

**Seeing the Future:
The Great Depression and the Unpredictability of Crisis**

Charlotte E. Rauner

Department of History, Barnard College

Advised by Professor Carl Wennerlind

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Introduction: From Roaring 20s to Great Depression

The 1920s was a decade surrounded by extremes. It was bookended by the world's most cataclysmic events. The economy experienced the biggest boom and bust in America's history. Scientists, engineers, and inventors were discovering answers to questions that would undoubtedly change the world. The decade was full of change and its impact was both lasting and substantial. The years were all about novelty: new ways to consume, new social and political relationships, new labor and cultural opportunities, and by 1929, new trauma.

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At the turn of the century, when Manhattan's Ladies Mile moved uptown to 5th Avenue, the consumer landscape was reshaped. Because of physical distance from factory and industrial life, the busyness and blue-collar nature of production was removed from the public's awareness and shopping became glamorous. One either dreamt of the fantasies brought to life within the department store or had enough money to dictate what those fantasies should be. An American could have rugs for every room in her house, clothes for every season, a radio, a television, a dishwasher, band-aids, and even frozen food.¹ The department store grew as a center for life itself and life, as a result, had changed. Tea rooms, beauty parlors, and even opera halls in the city's department stores influenced a shift in class distinctions and gender relations; with items from all over the world, America's global reach broadened; with advertisements doubling as art, a fascination with material goods deepened. The decadence of the 20s and life before the Great Depression was defined by this hunger to consume.

¹ Donald M. Fisk, "American Labor in the 20th Century," The U.S. Bureau of Labor Statistics, accessed April 17, 2019, <https://www.bls.gov/opub/mlr/cwc/american-labor-in-the-20th-century.pdf>.

Historian William Leach writes in Land of Desire about a new consciousness regarding goods, contributing to what he calls, a crisis of distribution.² Here, crisis refers to the over production and mass expansion of material goods. Distribution qualifies this crisis because the success of American production was matched with an ability to sell. Real estate developers and advertising executives were brokers of this crisis and worked to sell the idea that not only were new items required in the American home, but what was purchased the year before would not suffice in the year to come. This need to consume pushed Americans farther away from the household-agrarian economy and living only for subsistence; capitalism introduced vices rarely publicized in years past. And with this, Leach applies crisis of distribution to highlight how with the new market economy, the ethos of the Progressive Era underwent its own crisis.

As it spread across literature, politics, and culture, the Progressive Era is a movement which defines the early 20th century. Though the Civil War had ended in 1867, race relations in America were still contentious. Lynching had become “a standard practice across the nation”³ and the desire to create a homogenous state was ever present. Despite the varied ideology of the North and the South, the Progressive Era bonded the two with its intent to explore, expand, and purify the nation. Founded on utopian ideals about the future and belief in unending success of the country, the Progressive Era can be considered paradoxical. Because of its relationship to Jim Crow regime, Progressivism of the time differs in definition from progressivism in the 21st century. Especially because eugenics is seen as a viable solution to the nation’s racial and social disorder, progress of the early 1900s is questionable. By imagining the future of society and

² William Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* (New York: Random House, Inc., 1993), 16.

³ Euell A. Neilsen, “The Duluth Lynchings (1920),” accessed April 17, 2019, <https://www.blackpast.org/african-american-history/duluth-lynchings-1920/>.

techniques to fix current social unrest, inequalities beyond those that arrive with capitalism are targeted and the divide amongst Americans strengthens.

Urban and architectural planning of the 1920s assisted in developing the social and economic inequality deeply imbedded into the fabric of American life. Evident by City Beautiful architecture and decadent store atriums remnant of Parisian Beaux Arts, a sense of the constant need for systematic order through sorting of class, race, and gender was an obsession of the country. The department store separated not just customers of different races, but employees of different statuses. And in the factory, spatial division contributed to further class divide and the rise of a managerial class. The surveillance of workers through new technologies and social hierarchies emphasized a new exploitation of workers. And Taylorism, or scientific management, became the preeminent way to design factories as it pioneered a better managed and efficient system; workers as a result contributed to the tradition of forfeiting autonomy for the sake of the company. The Ford factories of the 1900s exemplified an application of this and the discontent that emerged from new factory-labor relations. Through the rise of a corporate America and with the legacy of the Progressive Era came a desire to reform labor.

The early 20th century saw an emergence of efforts to combat the inequalities and discrimination within the workforce and the workplace. Influenced by the Pullman Strike of 1894 and the international labor union founded in 1905, the Industrial Workers of the World (IWW)⁴, labor walkouts and stoppages were popular throughout country. Legislation responded and focused its efforts on immigrant, female, and child labor, as well as wages and the hours worked in a week. The U.S. Bureau of Labor Statistics describes the labor condition of the time when it writes, “In 1900, per capita income (in 1999 dollars) was \$4,200...the average hourly

⁴ “IWW History Project,” University of Washington, accessed April 17, 2019, <http://depts.washington.edu/iww/index.shtml>.

pay of manufacturing production workers...in 1909, the first measured year, was about \$3.80 (in 1999 dollars)...Benefits accounted for a little more than 1 percent of total compensation in 1929, the first year measured...in 1900, the average workweek in manufacturing was 53 hours...[and] unemployment was estimated at 5 percent.”⁵ Throughout the course of the 20th century, especially as new technologies came to shape the workplace, all of these statistics change dramatically.

Along with a multitude of engineers and financiers, Thomas Edison and J.P. Morgan’s General Electric (GE) dominated American industry. Competing with regional electrical companies, GE produced radios, airplanes, automobiles, and accessible electricity. As a result of GE’s and other electrical companies’ influence, factory work and construction shifted away from large window lined cast-iron buildings because the factory no longer needed to provide natural light for workers. Skyscrapers emerged and restructured the urban horizon skyline throughout the 1910s and 20s and automobiles further strengthened the relationship between urban and rural life. Electricity shifted agrarian practices and brought new energy and technology to homes and industries. Its spread contributed to arguments over what defined a public good and because of electricity’s inherent privatization, supported debates about the exclusive nature of class and the inability for true social mobility in American society.⁶ As steam power and coal was to Britain’s Industrial Revolution, electricity was to America’s 1920s.

By 1929 and throughout the course of the 1930s, life in America underwent more change as the social, technological, and industrial developments of the early part of the century were all effected by the Great Depression. When the stock market crash of October 29, 1929 hit, the period of expansion following World War I quickly disappeared. As the months following late

⁵ Fisk, “American Labor in the 20th Century,” 1 – 2.

⁶ Leach reviews how the first uses of electricity were in hospitals by doctors, not coal miners or railroad workers.

October progressed, a national decline in agricultural, industrial, and real estate success unfolded. Historian John Kenneth Galbraith describes the events when he writes:

After the Great Crash came the Great Depression, which lasted, with varying severity, for ten years. In 1933, Gross National Product (total production of the economy) was nearly a third less than in 1929. Not until 1937 did the physical volume of production recover to the levels of 1929, and then it promptly slipped back again. Until 1941 the dollar value of production remained below 1929. Between 1930 and 1940 only once, in 1937, did the average number unemployed during the year drop below eight million. In 1933 nearly thirteen million were out of work, or about one in every four in the labor force. In 1938 one person in five was still out of work.⁷

With a low GNP and high levels of unemployment, the term depression not only describes the state of the economy, but the atmosphere as well. Actor Will Rogers jokes that by November of 1929, “the situation has been reached in New York hotels where the clerk asks incoming guests, ‘You wanna room for sleeping or for jumping?’”⁸ Galbraith considers the idea that “speculators were hurling themselves from windows [with] pedestrians [picking] their way delicately between the bodies of fallen financiers” a “suicide myth.”⁹ However, what Rogers seems to imply remains true; following October 29th, the economic reality of life in America forced people to lose hope.

With new systems, structures, and devices in play to further divide Americans, democracy seemed to be neither permanent nor a right for all genders, races, or classes. And as unprecedented economic events unfolded and proceeded to dissipate a sense of security, the appeal of life in 20th century America weakened.

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F. Scott Fitzgerald portrays his illusive protagonist, Jay Gatsby, as perpetually drunk, in love, and deliriously wealthy. Throughout the novel, readers grow to pity Gatsby all while

⁷ John Kenneth Galbraith, *The Great Crash: 1929* (Boston: Houghton Mifflin Company, 1955), 173.

⁸ Rogers quoted in Charles R. Geisst, *Wall Street* (Oxford: Oxford University Press, 1997), 147.

⁹ Galbraith, *The Great Crash: 1929*, 133.

craving invitations to his parties and to be the recipients of his affection. Fitzgerald's depiction of the myriad of contradictions in American life, specifically interpretations of money and freedom, highlight a 20th century obsession with opulence. Written in 1925, The Great Gatsby looks romantically to 1922, and through this lens, creates the premier cultural reference for what we call the roaring 20s.

Fitzgerald famously writes of Gatsby consumed with desire for Daisy Buchanan and his efforts to impress her with inimitable parties and material luxuries. The text says:

He took out a pile of shirts and began throwing them, one by one before us, shirts of sheer linen and thick silk and fine flannel which lost their folds as they fell and covered the table in many-colored disarray. While we admired he brought more and the soft rich heap mounted higher—shirts with stripes and scrolls and plaids in coral and apple-green and lavender and faint orange with monograms of Indian blue. Suddenly with a strained sound, Daisy bent her head into the shirts and began to cry stormily.¹⁰

Leach writes that the 20th century utilized light, color, and glass as methods to attract consumers. Here, Fitzgerald uses color to show readers the quality, not just of the shirts themselves, but of the beauty made possible by wealth. Writing about “coral and apple-green and lavender and faint orange with monograms of Indian blue,” Fitzgerald creates an indisputably bright visual in stark contrast to Daisy's seemingly bleak response. Her immediate reaction of crying into the haphazardly thrown shirts highlights that she may have just noticed the overwhelming degree of options and choices that come from overproduction and wealth. The new reality that was the early 20th century's preoccupation with consumption arrived in tandem with a sense of greed. Gatsby himself embodies the greed that comes with wealth because he assumes his ability to acquire anything he may want extends to his love, Daisy Buchanan. The Great Gatsby illustrates the psychological impact of greed and its insatiable nature leaving readers to wonder whether this unfillable void is not greed, but rather a metaphor for a distinct American spirit.

¹⁰ F. Scott Fitzgerald, *The Great Gatsby* (New York: Charles Scribner's Sons, 1925), 99.

Fast forward almost 15 years and these defining qualities of American life, specifically an extravagant use of wealth, were reinvented. Unlike Fitzgerald's insight into the dangers of a decadent and unencumbered life, John Steinbeck publishes The Grapes of Wrath in 1939 in order to uncover the realities of American life during the Great Depression. There is a natural comparison between these two texts which both provide fictional accounts of the early and late 1920s; one outlines the sadness of a man whose wealth knows no bounds and the other, looks at a hopeful family forced to live frugally. Following this family's journey away from home, Steinbeck's story shows the effects of an economic downturn and how relationships shift in crises. Unlike The Great Gatsby's dreary and symbolic ending of Jay Gatsby dead in his swimming pool, The Grapes of Wrath ends a story devoid of luxury with optimism.

The decadence of The Great Gatsby is foreign to the despair within The Grapes of Wrath. However, what fulfills the Joad family through their hardship is their national pride. Steinbeck writes, "We ain't foreign. Seven generations back Americans, and beyond that Irish, Scotch, English, German. One of our folks in the Revolution, an' they was lots of our folks in the Civil War—both sides. Americans."¹¹ Here, Steinbeck asks what it is like to be an American during hardship. The Joads feel it necessary to justify their worth as Americans by discussing their ancestors' participation in the Civil War. This is important because after experiencing hunger and unemployment as a result of the Great Depression, the Joads remain loyal to their American identity; this identity is something they cannot lose.

By comparing the texts of Fitzgerald and Steinbeck, it is clear how dramatic and stark the changes of just one decade were. Fitzgerald's characters see wealth and material luxuries as vital factors defining their American nationality; wealth is what shapes their lives. Alternatively, the absence of wealth does not jeopardize the identity of the Joads as it would Gatsby. Steinbeck's

¹¹ John Steinbeck, *The Grapes of Wrath* (New York: The Viking Press, 1939), 158.

characters confidently declare that their Americanism is a product of struggle and a shared history. And, despite how Fitzgerald and Steinbeck are, of course, fiction writers, their novels offer key insights into this most unparalleled decade. To summarize how and why changes occurred between the roaring 20s and the Great Depression would exceed this paper's capabilities. The shift in consumerism, social relationships, and technologies is supported by the stories of Fitzgerald and Steinbeck, proving how vital fiction stories are when contextualizing and understanding history. The shift seen in America away from Gatsby's prosperity into the groundbreaking economic decline which threatened the Joads begs the question: did anyone see it coming?

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Mapping the social change of American life or even declaring a hypothesis about why the Great Depression occurred following the roaring 20s has been done by historians as famed as Charles P. Kindleberger, John Kenneth Galbraith, and Peter Temin. These men contribute to our historical and economic understanding of how, and why, the Great Depression came about. Through retroactive analysis, these historians look at the economy – interest, employment, and inflation rates – and choose to focus on the money supply, housing market, and even agribusiness in effort to highlight measures they believe contributed to instigating the Great Depression. Yet, in which analysis does an author show the years, months, or weeks prior to the Great Depression? This paper intends to zoom in on the often disregarded moments and sentiments that occur before crisis. What can they tell us about the public's perception of the future? How is prediction, in spite of its fallacies, relied upon? This is how the research of this thesis looks to contribute to the plethora of conversations, fictional and non-fictional alike, on the Great Depression.

Specifically focusing on 1927, 1928, and 1929, this thesis asks: Did anyone predict the Great Depression? In the years leading up to some of America's darkest days, were the leaders of the country, the writers of the newspapers, and the thinkers of the time articulating a crisis? No human can predict the future, but was anyone wary of what was to come?

1927

Nearly 10 years after the first World War, American life was booming. With the release of Ford Model A, Charles Lindbergh completing the first solo trans-Atlantic flight, and Yankees' Lou Gehrig and Babe Ruth sweeping the Pittsburgh Pirates in the World Series, America was a seemingly unstoppable nation – its republican ideals, its industrial spirit, and its economic force – all in full swing.

Yet, because of its place between the Great War and Great Depression, 1927 can be seen as a relatively unimportant year. Recovery from World War I had been put in place and the forthcoming presidential elections were still months away. Were there pivotal moments foreshadowing what was to come? Did any event in 1927 hint to the forthcoming crisis? Arguably not. However, this is not to say there was no conversation about the American future. The content of news headlines and articles shaped the American public's perceptions and expectations for the years ahead.

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Nearing the end of December 1926, *The New York Times* (*The Times* or *The NYT*) followed its annual tradition of predicting the upcoming year. In agreement with the prevailing narrative of early 20th century life, reporting on the last few weeks of 1926 highlighted America's industrial success. And per American practice, *The Times* measured success by economic stability and competitive strength. *The Times* writes:

Not so many years ago, it was difficult to induce men of first-rate financial position to make public forecasts of the financial future over their own name. The reason for that attitude appeared to be, on the one hand, dislike at being nailed down to specific prophecy which might turn out wholly incorrect; on the other hand, reluctance to prophesy at all unless everything favored a cheerful view. As a consequence, year-end symposiums of the kind were apt to be made up of cautiously "hedged" and guarded intimation of what might result if something else either did or did not happen. The attitude has so far changed that the public expects at certain dates frank prediction of the

future from the highest financial authorities, and its wish is regularly granted. The predictions sometimes go amiss...Nevertheless, the year-end forecasts are always and rightly accepted, not only as epitomizing the best financial judgement but as showing (even if they afterward proved erroneous) the frame of mind in which the business community enters the New Year.¹²

In this deliberation, the author refrains from making any concrete prognostications. By returning to the nature of forecasting and the human fear rightly assigned to the probability of a wrongful prediction, a message for the coming year is lost. It is no mystery that the math of forecasting is faulty and there is always potential for the forecast to be “wholly incorrect.” However, there is a dependence on prediction in order to ease the anxieties of the public. As a result, claims about the following year have the power to shape decisions. A paper as widely read as *The New York Times* knows the weight of its words and this is seen quite clearly in this passage. To say that in forecasts for years past predictions “go amiss” but qualify that “basic assumptions were correct” avoids supplying a concrete prediction for 1927. To readers, 1927 does not look full of growth nor full of decay; the decisive withholding of a forecast is a forecast in itself.

In line with this ambiguous tone, an article published on the first of the year continues in the same spirit. “Favorable and Unfavorable Possibilities are Cited for the Coming Year,” read one headline, suggesting that both good and bad times were ahead. What does this mean not just for stability of American business, but life? The article goes on to list “the visible grounds for financial confidence.”¹³ If just reading the headline and the introductory paragraph, despite “unfavorable possibilities,” “financial confidence” exists. The potential for financial hardship is barely explored as the term “confidence” introduces unquestionable optimism and therefore positive assumptions about the year.

¹² “Financial Markets: Striking Incidents of the Week – Wall Street and the Forecasts of 1927,” *The New York Times*, December 6, 1926.

¹³ “The Financial Outlook for 1927,” *The New York Times*, January 1, 1927.

In the coming weeks, *The NYT* continues to publish articles that confidently, although not ambiguously, predict prosperity in 1927. On January 3rd, *The Times* quotes The National City Bank's report about the coming year. The Bank claims:

All accounts agree that stocks generally are low and that trade is in healthy condition. The profits of business as shown by corporation reports, have been better than in the preceding year...The downward trend of prices has not been at the expense of the wage-earning class, but of advantage to it for the effect is to increase the purchasing power of a given wage. Employment has been practically full during the past year...The credit situation is very satisfactory...Financial conditions are favorable to a continuance of industrial activity.¹⁴

This article targets multiple economic indicators and shows the health of the nation by doing so. The discussion of an increased purchasing power in relationship to low rates of unemployment is the introduction of an explicit reason as to why prosperity will continue in 1927. On February 10th, Matthew S. Sloan, President of the Brooklyn Edison Company spoke to the New York State Bankers' Association and presented another reason to believe prosperity will continue in 1927. He says, "The basis of our present prosperity is power, and the greatest contribution to the use of power in industry is that made by electrical generating companies, which have been mainly responsible for the development of industry to its present status."¹⁵ Sloan goes on to claim that America's prosperity is a product of "cheap power," and because of their constant maintenance and improvement, one can assume electrical companies will continue supporting American prosperity.

As the year progresses, in addition to high purchasing power and the success of cheap energy, *The Times* notes other explanations that show prosperity can be expected throughout and beyond 1927. In March, Charles M. Schwab, Chairman of the Board of Bethlehem Steel Corporation, provides a reason, similar to that of Sloan's, to assume America's future prosperity.

¹⁴ "Prosperity in 1927 Forecast by Bank," *The New York Times*, January 3, 1927.

¹⁵ "Sees Long Prosperous Era," *The New York Times*, February 10, 1927.

He tells *The Times*, “American business is healthy and sound, and the condition of the steel industry has never been better...At 65 I see greater opportunity for success in American than I ever did before. I wish I was twenty years younger.”¹⁶ Schwab considers the steel industry influential to America’s economic success, and like Sloan, he is not incorrect in making claims about the country based off a specific industry’s success. An article from February adds to these explanations and discusses international trade going so far to claim that America’s “greater recognition of the community of interest between employers and employed is another factor contributing to the unexampled prosperity she has experienced.”¹⁷ The articles analyzed vary in focus; some tether prosperity to industry and others tie wealth to economic behaviors. Yet despite differences, each present a shared belief in the prosperity and success of America’s future.

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In the summer of 1923 as a result of 29th President Warren G. Harding’s fatal heart attack, Vice President Coolidge took office. Years before the McFadden Act and potentially too early to confidently claim the Federal Reserve’s success following the first World War, Coolidge was still concerned, as most presidents are, with the state of the economy. He said of America that, “this is a business country...and it wants a business government.”¹⁸ Robert Keller qualifies this statement by noting, “Coolidge's infatuation with the hallowed position of business led him to believe that business was an exemplary model for government.”¹⁹ Looking to business as a framework for government, Coolidge considers the economy central to the functioning of a well governed society. This pro-business ideology aligns with his support of the Federal Reserve

¹⁶ “Predicts More Prosperity: Charles M. Schwab Sees Greater Opportunity for Success Than Ever,” *The New York Times*, March 28, 1927.

¹⁷ “Banker Assigns Cause for Our Prosperity,” *The New York Times*, February 27, 1927.

¹⁸ Robert Keller, “Supply-Side Economic Policies during the Coolidge-Mellon Era,” *Journal of Economic Issue* 16, no. 3 (September 1982): 778.

¹⁹ Keller, “Supply-Side Economic Policies,” 777.

System, which he re-charters in perpetuity by signing the McFadden Act on February 25th.²⁰ Considered an institution for monetary stability, the Federal Reserve serves not as a branch of government, but rather an institution intent on supplying reserves, or financial stability, to American banks.²¹ Through signing the act, Coolidge confirms that America “is a business country,” and even more so, that he is dedicated to the prosperity of said “business.”

Considering what contributes not just to a successful business, but a successful country, employment cannot be disregarded. In March of 1927, *The NYT* reports, “Prospects for employment increase were found good at the end of February by the United States Employment Service for nearly every line of the country’s industries.”²² A month later, *The NYT* writes:

Reported today by the Department of Labor ... generally [in] March showed an expansion in manufacturing activity and a gradual increase of employment in several major industries. Employment of skilled and unskilled factory workers showed a noticeable increase. Improvement in the iron and steel industry was pronounced. Several large mills increased operations to full time, and practically all workers released in the early part of the year have been recalled... Production and employment in the automobile industry moved upward, adding a large number of workers... The metal and machines industries, shoe factories, and rubber, chemical and furniture industries reported a slight improvement in employment.²³

Nearly, even if slightly, every sector of industry seems to benefit from increased employment. And by including that “skilled and unskilled factory workers” did not have trouble finding work, it can be assumed that most laborers in America did not just receive an income, but also contributed to the economy by spending their earnings. *The Times* even goes to write on employment again and this time says it all in the headline: “Employment at High Point.”²⁴ A

²⁰ Gary Richardson, et al., “McFadden Act of 1927,” *Federal Reserve History*, accessed April 17, 2019, https://www.federalreservehistory.org/essays/mcfadden_act.

²¹ Staff of the Federal Reserve Bank of Kansas City, “Federal Reserve Act Signed by Woodrow Wilson,” *Federal Reserve History*, accessed April 17, 2019, https://www.federalreservehistory.org/essays/federal_reserve_act_signed.

²² “Employment Increasing,” *The New York Times*, March 15, 1927.

²³ “Spring Stimulates Employment Here,” *The New York Times*, April 15, 1927.

²⁴ “Employment at High Point,” *The New York Times*, April 20, 1927.

stable and even increasing employment rate influences the growth and strength of the economy and from these two articles, it would seem that the economy is flourishing.

Coolidge's claim that America is a "business country" is further supported by the growth of the market and the consuming power of the American public. In July, *The NYT* writes that according to W. J. Moore, President of the American Bond and Mortgage Company, there is a "definite promise of prosperity for the real estate bond business...the pessimist is having a hard time in forecasting gloom...the outlook for business is better than it has been in many years."²⁵ *The Wall Street Journal* quotes Ralph Budd, president of Great Northern Railroad, who says that "The significant fact of this year's agricultural prosperity is that there will not only be a large crop to handle, but there will also be an increase in the purchasing power of the farmer. The situation should naturally result in more active trade in all lines of business."²⁶ Budd considers the prosperity of agriculture and farming to effect the prosperity of, and instigate "active trade in [,] all lines of business." Moore extends the promise of the "real estate bond business" to make a claim on the success of all business. This contagious nature of prosperity, the spread of purchasing power, and the inability to forecast gloom as outlined by Moore and Budd supports Coolidge's idea that America is a "business country."

However, was this sense of prosperity in each sector of American life justified? Or was the media's reaction hyperbolic? In contrast to the image set forth by *The Wall Street Journal* and *The NYT*, during July the members of the Federal Reserve participated in the Long Island Conference which "set in motion a decision [to] reduce its interest rates."²⁷ Lowering interest rates is not a sign of recession, however, the Fed usually decreases rates or engages in

²⁵ "Sees Prosperity Ahead," *The New York Times*, July 5, 1927.

²⁶ "Optimism Rules Northwest," *Wall Street Journal*, July 25, 1927.

²⁷ Charles P. Kindleberger, *The World in Depression 1929 – 1939* (Berkeley: University of California Press, 1973), 69.

countercyclical monetary policy, when wanting to stimulate the economy. Unlike Budd and Moore, the Fed potentially believes that if prosperity is to continue, the economy is in need of some systematic shifts. And yet, the lowering of interest rates does not seem to alarm journalists or business executives, and so to, the public. A month following the Fed's decision, *The NYT* writes that despite some feelings "that prosperity has been overdone in time and extent, Paul Clay, Vice President of Moody's Investors' Service," disagrees and attempts to restore the confidence which may have wavered as a result of lowered interest rates. Clay says, "From January to July in the ordinary year business activity holds just about even, but this time it increased a little. From March to July it usually shrinks nearly 1 per cent, while this year it did not shrink at all. The Summer dullness or setback in trade has become so habitual that everyone expects it, but there has been practically no setback this Summer."²⁸ Clay's use of data to show that business activity has performed better than expected seemingly simplifies the reality of the economy in the summer of 1927 and reinstates feelings of confidence regarding prosperity.

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When he announces in August, "I do not choose to run for President in 1928," Coolidge breaks his months long silence on whether he will be the Republican candidate. *The NYT* writes, "His prolonged silence has left people in doubt over what he meant to do, but his breaking it now can scarcely be intended to make them more doubtful than they were before...All these things [the future of the country's leadership,] are for the present upon the knees of the gods, the only certain thing being that American politics will at once become uncommonly lively and interesting."²⁹ This article contradicts the security put forth by *The Times*' assumptions for 1927.

²⁸ "Denies Prosperity Has Been Overdone," *The New York Times*, August 28, 1927.

²⁹ "Mr. Coolidge Breaks His Silence," *The New York Times*, August 3, 1927.

Writing that the country was left “doubtful” and uncertain about the coming years presents an anxiety not yet seen in the analysis of 1927.

Despite the forthcoming transition of political leadership and the Federal Reserve’s lowering of interest rates, the display of American prosperity and greatness was obvious again by August 10th. In effort to continue the development of the American landscape through national parks and monuments, President Coolidge utilized the start of work on Mount Rushmore to speak of the American future. He highlights the triumphs of its great historical leaders and says:

Other people have marveled at the growth and strength of America. They have wondered how a few weak and discordant colonies were able to win their independence from one of the greatest powers of the world. They have been amazed at our genius for self-government. They have been unable to comprehend how the shock of a great Civil War did not destroy our Union. They do not understand the economic progress of our people...This memorial will be another national shrine to which future generations will repair to declare their continuing allegiance to independence, to self-government, to freedom and to economic justice.³⁰

Coolidge here affirms not just the success of America’s past, but the prosperity of its future. Investment in a national monument paying homage to America’s wealth is not to inspire current prosperity, rather state that the prosperity of the past still exists in present day America. It can be inferred that Coolidge uses this speech as a way to give the American public the security they may be craving following his statement about not running for president.

As the summer of 1927 then neared its end, confidence in the country’s stability seemed no longer threatened. When Secretary of Commerce for both Presidents Harding and Coolidge, Herbert Hoover, announced his intention to run for President of the United States, the announcement came with a belief in the future stability of the country.³¹ Hoover was well

³⁰ “Speeches as President 1923 – 1929,” The Coolidge Foundation, accessed April 17, 2019, <https://www.coolidgefoundation.org/resources/speeches-as-president-1923-1929-19/>.

³¹ “Herbert Hoover,” The White House, accessed April 17, 2019, <https://www.whitehouse.gov/about-the-white-house/presidents/herbert-hoover/>.

received as the Republican candidate because Governor Al Smith, the Democratic candidate, threatened some American ideals as he was the first Roman Catholic to run for the oval office. As a result, the optimism which lacked in the months before Hoover's announcement returned to the press. In October, *The New York Times* quotes Walter P. Chrysler, President and Chairman of the Chrysler Corporation, who says:

At the beginning of 1927, we had reason to believe that the year would be one of continued prosperity and that the automobile business would enjoy a volume comparable to other excellent years. Now that we are approaching the last months of 1927, we know that our predictions were well founded. The year has been a good one. The country is prosperous and there is every reason to believe that our prosperity will continue. It has been said that our prosperity has begun to show signs of fatigue. That may be true, but there is still reason to believe that 1928 will be another year of good times, with labor well employed, wages high and money well distributed.³²

Chrysler is not alone in assuring readers of *The NYT* that realities about 1927 met expectations and that the country should feel optimistic about the coming year's potential for employment and spending. James Simpson, President of Marshall Field & Co of Chicago, claims that "the outlook for continued prosperity was never better [than now]."³³ And William H. Rankin, of William H. Rankin Advertising Agency, is said to believe that "the year 1928 will be a prosperous one."³⁴ Chrysler, Simpson, and Rankin are confident in the lasting ability of America's capacity for prosperity. So, it would seem that among business experts there is a consensus that prosperity is as good as confirmed for 1928.

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When Coolidge delivered his State of the Union Address in December, he added to the conversation about the country's future by speaking about national security, infrastructure, the economy, international affairs, and the current social order. His discussion of the economy is

³² "Chrysler is Optimistic," *The New York Times*, October 2, 1927.

³³ "Prosperity to Continue," *The New York Times*, October 16, 1927.

³⁴ "Backs Davis Prediction," *The New York Times*, November 19, 1927.

separated into small sections on tax reduction, agriculture, the mail system and roads, public policy, and the use of natural resources. Yet, Coolidge's only tangible claim about what conditions in 1927 may mean for the future come in his last section titled, "American Progress." He speaks at length about various facets of American life before concluding with statements on the relative minutiae which make up the American political-economy. His claims on 1927 seem reserved and without critique. Coolidge is in line with the State of the Union's goals, which are understood as telling the American people that despite work ahead, worry is unnecessary, and the strength of the nation will prevail. Coolidge concludes:

Our country has made much progress. But it has taken, and will continue to take, much effort. Competition will be keen, the temptation to selfishness and arrogance will be severe, the provocations to deal harshly with weaker peoples will be many. All of these are embraced in the opportunity for true greatness. They will be overbalanced by cooperation by generosity, and a spirit of neighborly kindness. The forces of the universe are taking humanity in that direction. In doing good, in walking humbly, in sustaining its own people in ministering to other nations, America will work out its own mighty destiny.³⁵

What are America's opportunities "for true greatness"? Coolidge speaks democratically about struggle, and yet, he refrains from hinting to any hardship on the horizon of which he may not have even seen. As the leader of the country, presumably counseled and aided by the nation's most esteemed economic advisors and informed ad nauseum about all that might comprise business in America, Coolidge follows precedent and claims that the nation has made "progress" and will invent its own "destiny." If only for these two words, listeners can be comforted by their President in knowing that the economic recessions of the 19th century are in the past. According to the President, America's current wealth secures its prosperous future, both immediately and in the long run.

³⁵Calvin Coolidge, "Calvin Coolidge 1923 – 1929," in *State of the Union: Presidential Rhetoric from Woodrow Wilson to George W. Bush*, ed. Deborah Kalb, Gerhard Peters & John T. Woodley (Washington: CQ Press, 2007) 75.

1928

Eight years before Charlie Chaplin's critique of American scientific management in *Modern Times* (1936), he produced and starred in *The Circus* (1928). Earning him at the inaugural Academy Awards in 1929 his first Oscar, *The Circus* is a chaotic and gag filled film about love and heartbreak. And yet, the story of its filming is more interesting than the plot. Filmed during the time of Chaplin's divorce, the film set also incurred emotional, in addition to literal, turmoil. The set was dramatically destroyed twice; once by gales, another by a fire. Charlie Chaplin's estate writes, "it seemed, this was a film he preferred to forget."³⁶

In typical Chaplin fashion, the story of *The Circus* – its production and memory – is nearly an allegory for the year of its release. Was 1928 a year worth forgetting? History shows the Great Depression is on the horizon, and in this assessment of its forecasting, the crisis ahead is not a benign threat, rather an absent one. If alive today, would the writers, politicians, and economic experts of the time regret the choices and assumptions made in 1928? It is a difficult question to answer, however, it can be safely assumed that what transpired in 1928 did not prepare Americans for what was to come in 1929.

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As a stalwart brand of American journalism, *The New York Times* rarely reinvents itself; when the world undergoes technological, social, and political change, *The Times* remains relatively the same. And on Monday January 2, 1928, ten years after World War I and nearly eighty years after *The Times*' release, nothing seemed out of the ordinary. Football, specifically the games of the Ivy League, were debated and analyzed. Eugene O'Neill's play, *Strange*

³⁶ David Robinson, "Filming The Circus," accessed April 17, 2019, <https://www.charliechaplin.com/en/films/4-The-Circus/articles/1-Filming-The-Circus>.

Interlude, was reviewed in previews. The impending presidential election garnered attention and sparked heated debates over topics such as prohibition. And in terms of economics, the nature of the financial section read with less contentious energy.

Sports and theater are written about in more lively debate than the economy because, following 1927, optimistic views on 1928 are nearly unanimous. Frank R. Henderson, President of the Rubber Exchange of New York, says in *The Times*, “I believe 1928 will be the biggest tire year in the history of the business. This is partly based on the belief that it will be a record year in automobile production and that the replacement business in the tire industry will probably reach unprecedented proportions.”³⁷ A little over a week later, coming just before what can be assumed, for many Americans, one of the decade’s last abundant Thanksgivings, *The Times* publishes Stewart McDonald, President of the Moon Motor Company, claiming that “the outlook for 1928 is more encouraging than it has been for some time.”³⁸ And then after about three weeks passed, *The Times* publishes an article titled, “Bankers’ Journal optimistic for 1928: Views Motor, Railway Equipment, Textile and Other Industries as Promising.”³⁹ From these three projections on 1928 it is understood that leaders of manufacturing companies and bankers are explicitly expressing if not optimistic, neutral views on the coming year. It should be noted that while the job of a company president is relatively political and therefore the president may shy away from saying something that could worry or push customers and laborers away, these claims – that 1928 is “unprecedented” and “encouraging” supported by explicit “optimism” of the American Bankers’ Association Journal – reveal a degree of confidence.

Even Charles E. Mitchell, President of the National City Bank of New York, says in *The Times* that “1928 should rank definitely in the list of years that have brought good times to the

³⁷ “Predicts Big Tire Trade,” *The New York Times*, November 14, 1927.

³⁸ “Auto Man Optimistic on 1928,” *The New York Times*, November 23, 1927.

³⁹ “Bankers’ Optimistic For 1928,” *The New York Times*, December 13, 1927.

United States. A comparison of the principal business yardsticks...shows 1927 to have been a good average year.”⁴⁰ During the early 1930s, Mitchell’s confident, unwavering optimism for the potential success of 1928, and specifically his company, National City Bank, caused people to blame Mitchell for promoting a false sense of hope in the nation’s prosperity.⁴¹ In late 1929, when referring to C. E. Mitchell, Senator Carter Glass said that there was no man “more responsible than all the others put together for the excesses that have resulted in this economic disaster [the Great Depression].”⁴² C. E. Mitchell embodied “the financial practices of the 1920s” later marked by historians as the risk-seeking activities responsible for the drastic nature of the Great Depression and which influenced later reforms.⁴³ J. K. Galbraith goes so far to claim that in 1929 C. E. Mitchell’s “words were like magic.”⁴⁴ Considering his public persona and the conversations which circled C. E. Mitchell during the Depression, it can be assumed that he was a figure of great interest and influence in the years prior. His feelings projected onto 1928 were positive and hopeful; if 1927 was “average,” 1928, in the eyes of C. E. Mitchell and in stereotypical American spirit, would be bigger and better. As a figure used in order to assess the general mood of the public, C. E. Mitchell leads Americans into the new year with a sense that economic prosperity of America is stable.

Skepticism about the state of the economy remains absent as the months of 1928 continue. Unlike the ambiguity within writings on the potential of 1927, and because 1927 ended positively, as Chrysler said, there is “reason to believe that 1928 will be another year of good times,”⁴⁵ 1928 is spoken about confidently. This mentality spread to the business leaders of

⁴⁰ “Mitchell Predicts Good Times in 1928,” *The New York Times*, December 9, 1927.

⁴¹ Thomas F. Huertas and Joan L. Silverman, “Charles E. Mitchell: Scapegoat of the Crash?,” *The Business History Review* 60, no. 1 (Spring 1986): 82 – 83.

⁴² Glass quoted in Huertas and Silverman, “Charles E. Mitchell,” 81.

⁴³ Huertas and Silverman, “Charles E. Mitchell,” 81.

⁴⁴ Galbraith, *The Great Crash: 1929*, 42.

⁴⁵ “Chrysler is Optimistic,” *The New York Times*, October 2, 1927.

major American industries who were then, as a result of media and 1927 earnings, excited for the promise of 1928. And yet, just before New Year's Day, hidden next to boldface advertisements about investment opportunities⁴⁶ and headlines with words like "optimism" capitalized, is an article titled, "Financial Markets: The Last Week of the Business Year Begins – 1927 and 1928." The article states, "Arrival of a new year is traditionally an occasion in which immediate fulfillment of the enthusiastic year-end prophecies is looked for but does not come."⁴⁷ This quote critiques the optimism that often arrives with a new year. If *The NYT* claims that "enthusiastic year-end prophecies" never actualize, why do the majority of articles promote, if not "immediate," inevitable prosperity?

Throughout January, *The New York Times* inadvertently undervalues the significance of it publishing how "year-end" and its related forward-looking prophecies fail. Magnus W. Alexander, President of the National Industrial Conference Board, says in *The Times* during the first week of the year, "Business conditions in the United States are today not only basically sound, but in general hold promise of much achievement...Ours is a period, more than any time in the past third of the century, of internal industrial revolution and reorganization, but there is every reason to look forward with confidence."⁴⁸ C. Stanley Mitchell, President of the Central Mercantile Bank and Trust Company, agrees with Alexander and says:

My feeling regarding the business outlook for 1928 is one of optimism...Crops are far better than a year ago...Merchants and manufacturers are not overstocked with goods and materials...The country, as has been repeatedly demonstrated, is sound and conservative at the core and nowhere is there any serious dread that the election of 1928 will

⁴⁶ In Charles Geisst's *Wall Street*, he writes that during the 1920s, "advertising was placed under more scrutiny than in the past. Placing ads promoting riches or unusually high returns [were] frowned on, at least by the more serious newspapers...As early as 1916, *The New York Times* began offering \$100 rewards for information leading to the conviction of anyone placing false ads in the paper...in an attempt to protect the readership, and the paper's integrity, from bogus stock operators and land swindlers." (160) In 1928, advertisements of this ilk – promising big riches – covered most pages of *The NYT*.

⁴⁷ "Financial Markets: The Last Week of the Business Year Begins – 1927 and 1928," *The New York Times*, December 27, 1927.

⁴⁸ "Purchasing Power Seen as 1928 Factor," *The New York Times*, January 1, 1928.

disturb...Money is plentiful, there is no serious unemployment, the people are prosperous and the buying power of the American people is undiminished...what room is there for pessimism? I feel strongly that we may confidently look forward to a year of good business and uninterrupted prosperity in 1928.”⁴⁹

C. S. Mitchell reviews the key variables which contribute to prosperity and belittles any pessimistic expectations one may have when he rhetorically asks, “what room is there for pessimism?” Others optimistic views are also expressed by Charles W. Nash, President of the Nash Motors Company who says in *The Times*, “I see nothing to get disturbed about on the business horizon,”⁵⁰ and Francis I. Jones, Director General of the Employment Service of the Department of Labor, who claims “Industry and business, unmindful of the Presidential election campaign, will reach a new high level.”⁵¹ Both Nash and Jones present unquestionably positive projections about 1928. In conversation with Alexander and C. S. Mitchell, forecasts of the nation’s prosperity seem as good as true.

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Charles P. Kindleberger writes that “interest rates rose sharply beginning in the spring of 1928 as the Federal Reserve System sold off the additions to its open-open market portfolio of the summer of 1927 and raised the rediscount rate three times.”⁵² The Federal Reserve defines the discount rate as, “the interest rate charged to commercial banks and other depository institutions on loans they receive from their regional Federal Reserve Bank's lending facility – the discount window.”⁵³ In other words, the discount rate, or rediscount rate as referred to by Kindleberger, is the additional cash accrued and therefore required of commercial banks to pay (in addition to the sum of the loan). The Federal Reserve may have chosen to raise these rates in

⁴⁹ “Mitchell Optimistic on Outlook for 1928,” *The New York Times*, January 2, 1928.

⁵⁰ “Nash Optimistic on Trade Outlook,” *The New York Times*, January 12, 1928.

⁵¹ “Predict Prosperity at New High Level,” *The New York Times*, January 2, 1928.

⁵² Kindleberger, *The World in Depression, 1929 – 1939*, 74.

⁵³ “The Discount Rate,” Board of Governors of the Federal Reserve System, accessed April 17, 2019, <https://www.federalreserve.gov/monetarypolicy/discountrate.htm>.

order to contain the risks taken by banks; if, for example, a commercial bank is not 100% confident in the return of their investment, then an expensive discount rate may deter them from making the investment in the first place.

On April 3rd, *The Times* writes of an unprecedented amount of bank failures. It states that the number of insolvencies for 1928's first quarter were "6.2 per cent above" 1927's first quarter failures.⁵⁴ An increase in bank failures is important when tracking the demise of the economy as 1929 was looming. There is a correlated, if not causal, relationship between an increase in bank failures and the oncoming of a recession. Economist Wesley Clair Mitchell provides examples about how when society enters a panic and the public cannot withdraw their cash due to a bank's inability to meet its liabilities, the business cycle is likely leaving its expansionary period. But because the business cycle is considered an independent force,⁵⁵ insolvencies in 1928 may not, however, predict an impending downturn. Yet, the inclusion of statistics within *The New York Times* article express not the severity of 1928's first quarter bank failures, but rather the indisputable nature of it. W. C. Mitchell dedicates much of his analysis of the business cycle to the use of statistics; *The Times* here understands this through its use of 19th century business credits and annals company, Bradstreet.⁵⁶ As seen in Image 1, the first three months of 1928 are compared to 1927 and 1926.

⁵⁴ "Business Failures Increased in March," *The New York Times*, April 3, 1928.

⁵⁵ Wesley C. Mitchell, *Business Cycles: The Problem and Its Setting* (New York: National Bureau of Economic Research, Inc., 1927), 213.

⁵⁶ Currently called Dun & Bradstreet, a company known for generating information reports for more than 100 million international companies. (www.dnb.com)

	Number.		Liabilities.
	1928.	1927.	1928.
March	2,236	2,143	\$54,814,145
February	2,176	2,035	45,070,642
January	2,643	2,465	47,634,411
First quarter...	7,055	6,643	\$147,519,198
	1927.	1926.	1927.
December	2,162	2,069	\$51,062,253
November	1,864	1,830	36,146,573
October	1,787	1,763	36,235,872
Fourth quarter...	5,813	5,662	\$123,444,698
September	1,573	1,437	\$32,786,125
August	1,708	1,593	30,195,953
July	1,756	1,605	43,149,974
Third quarter...	5,037	4,635	\$115,132,052
June	1,833	1,708	\$34,465,165
May	1,852	1,730	37,784,773
April	1,968	1,957	63,155,727
Second quarter...	5,653	5,395	\$125,405,665
March	2,143	1,984	\$57,800,805
February	2,035	1,801	46,940,716
January	2,465	2,296	51,290,232
First quarter...	6,643	6,081	\$156,121,833

Bradstreet's Figures.

Image 1

Image 1 gives insight into economic statistics of the late 1920s and the science of tracking bank success. This report in April of bank failures highlights the truth in *The Time's* claim that sentiments of what may happen in a year's first few months are overly optimistic. With this review of March 1928 showing that a lack of economic and financial speculation is potentially delusional, it would seem that the rest of 1928 should take on a different tone.

However, what followed the spring and this potential call to economic concern, was a quiet summer. In June, a proposal for the Young Plan, a reparations plan to replace the Dawes Plan, became the focus of American foreign affairs.⁵⁷ In July, the Olympic Games took place in Amsterdam, despite Los Angeles in the running to host. "The Games [of that summer] were the most internationally competitive Games ever organized, with 46 nations competing. Amsterdam 1928 also became known as the Games during which peace doves were released for the first time, and during which the Olympic flame would burn throughout the Games, rather than only at

⁵⁷ Kindleberger, *The World in Depression, 1929 – 1939*, 78.

the start.”⁵⁸ While political conversations about the payment of World War I took place between the American, French, and German politicians, with the Olympics televised, the public was entertained by the friendships emerging through sport and the global expressions of peace and hope. The eternal burning flame and the “peace doves” symbolic of the games came home to America from Amsterdam and sense of optimism was further felt across the nation.

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With the arrival of fall comes a focus on the presidential elections. Both Herbert Hoover and Al Smith understood what it meant to uphold American Republican ideals differently, making for “one of the most colorful [elections] in American history.”⁵⁹ Along with staunch advocates and critics of each candidate, forecaster Roger Babson, considered “among the first to use systematic statistical analysis of economic data to predict future economic conditions,”⁶⁰ makes headlines. Born in 1875 and graduating the Massachusetts Institute of Technology in 1898, Babson started his career as a bond seller in New York. Walter E. Friedman writes that “cynicism toward the financial world, particularly that centered in Wall Street,” and the growing complexity of American business and of the investment industry” taught Babson lessons which would later define his career as a forecaster.⁶¹ Understanding the “complexity” of business and predictions of the future, on September 17th, following an August defined by what Galbraith calls, the “death of the bull market,”⁶² Babson states, “if Smith should be elected with a Democratic Congress we are almost certain to have a resulting business depression in 1929.”⁶³

⁵⁸ Hans M. Westerbeek, “The Amsterdam Olympic Game 1928 and 2028: will city heritage inform legacy intent?” *Sport in Society* 12, no. 6 (August 2009): 781.

⁵⁹ “Election of 1928,” In *American Economic History: A Dictionary and Chronology*, by James S. Olson and Abraham O. Mendoza (Santa Barbara: Greenwood, 2015).

⁶⁰ Friedman, *Fortune Tellers*, 12.

⁶¹ Friedman, *Fortune Tellers*, 16.

⁶² Galbraith, *The Great Crash: 1929*, 20.

⁶³ Babson quoted in Galbraith, *The Great Crash: 1929*, 20.

And though Galbraith writes that people remained “unperturbed” following Babson’s claim, the months that round out 1928 see various attempts to both warn and ease the American public.

Considering the future, economists used the election, as seen through Babson, to assign economic depression to one candidate and prosperity to another. Before Hoover dramatically beat Smith with 444 electoral college votes and 21,392,190 popular votes (leaving Smith with 87 electoral votes and 15,016,443 popular votes),⁶⁴ Babson and Secretary of the Treasury, Andrew W. Mellon, both confidently tied the future of American prosperity to Hoover. Babson simply states that Hoover’s election would be matched by “continued prosperity for 1929.”⁶⁵ Mellon even more explicitly says regarding a future with Hoover as President that “there is no cause for worry. The high tide of prosperity will continue.”⁶⁶ In response, Galbraith writes of this confidence:

Mr. Mellon did not know. Neither did any of the other public figure who then, as since, made similar statements. These are not forecasts; it is not to be supposed that the men who make them are privileged to look farther into the future than the rest. Mr. Mellon was participating in a ritual which, in our society, is thought to be of great value for influencing the course of the business cycle. By affirming solemnly that prosperity will in continue, it is believed, one can help insure prosperity will in fact continue. Especially among business the faith in the efficiency of such incantation is very great.⁶⁷

As Hoover is elected President on November 6, 1928, the statements of Galbraith hold true.

Hoover enters office with a majority of American votes as well as his supporters’ belief that with his swearing in would be the ushering of a continued state of American prosperity.

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The Federal Reserve did not release its report on the year until February 25, 1929 causing 1928 to end full of positive perceptions regarding the future of the political-economy. With this,

⁶⁴ “Election of 1928,” *American Economic History*, James S. Olson and Abraham O. Mendoza.

⁶⁵ Babson quoted in Galbraith, *The Great Crash: 1929*, 20.

⁶⁶ Mellon quoted in Galbraith, *The Great Crash: 1929*, 20.

⁶⁷ Galbraith, *The Great Crash: 1929*, 21.

on November 18th, the American public received a new figure to cherish. *Steamboat Willie*, the eight-minute cartoon produced by Walt Disney Studios, was released and met with national love for the main character, Mickey Mouse. The humor and brilliance of synchronized sound captured Americans; the optimism of Mickey, the portrayal of labor, and the nation's technological and creative success proven through the elaborate orchestration capture the spirit of 1928. Mickey Mouse, in this sense, is almost a metaphor for Coolidge's farewell State of the Union address. Galbraith calls Coolidge's optimism "superficial,"⁶⁸ though, like Mickey, it is potentially naive and genuine. Coolidge says, "No Congress of the United States ever assembled, on surveying the state of the Union, has met with a more pleasing prospect than that which appears at the present time. In the domestic field there is tranquility and contentment, harmonious relations between management and wage earner, freedom from industrial strife, and the highest record of years of prosperity."⁶⁹ And with this, we enter 1929.

⁶⁸ Galbraith, *The Great Crash: 1929*, 6.

⁶⁹ Calvin Coolidge, in *State of the Union: Presidential Rhetoric from Woodrow Wilson to George W. Bush*, 76 – 77.

1929

On New Year's Day, pages about the price reduction of silk, lingerie, and the finest furs lined pages of *The New York Times*. Saks-Fifth Avenue, Macy's, and B. Altman promised consumers not just the highest quality clothes, but unparalleled department store experiences. With almost 30 years of the department store acting as a staple of American life, the thrill of Christmas-time shopping was not lost on Americans. Store window displays attracted viewers and the artistic precision of the scenes spoke to the fantasies of those passing by. From these windows and sales on the season's most desired items, it would seem luxury was available for everyone.

And yet, it was New Year's Day of what would become a historically traumatizing and unparalleled decade. The weather in New York was cloudy, with rain expected in the evening and the temperature to drop the following day.⁷⁰ 1929 had started.

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The stock market crash of October 29, 1929 is often marked as the start of the Great Depression; the day's intense trading and the Dow's sharp fall ushered in the event in question. What later became known as Black Tuesday, a series of socio-political events turned the nation upside down with mass unemployment, poverty, and greater economic unrest.⁷¹ The events starting on this date in 1929 initiated the creation of many contested and varied federal recovery programs, all under the umbrella of President Roosevelt's New Deal. Relying on the media as an indication for what the nation thought of its immediate future, with just ten months until the historic and doom filled moment of October 29th, American prosperity was without question.

⁷⁰ "Front Page," *The New York Times*, January 5, 1929.

⁷¹ Galbraith, *The Great Crash: 1929*.

With a stock market crash to instigate national depression effecting all industries imminent, it would seem that across all sectors the year ahead was predicted to be not just good, but prosperous. The articles titled “Business Expansion Aids Real Estate” and “Stock Market Opens 1929 with Buying Rush,” present an unwavering sense of confidence about both real estate and Wall Street conditions at the start of the year. These two markets are crucial to gauging the immediate future as the effects of their success can disrupt economic order.

Real estate, specifically the housing market, is often looked to as an indicator for economic success and growth; the default on loans intended for mortgages is ultimately a variable that historians consider part of what caused the Great Depression. And yet, in the beginning of the year, on the subject of real estate, *The Times* says:

General business expansion means for real estate greater demands for office space, more construction to meet definite business needs, and larger and higher-priced apartments for living purposes. Real estate opens the new year in a strong position. The investing public has begun to realize the advantages...The [investing] trend will be even more pronounced during the coming year, as more surplus capital will be diverted to well-located Manhattan properties which bring in a good return...Of course there will always be some slight overbuilding, but this is a temporary condition which need cause no alarm.⁷²

The relationship between real estate in general and business is clearly outlined in this article. The success of one supports the success of the other. Business expansion aids the necessity for real estate development. This is evident by the fact that during the 1920s when company mergers and acquisitions were popular, so too was the rise of the corporate office building and its status as a key structure within the American landscape. When the “investing public realize[d] the advantages” of real estate, it can be inferred that the economy was not just doing well, but also assumed to continue its growth.

⁷² “Business Expansion Aids Real Estate,” *The New York Times*, January 6, 1929.

In terms of the stock market, the rapid purchasing of shares denotes a degree of strength in the economy as the exchange of stocks contributes to the public's understanding of how valuable and profitable a company is (the same company which may employ hundreds and expand overall business). Compared to the analysis of real estate, *The NYT* statement about the market at the beginning of the year is more explicit in its predictions; whereas discussion of the housing market promises readers and critics of overbuilding that there was "no cause for alarm," when discussing the stock market, anxieties are not even introduced as they are preemptively confronted. The article states:

The stock market started the new year with a rush of buying orders that established wide gains in electrical, public utility, copper, steel, rubber, railroad and motor stocks...As a result of the revived business Wall Street as a whole was in a jovial mood last night. "As goes the first day, so goes the year" was the comment frequently heard. There is no doubt that the Street as a whole expects 1929 to be one of memorable record.⁷³

By claiming "the Street as a whole" is confident in the year ahead assures readers, many of whom may conflate the stock market and the economy and leaves no room to question. The article outlines the myriad of industries exchanged rapidly on the market on the first of year, supporting the extent of the market's reach. "Electrical, public utility, copper, steel, rubber, railroad and motor stocks" essentially create the makeup of industrial American life, and as a result, the exchange of shares shows that the businesses responsible for America's success are set to succeed throughout the year. This article in hindsight is ironic because expectation that 1929 would be a "memorable" year is not wrong, however, a success of the market and even real estate investment is not what warranted the lasting impression of 1929.

John Moody, famed owner of Moody's Investors Service, a publisher of bond credit ratings, used his platform to introduce forecasts on the state of nation and in January of 1929, he

⁷³ "Stock Market Opens 1929 With Buying Rush," *The New York Times*, January 3, 1929.

metaphorically hops on the bandwagon of relaying through *The New York Times* a promise of prosperity. Moody is quoted saying, “If the so-called ‘bull market’ culminates this year it will not be due to any pronounced reversal of the fundamental prosperity of the country. This latter promises genuine permanency for a long period.”⁷⁴ Moody throughout this article separates the nation’s prosperity from the business cycle; by doing so, he confirms that the volatility of the stock market is not a threat to the country’s success. His statement that country’s “fundamental prosperity” will be permanent “for a long period” is powerful enough to dispel any worries. As of January, it is clear that no economic depression is predicted for or even considered a possibility in 1929.

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Going back to 1928, on February 25, the Federal Reserve released its annual report on the year putting the state of the economy, specifically the flow of capital, in focus. On the status of the country’s gold reserves the paper says, “the progress of the gold standard during the past year has been accompanied by the withdrawal of a considerable amount of gold from the United States.”⁷⁵ This “withdrawal of considerable amount[s] of gold” hints to a degree of fear regarding the future. United States’ gold reserve decreased in 1928 from 3,977 million to 3,746; alternatively, France increased their holdings from 954 million to 1,254. America’s withdrawal of reserves can potentially signal a sense of anxiety. Gold, in comparison to financial assets, is the most secure asset. When crisis is sensed, stocks are not bought and government bonds, often the most secure holding, are not chosen as gold is seen as more stable in the long term. The increase of the discount rate matched with the decrease of gold reserves might suggest a concern about the future.

⁷⁴ “Moody Forecasts Market,” *The New York Times*, January 4, 1929.

⁷⁵ The Federal Reserve, *Fifteenth Annual Report of the Federal Reserve Board Covering Operations for the Year 1928*, Washington, D.C.: Government Printing Office, 1929.

Surprisingly, the economy's state, specifically employment rates, is left out of the Fed's annual report. Considering why this may be the case, one can think that the focus of the Federal Reserve during 1928 was to manage the effect of raising the discount rate. The image below in this regard addresses this main concern and because it aptly comes at the beginning of the report, it frames what becomes, in retrospect, the Fed's most significant activity of 1928.

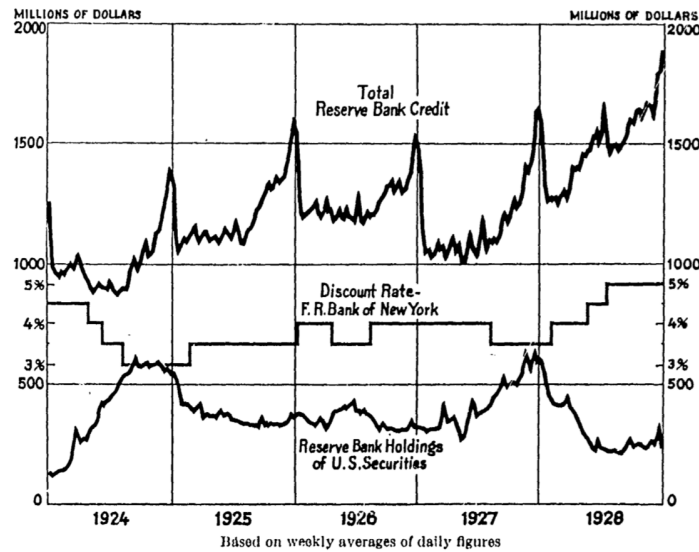


Image 2

The projections of Image 2 show a relative, though fluctuating, inverse relationship between Total Reserve Bank Credit and Reserve Bank Holdings of U.S. Securities. This indicates that as the reserve bank gains credit and is therefore able to request more funds, holdings fall as a consequence. One can infer that an increase in holdings cannot withstand a rise in extended credit, which potentially jeopardizes the liquidity of the reserve bank. Because of this, the graph introduces sufficient room for assumption about the reserve bank's ability to continue growing. Putting, therefore, the contents of the Fed Annual Report and the confident expectations of the future as seen in *The New York Times* in conversation, it would seem that if this chart continued, 1929 would see a further increase in bank credit in comparison to a slight growth in reserve holdings.

The contents of the Federal Reserve Board Annual Report are significant in terms of assessing whether choices were made during 1928 in preparation for any economic downturn. This, however, does not seem to be the case; the Federal Reserve acted in 1928 with policy intent on growing the economy and by March of 1929, its plans were a success. An article in *The Times* states:

Business of the country looks on the inauguration of a new president tomorrow as the possible inauguration of an unprecedented era of commercial prosperity in this country, more pronounced in fact than that of the last few prosperous years. Reports from the Federal Reserve districts throughout the country reflect generally good conditions...The only difficulty which presents itself is in the present state of the money market and the high rates demanded for the use of credit...However, the business fraternity of the country is in a cheerful frame of mind.⁷⁶

Though this article states that an “unprecedented era of commercial prosperity” is just a possibility, business’s “cheerful frame of mind” seems to say that “commercial prosperity” will be a reality. Even more so, because *The Times* presents “the business fraternity” and Federal Reserve in agreement about the nation’s future, there is a clear sense of economic security. As neither agency questions or even poses any threat worth concern, readers of this article can take away that a state of prosperity, unlike anything in the country’s history, is approaching.

Yet, on March 8th *The New York Times* publishes a statement by Paul M. Warburg which combats any positive assumptions made regarding the economy as a response to the Fed report.

⁷⁶ “Inauguration Seen as Business Omen,” *The New York Times*, March 3, 1929.

WARBURG ASSAILS FEDERAL RESERVE

**System Has Lost Control of
Credit, He Says—Should Have
Raised Rediscount Rate.**

WARNS OF SPECULATION

**“Stock Exchange Debauch” Likely
to Result in Depression of Whole
Country, Banker Concludes.**

Image 3

Warburg, a German Jewish immigrant notable for his role as one of the Federal Reserve System’s founders, is quoted in *The Times* reiterating the statements seen on Image 3. He says, “If present orgies of unrestrained speculation are permitted to spread too far, the ultimate collapse is certain not only to affect the speculators themselves but also to bring about a general depression involving the whole country.”⁷⁷ Though *The NYT* notes Warburg’s detachment from the Federal Reserve at the time, his claims as a retired representative of the system still bear weight; from the text it seems Warburg is aware of his authority in terms of economic expertise and his potential to influence public thinking. However, a warning is not synonymous with a forecast. Warburg’s statement is conditional and does not point to any moment in the immediate future when a depression will start. Rather than instill a fear regarding a forthcoming depression, Warburg simply acknowledges its hypothetical possibility.

The role of the Fed continues to attract media attention on April 30th when *The Wall Street Journal* publishes an article titled, “Young on Speculation: Sees Conditions Adjusting Themselves with No Reason for Altering Reserve System.”⁷⁸ Looking at this headline, as well as

⁷⁷ “Warburg Assails Federal Reserve,” *The New York Times*, March 8, 1929.

⁷⁸ “Young on Speculation: Sees Conditions Adjusting Themselves with No Reason for Altering Reserve System,” *The Wall Street Journal*, April 30, 1929.

Young's history of attempting to mitigate fear instigated by banks, anxiety over the current moment is considered unwarranted; seeing "no reason for altering [the] reserve system" is a comforting sentiment to share with Americans. The article states:

The orgy of stock speculation now sweeping America will readjust itself automatically and there is no reason for revamping the Federal Reserve banking system for those ends, in the opinion of Roy A. Young...[Young] does not agree with critics that the system's functions have failed to keep pace with changing economic conditions. 'There is plenty of elasticity in it, and the very fact that it will not be stretched too far is one of its strongest pillars of security,' he stated."⁷⁹

"Orgy of stock speculation" is language nearly identical to that of Warburg's "orgies of unrestrained speculation," and hints that Young is responding directly to Warburg's threat of speculation. However, compared to Warburg, Young, as current Chairman of the Federal Reserve, is a figure whose insight into the state of the economy is presumably most informed and accurate. Claiming the Fed as appropriately responding to "changing economic conditions" is a democratic way of brushing off concern. Due to Young's position, one can question whether he is the most transparent; wouldn't Warburg's distance from the Fed enable a greater degree of honesty? Possibly. But with Young's influential role, it is fair to assume he has enough power to ease any fears about the economy's future.

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Because employment denotes people willing to spend and invest, it is often considered an indicator for the health of the economy. In May, *The Times* publishes a report from the Bureau of Labor Statistics outlining an employment increase of "0.5 percent in April, 1929, as compared with March, and payroll totals increased 0.1 per cent." Though these percentage points do not seem quite large, what is significant is twofold. First, *The Times* states that this increase in employment affected "39 out of 54 industries," covering "industrial groups [such as]

⁷⁹ Ibid.

manufacturing, mining, public utilities, trade and hotels...anthracite and metalliferous mining, public utilities and wholesale trade also.”⁸⁰ Second, it is noted that the nature of this employment and payroll increase is exceptional. The increase is “the only time the eight years for which the Bureau of Labor Statistics has computed indices of employment on the present basis, in which employment has been higher in April than in March, and the first time in six years that payroll totals have been higher in April than in March.”⁸¹ Of the reviewed industries, with 72% showing an unequaled growth in employment, economic security does not seem at all jeopardized.

When measuring the state of the economy, though the stock market is not the most reliable, it cannot be ignored; the summer of 1929 highlights this. J. K. Galbraith writes:

By the end of the summer of 1929, brokers’ bulletins and letters no longer contented themselves with saying what stocks would rise that day and by how much...The conviction that the market had become the personal instrument of mysterious but omnipotent men was never stronger. And indeed, this was a period of exceedingly active pool and syndicate operations - in short, of manipulation. During 1929 more than a hundred issues on the New York Stock Exchange were subject to manipulative operations, in which members of the Exchange or their partners had participated...If all went well, the public would come in to buy, and prices would rise on their own...While it lasted, there was never a more agreeable way of making money.⁸²

Galbraith outlines here that due to institutional suppression of market speculation, a window opened for “pool managers” to manipulate public perception of stocks and drive up prices. He concludes by saying despite its “twilight of illusion,” the buying of stocks in the summer of 1929 was a quick money generating process.⁸³ What Galbraith describes as a scheme, with in hindsight “manipulative operations,” shows how appealing, albeit deceptive, stock buying was during the summer of 1929.

⁸⁰ “Employment Figures 6 ¼% Above Year Ago,” *The New York Times*, May 15, 1929.

⁸¹ *Ibid.*

⁸² Galbraith, *The Great Crash: 1929*, 84.

⁸³ Galbraith, *The Great Crash: 1929*, 71.

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The events occurring during the summer months of 1929 beg the question of when does crisis happen? If the trade in stocks on the NYSE enabled the accumulation of great wealth, why would anyone start predicting the Great Depression? On September 3rd, the Dow Jones industrial average (DJIA), an index of value for key stock market players, reached its then all-time high of 381. Compared to a low of 191 in the beginning of 1928, the doubling of the index represents an indirect growing market and economy.⁸⁴ *The NYT* writes of steel, electricity and railroad companies reaching new market highs, all while bankers borrowed from the Fed with ease. Galbraith even summarizes the summer by claiming “there were several expressions of confidence.”⁸⁵ Despite the inherent uncertainty of the stock market, confidence in the market does not usually come along with fears of an impending depression; because of this, the market activity of September 3rd was simply just groundbreaking.

On September 5th, however, forecaster Roger Babson did not look favorably on the market or the overall state of the nation. Known for discovering signals for what he considered the makings of economic depression, Babson spearheaded the ever-adapting discipline of economic forecasting. His initial reports were “distinguished by their moralizing tone and their propensity to see failures of business, and indeed violent panics and swings in business activity.”⁸⁶ Intent on uncovering hidden truths or signs of the economy’s future state, Babson made clear his distaste for the stock market and its volatile nature. Considering business what fosters “the ultimate growth of our Nation,”⁸⁷ Babson was skeptical of the stock market’s growth

⁸⁴ Kindleberger, *The World in Depression, 1929 – 1939*, 108.

⁸⁵ Galbraith, *The Great Crash: 1929*, 89.

⁸⁶ Friedman, *Fortune Tellers*, 43.

⁸⁷ Babson quoted in Friedman, *Fortune Tellers*, 33.

on September 3rd. He responds just two days later during a speech given at an annual business conference in Wellesley, Massachusetts. Babson says:

I shall repeat what I said at this time last year and the year before; namely, that sooner or later a crash is coming which will take in the leading stocks and cause a decline of from 60 to 80 points in the Dow-Jones-Barometer...Fair weather cannot always continue. The economic cycle is in progress today, as it was in the past...Wise are those investors who now get out of debt and reef their sails. This does not mean selling all you have, but it does mean paying up your loans and avoiding margin speculation.⁸⁸

Babson does not present a clear timeline, or even explicit call to action, rather he just warns that the prosperity of the past years is nearing its end “sooner or later.” In what Friedman considers Babson’s typical “doom and gloom” fashion,⁸⁹ Babson does not shy away from drama when he says, “the result will be a serious business depression.”⁹⁰ Given that the aftermath of 1929 is known, this warning should seem more jarring. However, Babson was alone in his projections of the future.

Though Babson did not explicitly predict the Great Depression, or even imminent turmoil, his claims regarding a future and expected depression carried weight. Galbraith considers Babson’s status as a forecaster reliant on methods of prediction that “involved a hocus-focus of lines and areas on a chart. Intuition, and possibly even mysticism, played a part.” He says that Wall Street “promptly denounced [Babson]”⁹¹ despite the unfolding of the “Babson Break.” Friedman writes:

[Babson] caused a commotion when the news [of his prediction] hit tickers in financial houses...A sharp sell-off began, bringing the market indexes down about 3 percent...The very next day after the ‘Babson break’ New York Stock Exchange prices soared, making up much of the ground lost the day before. The sharp rebound following the break seemed to confirm general optimism among investors in the late 1920s and to suggest that the market was invincible.⁹²

⁸⁸ Babson quoted in Friedman, *Fortune Tellers*, 43 – 44.

⁸⁹ Friedman, *Fortune Tellers*, 44.

⁹⁰ Babson quoted in Galbraith, *The Great Crash: 1929*, 90.

⁹¹ Galbraith, *The Great Crash: 1929*, 90.

⁹² Friedman, *Fortune Tellers*, 44.

From this analysis it seems clear that there was some semblance of anxiety amongst those trading; Babson had caused people to believe, if only for one day, that the crash he predicted would happen soon. Galbraith, in contrast, simply writes of the aftermath that, “The market rallied on Friday and was firm on Saturday. People seemed over their fear.”⁹³ Regardless, the temporary effects of Babson’s ambiguous claims regarding a crash show that regardless of pessimists, optimism regarding investment and the future prevailed.

Babson’s September 5th statements of a forthcoming depression are discredited as the public seems intent on feeling optimistic. *The NYT* on September 7th presents three responses to Babson. The first comes from Yale economist and critic of Roger Babson, Irving Fisher, who is quoted saying, “stock prices are not high and wall street will not experience anything in the nature of a crash.” The second response is from the Dow Jones Corporation which discusses how its index reacted when Babson last warned about a recession; it makes this point to note Babson in 1926 was wrong and that the strength and continual growth of the DJIA can withstand his projections. The last response is the full note sent to clients of investment banking and brokerage firm, Hornblower and Weeks, and claims to share the sentiment of Wall Street’s other firms. They are quoted saying, “We would not be stampeded into selling stocks because of a gratuitous forecast of a bad break in the market by a well-known statistician. The market has been advancing for years, in spite of the bearish utterances of such authorities. No sane man expects widespread advances to continue indefinitely.”⁹⁴ Of course, because “no sane man expects” indefinite advances and because of the sentiment shared among Fisher, the Dow-Jones, and Hornblower and Weeks, no sane man would then listen to Babson.

⁹³ Galbraith, *The Great Crash: 1929*, 91.

⁹⁴ “Babson’s Stock Crash Prophecy Draws Fire From Other Experts,” *Chicago Daily Tribune*, September 7, 1929.

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A contemporary of Babson and prosperity's greatest advocate, Fisher, is considered one of the other foremost forecasters of the 1920s. Fisher was an avid academic and "believed that money and its related variables – prices, credit, and interest rates – were the key to predicting the economic future."⁹⁵ His forecasts were predicated on "his belief that changes in the price level (rather than the actual price level) signaled upcoming fluctuations in real output and employment."⁹⁶ Using this belief system and method of calculating forecasts, Fisher is discussed in an article on October 16th titled, "Fisher Sees Stocks Permanently High." Below this headline is a quote by Fisher which reads, "I will not attempt to make any exact forecast, I do not feel that there will soon, if ever, be a fifty or sixty-point break below present levels such as Mr. Babson has predicted."⁹⁷ Fisher, by claiming his avoidance of making an "exact forecast," inadvertently does just that; by saying he does not feel that soon or "if ever" the stock market's prosperity will break, he eludes to an idea that nation's prosperity is unending. This confidence feeds the public's desire for comfort and stability.

By October 24th, a crash struck Wall Street. And yet, the press writes with minimal drama and the President and even Chairman of the Fed, Roy Young, are absent in supplying immediate responses. It is almost expected that the market would fix itself, the prosperity repeatedly promised to Americans would bounce back, and intervention of any kind would be unnecessary. John Moody writes a newsletter on Monday, October 28th responding to stock market liquidation which occurred one week prior. He says, "We are convinced it represents nothing more or less than a speculators' frenzy of fear for the time being – in other words, a technical condition of the market rather than a reflection of radically changing underlying conditions, which, in point of

⁹⁵ Friedman, *Fortune Tellers*, 52.

⁹⁶ Friedman, *Fortune Tellers*, 53.

⁹⁷ "Fisher Sees Stocks Permanently High," *The New York Times*, October 16, 1929.

fact, remain relatively stable.”⁹⁸ Moody here joins Fisher in preaching market stability. Both are “convinced” if not certain that prosperity would continue in the future. And yet, just the next day, “the most devastating day in the history of the New York stock market, and [possibly] the most devastating day in the history of markets” ensued.⁹⁹ The Great Depression had arrived.

⁹⁸ Moody quoted in Friedman, *Fortune Tellers*, 114.

⁹⁹ Galbraith, *The Great Crash: 1929*, 116.

Conclusion: Prediction Ninety Years Later

Following the Autumn of 1929, America was a changed nation. Galbraith writes that, “some years, like some poets and politicians and some lovely women, are singled out for fame far beyond the common lot, and 1929 was clearly such a year.” The year was revolutionary, and its aftermath knows no bounds. The decade which has come to mark the Great Depression is unmatched in its social, economic, and political influence. Remnants of President Roosevelt’s New Deal still shape American life; projects like the Public Works Administration (PWA), Securities and Exchange Commission (SEC) and Federal Housing Administration (FHA) do not just linger, rather they contribute to shaping daily life. And it seems, part of the nation’s ongoing recovery is an inherited fear that another Great Depression could strike. Like a patient in remission, America is merely in respite from the Great Depression and the crashes that have come after. A marker of time, depressions define global and national behaviors; fear of economic chaos is imbedded in the national identity. Galbraith says, “whenever Americans have been afflicted with doubt as to the durability of their current state of prosperity, they have asked: ‘Will it be 1929 all over again?’”¹⁰⁰ 1929 has become the benchmark for the worst and when asking if it will happen again, who can answer this question but a forecaster? And yet, do forecasts, predictions, and confident postulations on the future bear truth? The contents of this paper say despite repeated belief in the nation’s prosperity, trauma can still strike.

It is not groundbreaking to declare that the future is unpredictable. And yet, there is great comfort in knowing what lies ahead. With this, economists, historians, and mathematicians invite the study of prediction by modeling trends and assessing certain variables in the hope of not just comfort, but preparation. To ask if “it will be 1929 all over again,” is to consider how best to

¹⁰⁰ Galbraith, *The Great Crash: 1929*, 1.

prepare. The fear of depression, like the fear of the unknown, has an undisputable psychological effect; forecasting can be understood as an attempt to rationalize this fear. Friedman writes, “forecasters offered comfort to those who feared that capitalism, as an economic system, was too dangerous and volatile. Forecasts, after all, were more than predictions of the future. They were assumptions about what the economy was and how the economy worked. By pointing out trends in data and creating charts and models, forecasters made capitalism seem natural, logical, and, most of all, predictable.”¹⁰¹ The attempt to find logic within a system such as the economy is why Friedman considers economic forecasters “entrepreneurs.”¹⁰² Their use of statistics and meteorology is part of a larger project of not just predictability, but preparation. When it comes to one’s financial wellbeing and security, it can be safely assumed that the element of surprise is unwelcome. To predict the future, is to be ready for what it entails, and so, in terms of the country’s greatest economic disaster, did anyone truly predict its arrival?

In short, no. This paper reviews the three years prior to the Great Depression and uses a plethora of newspaper articles in order to assess what was told to the public. Politicians, economists, and, Friedman’s admired forecaster are all studied in effort to answer a relatively straightforward question. In 1927, the President’s promise of prosperity echoed throughout the nation. Employment and production across all industries reached record highs and the decadence of resembling the world of The Great Gatsby seemed ever present. Kindleberger notes that 1927, coming after recovery of World War I in 1925 and 1926 was a “boom.” In 1928, the narrative rarely changed. Naysayers of the nation’s prosperity were disregarded and despite a decline in the stock market, optimism prevailed. By 1929 there was “a sharp spurt in industrial production above 1928.”¹⁰³ Some figures throughout the year were wary of the potential for America’s

¹⁰¹ Friedman, *Fortune Tellers*, 8.

¹⁰² Friedman, *Fortune Tellers*, 3.

¹⁰³ Kindleberger, *The World in Depression, 1929 – 1939*, 58.

prosperity to last. And yet, the future is spoken about ambiguously. Roger Babson, accredited by Friedman with having predicted the Great Depression, never pinpointed a moment or date when a depression would start. Despite claiming a crash will arrive “sooner or later,” 1929 is never chosen as the year where “sooner” would be actualized. Babson seems unlikely to assume the depression he speaks of to start the following month; his prediction in some regard is conflated with a hallow warning.

Babson’s skepticism over the longevity of America’s prosperity is based in the cyclical nature of the business cycle. 1920’s business cycle expert, Wesley Clair Mitchell, claims there is a reliability to the economy because following moments of expansion are moments of contraction. Understanding the growth of the economy to always undoubtedly reach a peak means those questioning the nature of America’s prosperity are not predicting a depression. Without a clear moment where the economy’s prosperity will break, statements about impending depression simply support business cycle theory. This is, of course, a simplification of one of economics many complex elements. And yet, it is important to acknowledge how prediction and an economy following principles of the business cycle differ. Because of this, it would seem the Great Depression was not predicted. As it came with no warning, it must be asked: how do we learn from the Great Depression’s lack of forecast? When tracking events in the years, months, and weeks leading up to the stock market crash of October 29th, does any moment hint to a depression? Did politicians, economists, and the general public miss something which may have indicated 1929 was the year a depression would uproot American life? How can prediction distinguish itself from prophecy and truly aid preparing for the future?

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In 2007, the default of subprime mortgage loans unleashed the Great Recession. A global financial crisis followed as the Eurozone, specifically Greece, struggled to pay its debts and

remain afloat. The world was seemingly spiraling out of control and with it came social uproar and unprecedented government intervention in the world of Wall Street. Throughout and even following this crisis, comparison to the Great Depression was used sparingly. Historians and economists were conservative in claiming the Great Recession mimics the Great Depression. In terms of prediction, the Great Recession introduces a different story, and yet, supports the debate around accurate forecasting. Looking to today, the desire to know the future has only grown. Following the Great Depression, the nature of the business cycle and the length of expansionary periods has been studied further. Economists debated (and still do) how long the nation can withstand growth before a depression. The Federal Reserve has created an automated tracker to account for specific variables and diagnose when the next crisis will emerge. Wall Street has regulatory practices in play to avoid certain risks. And the public still fears the worst and acts accordingly.

Galbraith calls attempting to know if another 1929 looms a “pretentious task.”¹⁰⁴ And yet, ten years after the Great Recession and ninety after the Great Depression, it is a pervasive task. Headlines read: “Warnings Keep Coming About a Downturn That Will Hit in 2020”¹⁰⁵; “U.S. Economy Will Slow in 2019, May Enter Recession in 2020, Economists Forecast. Trump Administration Disagrees”¹⁰⁶; “Most CFOs see a U.S. recession coming by 2020”¹⁰⁷; “Economy at ‘very real risk’ of falling into recession in late 2020, UCLA forecast says”¹⁰⁸; “Three-fourths

¹⁰⁴ Galbraith, *The Great Crash: 1929*, 1.

¹⁰⁵ Joe Weisenthal, “Warnings Keep Coming About a Downturn That Will Hit in 2020,” *Bloomberg*, September 13, 2018, <https://www.bloomberg.com/news/articles/2018-09-13/warnings-keep-coming-about-a-downturn-that-will-hit-in-2020>.

¹⁰⁶ Kevin Kelleher, “U.S. Economy Will Slow in 2019, May Enter Recession in 2020, Economists Forecast. Trump Administration Disagrees,” *Fortune*, November 21, 2018, <http://fortune.com/2018/11/21/us-economy-slow-2019-recession-2020-economist-forecast/>.

¹⁰⁷ Kate Gibaon, “Most CFOs see a U.S. recession coming by 2020,” *CBS News*, December 12, 2018, <https://www.cbsnews.com/news/most-cfos-see-a-u-s-recession-coming-by-2020/>.

¹⁰⁸ Jeff Daniels, “Economy at ‘very real risk’ of falling into recession in late 2020, UCLA forecast says,” *CNBC*, March 13, 2019, <https://www.cnbc.com/2019/03/13/economy-at-very-real-risk-of-entering-recession-in-late-2020-ucla.html>.

of economists predict recession by 2021”¹⁰⁹; “Pessimists are predicting a global crash in 2020”¹¹⁰; “When is a recession coming? By 2021, most economists predict in new survey.”¹¹¹ There is a consensus here that a recession is coming within three years. 2019, 2020 or 2021 are all noted as the years when the stimulus and national recovery following the Great Recession will end. Why then? Economists have analyzed GDP and consumer spending, among other variables, and have chosen 2019, 2020 or 2021 not at random. The act of economic forecasting has been refined; to predict economic crisis now is to not just understand the business cycle, but to pose an empirical question. By noting these years, the nature of prediction is different than what is seen in this paper. These predictions are not contingent on theory, rather they are skeptical of the status quo.

There is value in a prediction that utilizes a specific date because it adds an element of knowing; this was absent in the years prior to the Great Depression. So, what can we learn? Despite the specifics of the forthcoming depression’s prediction, it has not yet been actualized. And it may not come. Or it may come in 2023, and not 2020. There is risk to prediction and maybe those thinking about the future in the late 1920s feared starting a frenzy. Economists and historians must grapple with the potential of crying wolf. And even so, to give false alarm is hazardous in its own way. Maybe then the question is not what can we learn from the years prior to the Great Depression, but rather, what do 1927, 1928, and 1929 teach us about the human capacity to believe in prosperity? How does optimism overshadow the fact that economic success is followed by crisis?

¹⁰⁹ Sylvan Lane, “Three-fourths of economists predict recession by 2021,” *The Hill*, February 25, 2019, <https://thehill.com/policy/finance/431423-three-fourths-of-economists-predict-recession-by-2021-survey>.

¹¹⁰ Phillip Inman, “Pessimists are predicting a global crash in 2020,” *The Guardian*, January 5, 2019, <https://www.theguardian.com/business/2019/jan/05/global-economic-crash-2020-understand-why>.

¹¹¹ Taylor Telford, “When is a recession coming? By 2021, most economist predict in new survey,” *Chicago Tribune*, February 25, 2019, <https://www.chicagotribune.com/business/ct-biz-recession-economists-survey-20190225-story.html>.

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Appendix

	Number.		Liabilities.
	1928.	1927.	1928.
March	2,256	2,143	\$54,814,145
February	2,176	2,035	45,070,642
January	2,643	2,465	47,634,411
First quarter...	7,005	6,643	\$147,519,198
December	2,162	2,069	\$51,062,253
November	1,864	1,830	36,146,573
October	1,787	1,763	36,235,872
Fourth quarter...	5,813	5,662	\$123,444,698
September	1,573	1,437	\$32,786,125
August	1,708	1,593	30,195,953
July	1,756	1,605	43,149,974
Third quarter...	5,037	4,635	\$115,132,052
June	1,833	1,708	\$34,465,165
May	1,852	1,730	37,784,773
April	1,968	1,957	53,155,727
Second quarter...	5,653	5,295	\$125,405,665
March	2,143	1,984	\$57,800,805
February	2,035	1,801	46,940,716
January	2,465	2,296	51,290,232
First quarter...	6,643	6,081	\$156,121,853

Bradstreet's Figures.

Image 1: "Business Failures Increased in March," *The New York Times*, April 3, 1928.

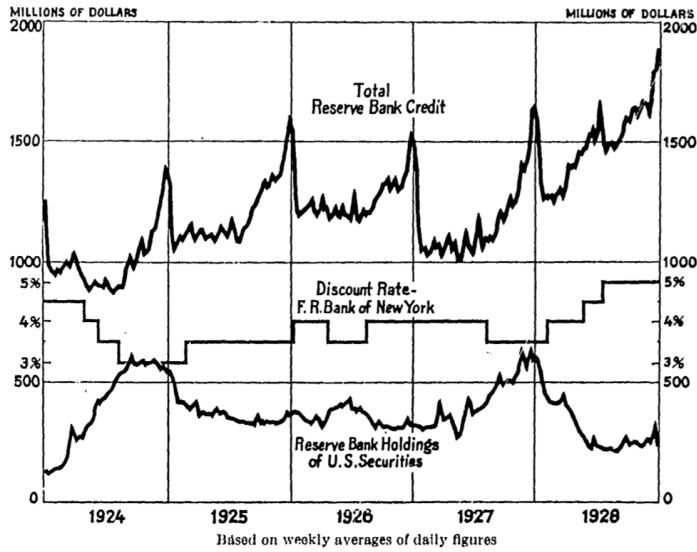


Image 2: The Federal Reserve. *Fifteenth Annual Report of the Federal Reserve Board Covering Operations for the Year 1928*. Washington, D.C.: Government Printing Office, 1929.

WARBURG ASSAILS FEDERAL RESERVE

**System Has Lost Control of
Credit, He Says—Should Have
Raised Rediscount Rate.**

WARNS OF SPECULATION

**“Stock Exchange Debauch” Likely
to Result in Depression of Whole
Country, Banker Concludes.**

Image 3: “Warburg Assails Federal Reserve,” *The New York Times*, March 8, 1929.