is a classic; and Gordon Thomas and Max Morgan-Witts, who wrote the riveting *The Day the Bubble Burst*. There are many more who are credited at the end of this volume.

In 1920, H. G. Wells, the futurist, already anxious about the direction of the modern world, wrote: "Human history becomes more and more a race between education and catastrophe."

I didn’t write this narrative to declare a winner in that race. But I hope that by piecing together the story of 1929, I’ve made the path a little clearer—and the stakes a little harder to ignore.

THE CAST OF CHARACTERS AND THE COMPANIES THEY KEPT

FINANCIAL INSTITUTIONS

THE HOUSE OF MORGAN

John Pierpont Morgan Sr., founder

J. P. “Jack” Morgan Jr., partner, son of John Pierpont Morgan

Thomas William Lamont, partner

Thomas Stilwell Lamont, partner, son of Thomas William Lamont

George Whitney, partner

Henry Davison, partner

Dwight Morrow, former partner, ambassador to Mexico

Russell Cornell Leffingwell, partner

Frank Bartow, partner

Parker Gilbert, partner and associate

Martin Egan, publicist

NATIONAL CITY COMPANY AND NATIONAL CITY BANK

Charles Edwin Mitchell, chairman and CEO

Hugh Baker, head of National City's stock-trading unit

Gordon Rentschler, bank president

COUNTY TRUST COMPANY

James Riordan, founder and president

CHASE NATIONAL BANK

Albert H. Wiggin, chairman and CEO

FIRST NATIONAL BANK OF NEW YORK

George F. Baker Sr., chairman

George F. Baker Jr., vice chairman

BANKERS TRUST

Seward Prosser, chairman

IRVING TRUST

Lewis Pierson, chairman

REICHSBANK

Dr. Hjalmar Schacht, president

BUSINESS LEADERS

Colonel Sosthenes Behn, founder and chairman of International Telephone and Telegraph

Louis-Joseph Chevrolet, co-founder of Chevrolet Motor Company

Walter Percy Chrysler, founder of Chrysler Corporation

Pierre Samuel du Pont, board member of DuPont and General Motors

T. Coleman du Pont, president of E. I. du Pont de Nemours and Company, two-term U.S. senator from Delaware

Henry Ford, founder of Ford Motor Company

William Fox, founder of Fox Film Corporation

John Jakob Raskob, executive at DuPont and General Motors and chairman of the Democratic National Committee (1928–1932)

Colonel William P. Rend, president of the W. P. Rend Coal Company

David Sarnoff, founding general manager of Radio Corporation of America (RCA)

Charles M. Schwab, president of Bethlehem Steel

Alfred Sloan, president of General Motors

Owen D. Young, president and chairman of General Electric, co-founder of Radio Corporation of America (RCA)

THE NEW YORK STOCK EXCHANGE

E. H. H. Simmons, president (1924–1930)

Richard Whitney, vice president, broker for J.P. Morgan & Co.

William Crawford, superintendent

Michael Meehan, RCA or “Radio” specialist and pool operator

General Oliver Bridgeman, U.S. Steel specialist

Ben Smith, pool operator

Tom Bragg, pool operator

Michael Levine, overseer of Wall Street’s army of messenger boys

STOCKBROKERS

Charles Merrill, Merrill Lynch co-founder

William Van Antwerp, partner at E. F. Hutton and Co.

THE SPECULATORS

Evangeline Adams, astrologist known as the “stock market’s seer”

Bernard Baruch

Pat Bologna, Wall Street bootblack with a reputation as a tipster

Arthur Cutten

William Crapo Durant

Clarence Hatry, British financier

Joseph Kennedy

Jesse Livermore

Groucho Marx, actor

Oris and Mantis Van Sweringen

NEW YORK

Jimmy Walker, mayor of New York City (1926–1932)

Fiorello La Guardia, mayor of New York City (1934–1946)

Al Smith, governor of New York (1919–1920, 1923–1928), Democratic candidate for president in 1928

UNITED KINGDOM

Winston Churchill, British member of Parliament, former chancellor of the exchequer, future prime minister (1940–1945, 1951–1955)

Randolph Churchill, son of Winston Churchill

Ramsay MacDonald, British Labour Party leader, foreign secretary, prime minister (1924, 1929–1935)

U.S. GOVERNMENT

William Howard Taft, chief justice of the U.S. Supreme Court (1921–1930), U.S. president (1909–1913)

Warren G. Harding, U.S. president (1921–1923)

Calvin Coolidge, U.S. president (1923–1929)

Herbert Clark Hoover, U.S. president (1929–1933)

Franklin Delano Roosevelt, governor of New York (1929–1933), U.S. president (1933–1945)

Andrew William Mellon, American banker and businessman, treasury secretary (1921–1932)

William Woodin, industrialist, treasury secretary (1933)

Senator Carter Glass, Democrat from Virginia, co-founder of the Federal Reserve Act of 1913, co-sponsor of the Glass–Steagall Act of 1932

Senator Hiram Johnson, Republican from California

Senator Huey Long, nicknamed "the Kingfish," Democrat from Louisiana

Senator Kenneth McKellar, Democrat from Tennessee

Senator George Moses, Republican from New Hampshire

Senator George Norris, Republican from Nebraska

Senator Robert L. Owen, Democrat from Oklahoma, co-sponsor with Carter Glass of the Federal Reserve Act

Senator Arthur Robinson, Republican from Indiana

Senator Reed Owen Smoot, Republican from Utah, co-sponsor of the 1930 Smoot–Hawley Tariff Act

Representative Henry B. Steagall, Democrat from Alabama, co-sponsor of the Glass–Steagall Act of 1932

Learned Hand, federal judge on the U.S. Court of Appeals for the Second Circuit

Harold R. Medina, federal judge on the U.S. District Court for the Southern District of New York

THE FEDERAL RESERVE

Marriner S. Eccles, chairman of the Federal Reserve Board (1934–1948)

George L. Harrison, governor and then president of the Federal Reserve Bank of New York (1928–1940)

Adolph C. Miller, member of the Federal Reserve Board (1914–1936)

Benjamin Strong Jr., governor of the Federal Reserve Bank of New York (1914–1928)

Charles Sumner Hamlin, first chairman of the Federal Reserve Board (1914–1916), remained a member of the board until 1936

Paul M. Warburg, head of the International Acceptance Bank, involved in creating the Federal Reserve, on the first Washington board of governors

THE INVESTIGATORS