Contexts: Wall Street, Manhattan, New York

Xavier Edwards looks down on Wall Street and the 1929 New York Stock Market crash

EVERY PEACETIME GENERATION the chattering classes have to be reminded about fundamental features of the financial market place, or so it seems. Thirteen years ago the price of shares fell by a great amount. Speculating investors who had stretched their finances or borrowed to benefit from buying and selling on a rising market found the value of their assets substantially diminished. In 1987 world-wide financial authorities co-operated to limit the fallout but in 1929, in a similar and more exaggerated instance, the Wall Street Crash as it was called, when matters were less fully understood and international financial co-operation was less, had greater consequences.

Between December 1928 and September 1929 prices on the New York Stock Market had doubled but in October they fell by 40 per cent. The key day was 24 October when nearly 13 million shares were sold. Over the next months unemployment in the United States rose from 1.5 to 3 million in 1930 and 14 million in 1933 and world-wide the number of unemployed reached 30 million.

How did such a desperate state of affairs come about? There were five background reasons. First, the dislocation to world trade brought about by the First World War and, second, overproduction in the United States. Third, profits from manufacture were very unevenly distributed. Only 0.3 per cent of the population received 78 per cent of the profits: such a limited number of people just could not spend enough to keep up demand for goods produced by the greatest economy which, since Henry Ford's mass production innovatory methods, was increasingly mechanised. Fourth, manufacturing world-wide was hindered by defensive nationalistic economic policies, in particular by trade restrictions and tariffs and, fifth, many Americans, believing in better times and continuing prosperity, had borrowed against future wages. After the stock market fall, when unemployment rose from 1.5 to 3 million in 1930, many with loans defaulted on repayments and eventually 5,000 banks in the United States became insolvent. This deepened the crisis further.

Manhattan, looking North, in the 9.30 morning smog in 1978. Wall Street is below. Note: some men, facing financial ruin, jumped to their deaths during the financial crisis but not from the photographer's position which was the World Trade Center tower, built in the 1960s

The consequences reached far beyond the United States. Britain had to leave the gold standard in September 1931 and after traditional responses to the economic crisis the Labour government split. Prime Minister MacDonald formed a National government with the Conservatives, who had the great majority of seats in the House of Commons after the October 1931 election. In Germany unemployment rose from 2.2 million in 1929 to 6 million in March 1932 and the NSDAP seats in the Reichstag rose from 107 to 230 after the July 1932 election. The increased vote for the NSDAP, partly the consequence of the economic crisis, was the backdrop to the appointment of Hitler as Chancellor in January 1933. Significantly, for the next 60 years of Western and World History, it had been thought that the United States had solved the problem of perpetual prosperity: after 1929 only the Soviet economy was immune to the ills of capitalism in the 1930s.

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