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East Texas and the Stock Market Crash

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In 1929 the New York Stock Exchange suffered the most serious one-day decline in its history and the shock waves were felt around the world. Even today, despite the fact that the Exchange has suffered more serious declines in recent years, people still refer to the debacle of 1929 as the "Great Crash."

Contemporary followers of the stock market have some difficulty understanding the severity and importance of the market crash in 1929. At that time the Dow-Jones average was between 300 and 400; the number of shares traded on October 29 was around sixteen million, a number considered small on most trading days now. In the context of that time, however, it was a devastating event.

The Stock Market Crash has been called both the cause and the beginning of the Great Depression, but of course, it was neither. The crash was a signal of hard times to come, not the cause. The crash, moreover, was not the beginning of the Depression, because certain segments of the American economy had been depressed since the end of World War I. Despite the apparent prosperity of the 1920s, perhaps as much as one-half of the American people were in a near-desperate situation before 1929.

Much has been written in the past fifty years about how the crash actually occurred, what people thought of it, and its immediate and long-range impact. Considering the significance attached to the crash, it is important to know how people in Texas—especially East Texas—reacted to it.

Prior to the crash, business in Texas was good, especially in insurance and pharmaceuticals. Despite the depressed condition of agriculture, business in East Texas continued to be encouraging in the summer; even after October 29, business prospects appeared good. Year-end statements by various chambers of commerce reported record prosperity.

Beneath the facade of confidence and optimism, however, occasional pessimists were heard. One East Texan, soon after the election of 1928, was fearful that President Hoover would not only continue President Coolidge's business policy but that he would be "aggressively expansive in favor of the predatory classes and those seeking special governmental privileges." At the beginning of 1920 farmers from all

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over East Texas felt that history would soon repeat itself with a drop in prices, depressing the agricultural community even more. Future prospects were not bright for all Texans.

At first, East Texans paid little attention to the panic in New York. Other than a brief story about the crash, most East Texas newspapers ignored the stock market, concentrating instead on local events that were more exciting to area residents.

It was not long, however, before editorials began to explain that the crash should not be of great concern to people in East Texas. When President Herbert Hoover and prominent financial leaders reversed their earlier positions to say that the market had no relationship to the soundness of business and the economy, East Texans quickly agreed. The *Tyler Daily Courier-Times* expressed opinions that were fairly representative of the East Texas area. For example, on October 28 and 29 the paper ran wire service stories about the wild selling of stocks in New York, but indicated that the panic would be short-lived and that all would be back to normal soon.

Like newspapers everywhere, the Tyler paper published syndicated or "canned" editorials. Local editors often did not write their own material and their personal feelings are difficult to ascertain, but the fact that they printed the "canned" material probably meant that they agreed with most of the content.

On October 31, 1929, the Tyler paper published an editorial that was typical of those appearing in many Texas newspapers. In an attempt to convince people that no damage had been done to the economy by the crash, the editor said:

> Meanwhile the recent stock market decline does not mean that the country is not prosperous. Its outlook is better than ever before. Those who have their money in the good old town bank, or in other secure investments, find conditions very hopeful, with every prospect that they will continue so.

The next day an article informed its readers that the stock market was closed for "mopping up." The implication was clear that people on "Main Street" should ignore activities on Wall Street and go on as normal. Two days later another article claimed that the "break" in New York was over. The crash probably helped business, it suggested, because it made money available for local business that had previously gone to New York for speculative purposes.

One editorial widely reprinted throughout Texas proclaimed that only luxury businesses, which really had no place in American
society anyway, had been hurt. The discomfiture of the rich pleased this editorialist. Beauty parlors with a minimum charge of $25 per treatment and “exclusive jewelry stores where no customer was really welcome unless he had a hundred thousand dollars to spend” were really the only businesses to suffer from the turbulence on Wall Street. Texas business really had nothing to worry about; it would probably benefit with speculators and gamblers out of the market. No example of this editorial has been found in the East Texas press, but it probably expressed the opinion of many East Texans. Other “canned” editorials assured Texans that “while stocks ‘faw down and go boom’ and a multitude of speculators find themselves the victims, our national prosperity continues on an even keel.” The average person, they believed, would not succumb to widespread pessimism about the possibility of depression.¹

Most of the press of East Texas exhibited the same confidence as the Tyler paper and the “canned” editorials. Most papers emphasized that the market had no relation to true business conditions, and anyone who predicted serious trouble was only a prophet of doom who should be ignored. The decline in the market was only in paper values, not in real wealth they claimed.¹¹ Perhaps the words of an editor from Greenville reflected the immediate sentiment best.

Today there is no deflation except in paper securities. Ten or a dozen million Americans are feeling poor because of having lost a little money that they never had. What most of the present losers have actually lost is the equity they put up in margining their stock purchases... Stocks owned outright pay as much now as they ever did just as land yields as much now as it did when it was selling at three times its earning value.¹¹

This attitude was also expressed by a farm publication that circulated widely in East Texas when it said:

But the country is safe. Its resources have not been lessened by a single ton of ore or coal, or by a single bushel of grain, or a bale of cotton, or by a single industrial building. These things are all here, and the country will go forward on a sounder, saner and safer basis than since the wild gambling boom started a few years ago.¹¹

In its effort to maintain confidence much of the press sought a silver lining in the cloud over Wall Street. Some of the newspapers explained that the crash was good because it proved the stability of American business; actual earning capacity of giant corporations had not declined, but had probably increased. Unlike previous panics, the
great brokerage and banking houses had not failed. Others said that
the crash was good because it drove small amateur investors out of the
market. Sympathy for the "lambs" that had been shorn unmercifully
was in short supply. They were now back to work where they should
have been all along, leaving the stock market to the men with the
knowledge and the wealth to operate it. Some of the papers thought
that what had happened was good for the people who had no place
in the market; country folks should stay out of the business of the city­
slickers. In addition to the beneficial removal of the non-professionals,
bad stocks had been driven out of the market, making the good ones
even better risks."

During 1930 the stock market continued to decline, despite the
earlier optimism that it would recover and probably go higher than in
the boom year of 1929. Even with the continuous decline, East Texans
still looked for the silver lining.

Among the business spokesmen optimism remained high early in
the year, although an occasional feeling of pessimism appeared. A
number of statewide business publications announced in their New
Year’s greetings that 1929 had been a good year, and, despite the
trouble in New York, Texas business was sound. Now was the time,
they believed, to end rumors of depression, to sell more life insurance,
to improve the depressed floral business, and to make 1930 a banner
year."

In mid year the local editor in Huntsville told his readers that
conditions were quite good because local postal receipts for 1929 were
much higher than expected. "The growth of receipts at the post office
is a fine indicator as to the amount of business, and reflects a healthy
business, in Huntsville during the year 1930." With high praise for
the postal system, he said: "It is a true insight into whether a town is
making progress forward or backward." As the year progressed busi­
essmen advocated investment in "safe" savings and loan associations,
encouraged employee stock ownership, and ridiculed the talk of hard
times that could induce a state of pessimism in 120 million people just
because of the speculation of "a handful of fools in Wall Street."

The commercial press continued to be the most optimistic segment
of East Texas society during 1930, at least in print. In retrospect much
of the optimism is rather unconvincing; perhaps the papers themselves
were only "whistling in the dark" to keep up their own confidence.
Some exhibited shock that Americans could be scared by what had
happened in New York, while others continued to play variations on
the old theme that business was sound, and that there was nothing to
worry about. They emphasized that the market was an incorrect baro­
meter of actual conditions and that East Texans should not be distressed if a few parasitic speculators got what was coming to them. Why the newspapers remained so unrealistic in the face of worsening conditions is difficult to explain. Perhaps one Austin citizen was correct when he said that the papers did not run scare headlines because the people were already shaken enough and any pessimism from the newspaper would make matters worse."

From the beginning of 1931 until the inauguration of President Franklin D. Roosevelt in March 1933, public reaction took a decided turn. Seldom did the press, or individuals for that matter, speak in defense of the stock market, even though many continued their efforts to build confidence. Occasional statements about the temporary rise in stock prices or the need for more confidence in the financial system appeared from time to time, but they were not well received."

Immediately after the crash, East Texans searched for a cause of the debacle. To some it was the result of a financial conspiracy involving the "big eastern money barons" who had caused the bull market boom with the specific goal of enticing unsuspecting, small, inexperienced speculators into the market. Then the "lambs" were bankrupted by a deliberate inflation of the market that left it and the wealth of the country in the hands of Wall Street. Some of the papers that took an I-told-you-so attitude were relieved that the small investors had learned a lesson and now would use their money for investment at home. Although the editors had some sympathy for those who had lost their money, they also moralized that those who play with fire get burned."

Not all observers supported the conspiracy theory, but a decided anti-Wall Street sentiment was apparent. One resident of Waxahachie was especially colorful in his language:

The Stock Exchange and Commodity Exchange as operated today, are non-essential to conducting our commercialism, they are merely and truly "LEACHES" on a great common-wealth and should be EXTERMINATED.

Sentiment, generally, at present favors the EXTERMINATION of these damnable "Leaches"...".

A similar attitude was expressed by E. G. Senter, gubernatorial candidate in 1930, who was unhappy about Governor Dan Moody's promise to President Hoover to increase state public works construction in order "to rehabilitate Wall Street." Senter contended that only the gamblers had been hurt in the crash; what they really wanted was for "the rest of the country to come build them up again so that they may try and have a more of a general panic on the next collapse." Senter also thought that the public only got what it deserved because "the
truth is the stock gamblers have absorbed all things to themselves so long that the public had grown insensible [sic] to the economic crime which they represent."

Gambling and immorality were also blamed. In an attitude typical of rural Protestant America, many believed this crisis was merely punishment for past sins. Senator Tom Connally, in a letter to a constituent, explained that stock market operations as dictated by big business were a near neighbor to gambling. "The Baptist Standard, official publication of the Southern Baptist Convention and widely read in East Texas, was quite concerned about morality in New York. It reflected a segment of East Texas sentiment that the market should be closed when it declared:

Any business which causes "the community's mental health and vision" to need restoring is wrong. It ought to be opposed and smashed by the moral forces of the country. The whole parasitic gang of speculation bandits that fasten themselves upon the body of legitimate business and industry ought to be pruned off and there should be no possibility of their return."

The major attack on the stock market from religious leaders came from J. Frank Norris, pastor of the large First Baptist Church in Fort Worth. Although not an East Texan, Norris had followers in all parts of the state including East Texas. He was probably speaking for many of these followers when he said that the United States was under the dictatorship of Wall Street that was composed of nothing but a bunch of thieves. He expressed more respect for bandits who stole money in the open at the risk of their own freedom and lives than for the men like the financial leader, Samuel Insull, who stole from the public under the cloak of legality.

Still others thought that the control of money by New York bankers and the Federal Reserve System had caused the crash. Because bankers in other parts of the nation were controlled by Federal Reserve Banks, they had no choice but to do as they were told. East Texas Congressman Martin Dies believed that the restriction of competition and Federal Reserve control of credit had been largely responsible for the crash. If monetary policy were a cause, then the Republican Party, in power since 1921, was partly or wholly responsible for the crisis. Senator Connally, in his letter to his constituent, also implied that the real cause of the trouble was the Republican Party:

The fawning sycophants who love to lick the feet of power, have been shouting every [sic] since last November that the increasing values on the stock market
evidenced a "Hoover market." They were willing to claim the credit for this artificial and imaginative prosperity, but when the crash came, it was somebody else's market."

Prior to 1930, the remedies proposed for the evil were either to control the stock exchange through government regulation or close it altogether. Congressman O. H. Cross, who introduced a bill to make margin buying illegal, was responding to pressure from some segments of East Texas opinion."

The reactions of East Texans were both extreme and mild, depending on the source. In a revealing oral history project conducted by Professor Bill O'Neal among his students at Panola College in deep East Texas, one can find all kinds of opinions. Parents and grandparents of O'Neal's students, who were interviewed forty-five to fifty years after the crash, recall it with varying degrees of intensity. Some, for example, said the stock market did not have any effect upon East Texas while others believed it was either the cause of the beginning of the Depression."

An interesting side note from the O'Neal interviews is the revelation that many East Texans have largely accepted the suicide theory. Common mythology suggests that the suicide rate went up dramatically in the wake of the market crash as investors who had lost everything saw no other option except to take their own lives. Studies reveal, however, that the suicide rate actually declined in New York immediately following the crash. The myth persists, perhaps reinforced by the way show business perpetuated the idea. Several of the persons interviewed by O'Neal's students were convinced that the suicide theory was true."

Although they were probably in the minority, some East Texans were distressed about the control exerted by Wall Street over every element of the average citizen's life. For example, a man from Center told Senator Connally that something had to be done. "If this stock exchange is a necessity why not put it under government control or in the hand of a commission and pay them a salary and have a clean legitimate business." The man from Waxahachie, quoted earlier, believed the stock exchanges were "damnable LEACHES." The editor of the Bonham Daily Favorite believed that overspeculation caused the crash and the only way to prevent a reoccurrence was to control the speculators. Today one wonders if the concerns of these people were satisfied when the Securities and Exchange Commission was established in 1933.
East Texans were not shy about expressing their opinions. Many used colorful language, but none equaled "Cyclone" Davis, a perennial Texas politician with strong East Texas ties. He was particularly eloquent in his attack on the stock market in a rather long poem. Three of Davis' verses illustrate the attitude of many East Texans about the stock market:

The Wall Street bandits
In their lust
Have trampled the people
Into the dust.

They have robbed the populace
Of their home
And put them out
on the earth to roam.

They have gathered wealth
In great big stacks
And piled up debts
On the peoples backs.''

The stock market crash of 1929 was one of the more significant events of the twentieth-century. Those who lived through the crash and the Depression that followed still have vivid memories of it. Although many people at the time thought the crash had little significance for East Texas, many of them came to realize that it ushered in a decade of great trial and suffering.

NOTES


3Democratic National Committee Correspondence, 1928-1933, Franklin D. Roosevelt Library, Hyde Park, New York, December 11, 1928, Box 718. Hereinafter cited as FDRL.


5Tyler Daily Courier-Times, October 28, 29, 1929.

6Tyler, Daily Courier-Times, October 31, 1929.

7Tyler Daily Courier-Times, November 1, 3, 1929.

8Hansford County News (Gruver), November 15, 1929; Texas Spur (Spur), November 15, 1929.

9Devil's River News (Sonora), November 8, 1929; Texas Spur, December 6, 27, 1929; Sterling City News-Record, December 13, 1929; Tyler Daily Courier-Times, November 3, 1929.
Dallas Morning News, November 13, 1929; Greenville Banner as quoted in Dallas Morning News, November 28, 1929; Tyler Daily Courier-Times, October 31, 1929.

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