History Is Only Interesting Because Nothing Is Inevitable

*What people said before the most important year in economic history.*

By Morgan Housel, The Collaborative Fund
Nothing that’s happened had to happen, or must happen again. That’s why historians aren’t prophets.

Wars, booms, busts, inventions, breakthroughs – none of those things were inevitable.

They happened, and they’ll keep happening in various forms.

But specific events that shape history are always low-probability events. Their surprise is what causes them to leave a mark. And they were surprising specifically because they weren’t inevitable. A lot of things have to go right (or wrong) to move the needle in what is an otherwise random swarm of eight billion people on earth just trying to make it through the day.

The problem when studying historical events is that you know how the story ends, and it’s impossible to un-remember what you know today when thinking about the past. It’s hard to imagine alternative paths of history when the actual path is already known. So things always look more inevitable than they were.

Now let me tell you a story about the Great Depression.

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“After booms come busts,” is about as close to economic law as it gets. Study history, and the calamity that followed the booming 1920s, late 1990s, and early 2000s seems more than obvious. It seems inevitable.

In October 1929 – the peak of history’s craziest stock bubble and eve of the Great Depression – economist Irving Fisher famously told an audience that “stock prices have reached what looks like a permanently high plateau.”

We look at these comments today and laugh. How could someone so smart be so blind to something so inevitable? If you follow the rule that the crazier the boom, the harder the bust, the Great Depression must have been obvious.

But Fisher was a smart guy. And he wasn’t alone.
In an interview years ago I asked Robert Shiller, who won the Nobel Prize for his work on bubbles, about the inevitability of the Great Depression. He responded:

Well, nobody forecasted that. Zero. Nobody. Now there were, of course, some guys who were saying the stock market is overpriced. But if you look at what they said, did that mean a depression is coming? A decade-long depression? No one said that.

I have asked economic historians to give me the name of someone who predicted the depression, and it comes up zero.

That stuck with me. Here we are, bloated with hindsight, knowing the crash after the roaring 1920s was obvious and inevitable. But for those who lived through it – people for whom the 1930s was a yet-to-be-discovered future – it was anything but.

Two things can explain something that looks inevitable but wasn't predicted by those who experienced it at the time:

- Either everyone in the past fell for a blinding delusion.
- Or everyone in the present is blinded by hindsight.

We are crazy to think it’s all the former and none the latter.

The article will attempt to show what people were thinking in the two years before the Great Depression. I’ll do so with newspaper clippings sourced from the Library of Congress chronicling what people actually said at the time.

People who were just as smart as we are today and who wanted to avoid calamity as much as we do today – what were they thinking just before the economy collapsed into the Great Depression?

People who were susceptible to the same behavioral quirks and humble laws of statistics as we are today – what did they think of their booming economy?

How did they feel?

What did they forecast?

What worried them?

What arguments were convincing to them?
History is only interesting because nothing is inevitable. To better understand the stories we believe about our own future, we must first try to understand the views of people who didn’t yet know how their story would end.

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To understand the mood of the late 1920s you have to understand what the country went through a decade prior.

One hundred sixteen thousand Americans died in World War I. Almost 700,000 died from the Spanish Flu outbreak in 1918. As the war and the flu came to an end in 1919, America became gripped by one of its worst recessions of modern times. Business activity fell 38% as the economy transitioned from wartime production to regular business. Unemployment hit 12%.

The triple hit of war, flu, and depression took a toll on morale. The Wall Street Journal, December 18th, 1920. “The war clouds darken the sky no more, but clouds of business depression and stagnation obscure the sun.”

But now after a time of surging though factitious prosperity we are come again into troubled days. The war clouds darken the sky no more, but clouds of business depression and stagnation obscure the sun. Because we worked and strove together in the molding and directing of the economic affairs of the nation and, to a considerable degree of the world, in the tense days of the war, some of our associates have suggested that tonight it would be well to discuss the quite different economic crisis that has now overtaken us.

The Wall Street Journal, April 7th, 1921. “The economic outlook was never so complex as it is now.”

In keeping with the extent of the world-wide political and financial problems, the economic outlook was never so complex as it is now. There are varying influences and cross currents bearing upon the situation that confuse those who attempt to foretell the future. Ever since the armistice, people have been predicting lower prices and lower labor costs, and yet today there is no tangible evidence of any decided change in that respect. It has not added to the clarification of the lay mind that the hope for railroad freight award was followed by immediate recession in security prices, whereas an improvement in that respect was expected. There are those that maintain that the new freight rates only mean an increase in living costs.
It's vital to point this pessimism out, because an important part of the late-1920s boom is understanding how desperate people were for good news after a decade of national misery.

As the clouds began to part in the mid-1920s, Americans were so exhausted from what they'd been through that they were quick to grab onto any signs of progress they could find. Historian Frederick Lewis Allen wrote in the 1930s:

Like an overworked businessman beginning his vacation, the country had had to go through a period of restlessness and irritability, but was finally learning how to relax and amuse itself once more. A sense of disillusionment remained; like the suddenly liberated vacationist, the country felt that it ought to be enjoying itself more than it was, and that life was futile and nothing mattered much. But in the meantime it might as well play – following the crowd, take up the new toys that were amusing the crowd.

By 1924 there's a distinct shift in tone among the business press.

The Baltimore Sun, January 1, 1924:
America had endured more trauma than at any point since the Civil War in a way that left it shaken, scared, and skeptical. By 1928 the final traces of that fear subsided, and its people were ready to embrace the peace and prosperity they wanted so badly. Once secured, they had no intention of letting go and going back to where they were.

On June 18th, 1927 the Washington Post wrote a headline that explains so much of what would took place over the next two years:

**The More You Were Snubbed, While Poor, the More You Enjoy Displaying Your Wealth.**

*By Robert Quillen*

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One thing that sticks out about the late 1920s is the idea that prosperity wasn’t only alive, but was immortal.

Those promoting this belief were not subtle. The New York Herald, August 12th, 1928:

**Hoover Speech Predicts Ending Of All Poverty**

*Mark Sullivan Says Nominee Forecasts Solution of Society’s Oldest Problem Confident of Prosperity Points Way to Racial Progress Through U. S. Wealth*

*By Mark Sullivan A Staff Correspondent*

The Los Angeles Times, December 23rd, 1928: (next page)
PERMANENT
PROSPERITY
HELD SURE

Mortgage Company Official Sees Business Development Reaching Inevitable Peak

Los Angeles is swinging into a steady, consistent building campaign and business-expansion development period that will carry it into a continuous and permanent era of prosperity, according to Robert F. Kyle, loaning officer of the Northland Mortgage Company.

The Boston Globe, January 2nd 1928:

FLUCTUATIONS CAN BE CONTROLLED

Denies “Business Cycle” Foretells Despair

Prof Irving Fisher Says Depressions May Be Eliminated

By IRVING FISHER

The term “business cycle” has become imbedded in the language of economics. Unfortunately, many business men as well as economists seem to think that there is something fatalistic and irascible about the business cycle. It is taken for granted that there must be periodic upswings and downswings in prices, business activity and prosperity. Those who hold this view are now saying, “I told you so,” because business activity has declined during the past months. These economic fatalists hold that this is the inevitable reaction from the prosperity of 1928.

The Christian Science Monitor, February 27th, 1928: (next page)
United States Seeks Way to Put Prosperity on Permanent Basis

Even Distribution of Employment Held to Be as Important as That of Wealth, and That It Be Regular, Even More So

The notion that recessions had been eliminated is easy to laugh at. But you have to consider three things about the 1920s that made the idea seem feasible.

One is that the four inventions that transformed the 1920s – electricity, cars, the airplane, and the radio, and – seemed indistinguishable from magic to most Americans. They were more transformational to the economy than anything since the steam engine, and changed the way the average American lived day to day than perhaps any other technology before or since. Technology that spreads so far, so fast, and deeply tends to create an era of optimism, and a belief that humans can solve any problem no matter how difficult it looks. When you go from a horse to an airplane in one generation, taming the business cycle doesn’t sound outrageous, does it?

The New York Times, May 15th, 1929:

the report painted a picture of a country that had ceased to be “concerned about the primary needs, food, clothing and shelter,” and by reaching out for other luxuries, among them the radio, the automobile and electrical household appliances, had by its demands for service made possible the expansion of new industries that provided employment for thousands.

A situation apparently has been developed, the report said, where new wants would make way for newer wants as fast as they were satisfied. “We seem only to have touched the fringe of our potentialities,” it added.
A second factor that made the end of recessions seem feasible was the idea that World War I was the “war to end all wars.”

The documentary How to Live Forever asks a group of centenarians what the happiest day of their life was. “Armistice Day” one woman says, referring to the 1918 agreement that ended World War I. “Why?” the producer asks. “Because we knew there would be no more wars ever again,” she says.

When you believe the world has entered an era of permanent peace, assuming permanent prosperity will follow isn’t a big stretch.

The Boston Globe, October 6th, 1928:

A STRANGE WIND is blowing across the Nations. An old idea is in transition before our eyes: the transition from illusions about war to understanding about peace; from idle and destructive absurdities to the realities symbolized by steam, electricity, machinery, the stride of science and the nature of modern commerce. The experience of civilization is demanding new world policies to express a reorientation of public will.

A third argument for why prosperity would be permanent was the diversification of the global economy.

Manufacturing was to the 1920s what technology was to the 2000s – a new industry with big wages and seemingly endless growth. But unlike technology today, manufacturing was incredibly labor-intensive, providing good jobs for tens of millions of Americans.

A new and powerful industry can create a sense that past rules of boom and bust no longer apply, because the economy has a new quiver in its belt.

The LA Times, January 1st, 1929:

Economic Activities So Diversified That One Cataclysm Could Bring About Business Depression

By E. H. Tucker

Director of Research, the First National Bank of Los Angeles, Pacific-Southwest Trust Savings Bank, First Securities Company.
That same day, Chicago Daily Tribune:

Beyond the permanence of prosperity, optimism over technology and its ability to pull rural farmers into the new middle class gave the impression that the gains had barely begun. The Christian Science Monitor, May 15th, 1929:

**SPECIAL FROM MONITOR BUREAU**

WASHINGTON—The United States has attained an unparalleled measure of prosperity, yet it seems only to have touched the fringe of its possibilities. To maintain the dynamic equilibrium of recent years, skillful leadership, more public attention and control and more data are needed.

The view was shared outside of the United States. The Los Angeles Times, December 12th, 1928:

**GERMAN SAVANT ARRIVES**

*Prof. Brinkmann of Heidelberg, Here on Economic Survey, Finds Prosperity Safeguarded*
Around the world, people wanted a piece of what America had. The Hartford Courant, August 6th, 1928:

**Australians To Study American Prosperity**

Melbourne, Australia, Aug. 6.—(Associated Press.) — Premier Bruce has requested Australian employers’ and employees’ organizations each to nominate eighteen men from among whom the Australian government can select a party of eight to visit the United States to study industrial conditions.

The Hartford Courant, May 16th, 1929, described “conditions more or less permanent” and “fears for the future seem increasingly without foundation.”

The preliminary report of the Committee on recent economic changes confirms the conclusion that “our situation is fortunate, our momentum is remarkable.” The report does not neglect favorable aspects of the economic situation, but even in the painstakingly impartial survey they are overshadowed by conditions that have risen to a general prosperity almost without parallel. The belief that this prosperity is no merely fortuitous circumstance but is the result of conditions more or less permanent is immeasurably strengthened by the report. Change is constantly to be expected under such an economic system as has been established in this

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Little things Americans could hardly consider a few years before became reality.

After huge budget deficits to finance the war, government coffers were flush. The New York Times, June 27th, 1927:

**UNCLE SAM’S PROSPERITY INCREASES**

By WILLIAM A. DE FREY.

UNCLE SAM, it would seem, is sitting on top of the world. The President of the United States has intensified an attack. Secretary Hoover says it is true.
Consumer debt, we know in hindsight, was a major cause of the crash and depression. But at the time growing credit was seen as a good, clean fuel. The Washington Post, February 19th, 1929:


By ROBERT QUILLEN

The ordinary middle-class American can’t save money. Whether his income is large or small, he lives up to it and ends the year as poor as he began.

The installment plan is his salvation because it enables him to buy something useful and expensive with the money that otherwise would be spent for trifles.

His only hope of “having anything” is to burden himself with debt and then work his way out.

The mere saving of money does not appeal to him because it affords no element of conflict, but a debt assumed is something to lick—a game to win—and he feels that he is accomplishing something.

When we look back at the late 1920s we think about crazy stock market valuations and shoe-shine boys giving stock tips. But that’s not what people paid attention to at the time. The newspapers are filled with charts like these: rational, level-headed, and fuel for optimism. The Wall Street Journal, December 31, 1928:

<table>
<thead>
<tr>
<th>1928 Business Compared With 1927</th>
<th>Percentage Changes in Significant Barometers</th>
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<tr>
<td>Bank Debits</td>
<td>+7.5%</td>
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<tr>
<td>Garradings</td>
<td>-0.6%</td>
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<tr>
<td>Electricity Output</td>
<td>+2.3%</td>
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<tr>
<td>Employment</td>
<td>+1.5%</td>
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<td>Union Wage Rates</td>
<td>+1.4%</td>
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<td>Commodity Prices</td>
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<td>Farm Buying Power</td>
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<td>Chain Store Sales</td>
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<tr>
<td>Mail Order Sales</td>
<td>+14.9%</td>
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<tr>
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<td>U. S. Imports</td>
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<td>Steel Ingots Output</td>
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<td>Corporate Financing</td>
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(Figures Mostly on Eleven Month Basis)
Stocks were surging. But it looked justified, backed by real business values.
The Wall Street Journal, March 5th, 1929:

**Broad Street Gossip**

*Wealth of the Corporations.*

The corporations are growing richer and this is one reason why there has been so much money available for investment and speculation. Recent annual reports show a tremendous gain in working capital of the various corporations made up largely in cash, marketable securities and loans on call.

As manufacturing became a driving force of employment, workers discovered bargaining power in a way they never considered before, working on farms.
The Washington Post, November 25th, 1928:

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**THE FIVE-DAY WEEK.**

The five-day week in industry is the present objective of organized labor. That era is coming rapidly, and should come. With it will come increased ownership of industry by the worker, if the present cooperation between capital and labor is maintained.

Unless man is to become a slave to the machine he creates, the machine age of America is to emancipate the worker from heavy toil and low wages. All machinery should be scrapped if its effect upon industry is not beneficial to human labor; for human welfare must be the objective of all effort.

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As manufacturing became a driving force of employment, workers discovered bargaining power in a way they never considered before, working on farms.
The Washington Post, November 25th, 1928:

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American workers are better paid than any others. Their generous earnings are used to buy luxury, education, culture. Prosperity makes them more civilized, more intelligent, more efficient.

This greater efficiency enables them to capture foreign markets, and thus the money to provide their prosperity and develop their efficiency comes from lands that keep themselves poor and inefficient by paying low wages.

Those who earn much, spend much. By spending they improve themselves. By improving themselves they increase their ability to produce. By increasing their ability they increase exports from their community, and by increasing exports they increase the wealth that comes from distant consumers to enrich their own land.
The New York Times put several of these arguments together on May 12th, 1929:

SOME OF THE REASONS FOR OUR PRESENT PROSPERITY

In reviewing data collected for the Committee on Recent Economic Changes, Professor Wesley C. Mitchell notes that some outstanding reasons for present prosperity in this country are:

- Trade unions are acting under a changed economic theory which acknowledges the relationship between productivity and wages.
- Technical advances have been largely in the direction of more economical production; more goods are turned out at less cost.
- Comparisons between output per worker in later years and in 1914 often show sensational gains.
- Labor-saving machinery has turned out to be job-making machinery.
- Belief in the economy of high wages has become prevalent among the able business executives.

The New York Herald, January 2nd, 1929:

Factors Making For Prosperity In Ascendancy

Every Justification Seen for Optimism Regarding the Future, Hazelwood Says

By Craig B. Hazelwood
Vice-President, Union Trust Company, Chicago

The American banking system in 1928 has given ample evidence of its fundamental soundness and its progressive adaptability to changing conditions. In spite of the loss of several hundred million dollars of gold through exports to foreign countries during the year, and in spite of the great amount of credit absorbed by the stock exchanges, there has been an ample supply of credit at reasonable rates available for business needs.

We have not only financed great undertakings in this country, but have loaned great amounts to the Federal Reserve System. The inherent soundness of our Federal Reserve System has been fully demonstrated and the courage and resourcefulness of the banks of the country have achieved both the proper utilization of our financial resources and the use in the channels which make for the broader distribution of prosperity and well-being.

The factors which make for prosperity are in the ascendancy, and there is very justification for reasonable optimism regarding the future. Production is at a high point; prices are firm; purchasing power is well maintained; inventories are low: transportations and distribution are well managed; relations between capital and labor are satisfactory; and there is sufficient credit for legitimate business purposes.

American business is entering a new era. The pioneering and opportunization of the past have resulted in great improvements in production, in distribution, in finance, and in management. The problems of the future in one of co-ordinating in order that the benefits of our achievements may be distributed more widely.
It’s hard to overstate how transformation these developments were to average Americans, particularly in light of the previous decade’s trauma.

The New York Herald Tribune, October 14th, 1929:

"It was a party, and no one wanted to stop dancing."
To me the most fascinating part of the 1920s boom is what it did to American culture.

Wealth quickly became the center topic of not just commerce, but values, happiness, and even religion. It took on a new place of importance that didn’t exist in previous generations when it was both lower and more concentrated.

The New York Herald Tribune, February 11th, 1929:

*Sermons on Prosperity And Optimism Urged*

“Preachers should preach prosperity and success and optimism and greater wealth,” declared the Rev. H. C. Offerman in St. Paul’s Lutheran Church in Henry Street, Stocklyn, yesterday morning. “The adage of Confucius, that the way to make people better is to make them richer, is still good to-day. This is definitely proven by a recent comparison of the economic and religious history of America.”

The Baltimore Sun, July 21st, 1929:

*Family Loses Functions As Rising Wealth Turns Luxuries Into Necessities*

Ladies’ Home Journal, June 5th, 1929:

*FINANCIAL MATRIARCHY BY 2025?*

“If women should maintain their present rate of financial ascendancy, one statistician has calculated that all the wealth of the country would be in feminine hands by 2025. Of course, no one believes that such a financial matriarchy is coming, but this calculation strikingly illustrates the rapidity of the present trend.”
The Washington Post, June 6th, 1928:

**Two Ways to Wealth**

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**By ROBERT QUILLEN**

“KNOWLEDGE,” said the ancient, “is power.” But it isn’t the power it once was, for it is common. Today money is power.

The New York Amsterdam News, January 5th, 1928:

“Money Will Not Solve the Race Problem, but the Race Problem Cannot Be Solved Without Money,” Writer Concludes

The New York Times, August 19th, 1928:

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**By EDWARD A. FILENE**

One of the most noteworthy developments of our “business age,” is the fact that “love your neighbor,” which has been preached through the ages as a necessary religious, moral and ethical principle, has in the development of capitalism become the only sure basis of continuing prosperity. This may sound as if it were the statement of an idealistic preacher instead of the considered judgment of a hardheaded business man.

Great as is our present prosperity, it is only an indication of what our prosperity might be. For any one of us to enjoy the greatest possible permanent prosperity we must all—every one of us—be highly prosperous. That is, we must have what I call companionate prosperity. We can achieve this only through increased use of the new scientific methods of mass production and mass distribution, with resulting low costs and high wages. These methods have caused our present prosperity; but even yet there is not enough general buying power to enable mass producers to sell all the goods they can produce.
Across the world, heads turned and respect grew. Chicago Daily Tribune, January 28th, 1929:

**Europe Amazed by Prosperity of Americans**

In just a few years prosperity had taken on a new role in America – not something to dream about, but something that was secured today, guaranteed tomorrow, and sat at the center of what made Americans American.

On September 10th, 1929, The Wall Street Journal wrote:

**The Market Outlook**

Harvard Economic Society Doubts any Stock Recession of Serious Proportions

Three weeks later, Irving Fisher made this famous proclamation:

**“Bull” Market Has Sound Economic Basis; Stocks to Stay on High Level—Irving Fisher**

Yale Economist Explains Stock-Market Boom—Higher Level Seen as Permanent—Vast Credit Resources, Enormous Technical Advances, Highly Increased Purchasing Power of People, Greater Investment Knowledge Explained

On October 1st, 1929, the Pittsburgh Courier sounded a faint alarm, warning that prosperity was a mental state subject to change: (next page)
No one, though, could fathom what was in store next.

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The stock market lost a third of its value in the last few days of October, 1929.

The immediate response was shock, but not dread.

On October 26th The New York Times published an article titled, “All Well’ is View of Business Chiefs.” It quotes a dozen prominent businessmen:

Arthur W. Loasby, president of the Equitable Trust Company: “There will be no repetition of the break of yesterday. The market fell of its own weight without regard to fundamental business conditions, which are sound. I have no fear of another comparable decline.”

J.L. Julian, partner of the New York Stock Exchange firm of Fenner & Beane: “The worst is over. The selling yesterday was panicky brought on by hysteria. General conditions are good. Our inquires assure us that business throughout the country is sound.”

M.C. Brush, president of the American International Corporation: “I do not look for a recurrence of Thursday and believe that the very best stocks can be bought at approximate present prices.”

R.B. White, president of the Central Railroad of New Jersey: “There is nothing alarming in the situation as regards business. Business will continue the way it had. Plans in the railroad for the future have in no way been changed.”

Three days later the market crashed again. It would not recover its losses until 1954.
The first response to the crash was to view it as a temporary blip, and permanent prosperity would soon resume. The New York Times, October 30th, 1929:

**COMMENT OF PRESS ON CRASH IN STOCKS**

General View Is That It Has Run Its Course and That Basic Condition is Sound.

NO 'CATASTROPHE' IS SEEN

Transitory Forces Held to Be Behind Decline With Prosperity Not Affected.

The Wall Street Journal, October 29th, 1929:

**SEES NO BUSINESS SLUMP**

Harvard Economic Society Believes Stocks Decline Will Prove Intermediate Movement

Special from Boston News Bureau

BOSTON—Commenting upon the break in the stock market which culminated in last Thursday's debacle, the Harvard Economic Society in its current weekly letter says: "Despite its brevity, we believe that the slump in stock prices will prove an intermediate movement and not the precursor of a business depression such as would entail prolonged further liquidation. If further liquidation occurs, it will be limited by growing realization of the fact that business conditions are generally sound and that abundant credit is available for industrial or financial purposes."

The Boston Daily Globe, October 30th, 1929:

**PURCHASING POWER IS NOT UNDERMINED**

Klein Reveals Commerce, Industry Of Nation Wealthy; Proportion Of Losers Declared Small
The New York Times, October 30th, 1929:

**Time to Buy Stocks, Says Raskob; Sees Only Temporary Effect on Business**

John J. Raskob, one of the country's leading industrial and political leaders, declared last night in a statement to The New York Times that many stocks are selling at bargain prices and that he and his friends are buyers of stocks. It may be stated in this connection that J.J. Raskob has been out of the stock market for many months and did not return until he believed that stocks had reached a level at which they could be purchased with safety. His statement, written at his desk last night, was as follows:

"Many of us have long felt great concern because of the inflated condition of the money market during the past several months. Huge amounts of money have been loaned in the call money market at most exorbitant rates during this period by people who ordinarily would have the money invested in securities. The present decline in the stock market of this country has created panic, in many instances, to levels ridiculously low, with the result that nearly all of the standard railroad stocks are cheap and the industrial list is filled with stocks selling at real bargain prices."

"In a panic, whether in a theatre fire or the stock market, people lose their heads and go very wrong, always results in needless and unnecessary suffering. "Tyrannical investors are now buying stocks in huge quantities and will profit handsomely when this hysteria is over and our people have opportunity to calm their emotions to appreciate the great stability of business by reason of the sound fundamental economic conditions existing in this great country."

The pendulum has swung too far. The panic is filled with hysteria and my friends and I are all buying stocks."

Mr. Raskob was asked if he believed that the decline in the stock market would have great effects on business. He answered that he did not believe the effects would be other than temporary, lasting probably two or three months, and that he did not believe that the effects would be harmful in other than luxury industries.

Barron's, November 30th, 1929:

**No Business During the Coming Year**

One inquiry frequently made at this time is, "What is the outlook for business during the coming year?" A positive answer would be more prediction or prophecy, neither of which is reliable. An analysis of the facts, however, lead to a reasonable conclusion that business activity should be less in 1929. This does not necessarily mean a business depression. Instead, it is more apt to be a mere business recession. This should not produce any lasting harm.

It is true that, in the past, severe breaks in the stock market have been followed by serious business depressions. Similar causes have produced similar effects. Speculation in times of rising prices has carried both stock and other markets to an over-extreme tenuy position where liquidation has become necessary. Speculation is not confined to the stock markets. Men speculate in commodities and labor. When prices are rising they are apt to employ more labor, build more, and produce more goods, while inventories are increased beyond reasonable limits.

Some saw the crash as a blessing, and an opportunity to simplify life that evolved so quickly in the previous five years. The New York Times, November 13th, 1929:

"The collapse of the stock market can be a blessing in disguise. "Decent men will not pass judgment on the victims of the marginal speculation, still less on the victims of the depression in the value of owned securities. Decent men will generously hope that a desire for simpler and sincerer living, the will to return to a less worldly and pre-occupied life, may compensate, as it can, for financial misfortune."
The Christian Science Monitor, November 25th, 1929:

**CRASH IN STOCKS EXPECTED TO AID ERA OF CULTURE**

Banker Predicts Renaissance of Idealism and Cultural Effort

The crash in the stock market marked the close of a period of "jazz economies," and has inaugurated an era of prosperity which will progress along sounder lines, according to Francis H. Shann, vice-president of the Guaranty Trust Company of New York.

On New Year's Eve 1929, as a year that began so bright came to such a shocking end, the Wall Street Journal made a friendly reminder: Keep investing, and you'll undoubtedly have more money a year from now:

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An investment plan for 1930

*Does it meet your requirements?*

1930 will soon be here... and again we turn over in our minds: "How much more will I be worth next year than I am now?"

But there is one thing you should not overlook. If you put aside and invest a certain sum each month, you undoubtedly will be worth more at the end of the year than if you have no definite plan.

Our Deferred Purchase plan enables you to purchase securities by making an initial payment, and paying a definite amount each month... $10, $25, $50, or any sum in proportion to the amount you plan to put aside each month.

Let us send you full information about an investment we recommend for purchase either outright or on our deferred purchase plan. Use coupon below.

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Over the next three years the Great Depression put 12 million Americans out of work.

The stock market fell 89%, reverting to levels last seen 36 years prior.

GDP fell 27%.

Prices fell 10% per year.

Nine thousand banks failed, erasing $150 billion in American checking and savings accounts.

Births declined 17%.

Divorce rose by a third.

Suicides rose by half.

The depression gave rise to Adolf Hitler in Germany, setting the course for a world war that would go on to impact nearly every aspect of life we know today.

It was, without question, one of the most consequential events of modern history.

And when we look back at what people were thinking before it began, the question remains:

Did they know?

Did they have any clue?

Were they blind to the inevitable?

Or did they just suffer a terrible fate that wasn’t inevitable?

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There has never been a period in history where the majority of people didn’t look dumb in hindsight.

People are good at analyzing and predicting things they know and can see. But they cannot think about or prepare for events they can’t fathom. These out-of-the-blue events go on to be the most consequential events of history, so when we look back it’s hard to understand why few people cared or prepared. The phrase “hindsight is 20/20” doesn’t seem right, because 20/20 implies everything coming into a clear view. In reality, hindsight makes most people look dumber than they actually were.
Whether something is inevitable only matters if people know it’s inevitable. Knowing a decline is inevitable lets you prepare for it before it happens, and contextualize it when it does. The only important part of this story, I hope I have convinced you, is that no one saw the Great Depression as inevitable before it happened.

I don’t think you can call the people of the late 1920s oblivious without answering the question, “Oblivious to what?” A future no one predicted? Consequences no one envisioned? Ignoring advice that no one gave?

At the end of World War II it was assumed by most that, stripped of wartime spending, the economy would slip back into the depths of depression that preceded the war. We know today that it did not – it went on to prosper like never before. So were people obvious in 1945?

After the stock market crash of 1987, one investor recently recalled, “I remember an uneasy feeling as pundits predicted the start of the next Great Depression and the end of prosperity, as we knew it.” Instead, the 1990s were the most prosperous decade in history. Were we oblivious in 1987, too?

The fact that we avoided depression in 1945, 1987 – and 2009 – might be the best evidence that the actual depression of the 1930s wasn’t inevitable. You can say, “Well, in 1945 the banking system didn’t collapse, and the 1990s were lucky because of the internet,” and so on. But no one in 1945 or 1990 knew those things, just as no one in 1929 knew their future.

It’s not hard to imagine a world where policy responses were a little different, a presidential election tipped a different way, a second world war began a decade before it did, and the economic story of the 1930s playing out differently than it did. But we never get to hear the stories of what could have been or almost was.

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We only think something is inevitable if it’s obvious. And things only look obvious when everyone’s talking about them and predicting them.

When you look back at what people said in the late 1920s – their confidence, their clarity, their logic – you can’t help but wonder what we are confident in today that will look foolish in the future.

What those things might be, I don’t know.

It wasn’t obvious in the 1920s.

It won’t be obvious in the 2020s.

That’s what makes history interesting – nothing’s inevitable.
More on this topic:

- Five Lessons From History
- How This All Happened
- You Have to Live It To Believe It