

# ON MINDING YOUR OWN BUSINESS 1929

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In the late 1920s, financial speculation was rampant in the United States, with 4 million shares of stock changing hands on an average day on Wall Street. On Thursday, October 24, 1929, the stock market began to unravel and stunned investors lost \$3 billion in one day. On Monday, October 28, the following full-page ad was placed in the *New York Times* urging inexperienced investors to stay out of the market. The next day, Black Tuesday, panicking stockholders lost \$10 billion, bankrupting thousands of investors and businesses.

**THINK THROUGH HISTORY: Forming and Supporting Opinions**

What are some of the arguments for the regulation of the securities industry? What are some of the arguments against such regulations? Refer to parts of the ad in your answer.

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American business today is paying too much attention of the wrong kind to the stock market. In the past few years speculation in securities has become a national business obsession. Not only has it made business men waste a lot of time and energy they owe and might more profitably devote to their own business responsibilities. What is more serious is that this speculative complex has grossly distorted the views of the business community and a large part of the general public regarding the nature and conditions of economic prosperity and progress in this country.

At this time it is especially deplorable that such exaggerated emphasis should be placed upon what is going on in Wall Street. There is no reason why business or the government should act at any time as though security trading or security values are of paramount importance in our economic life.

The business situation in the United States or any other country is not made or destroyed by conditions in the security market. Prosperity does not depend upon the price of stocks. Progress is not measured by the volume of securities floated or sunk or the amount of money that changes hands in buying and selling them.

Fundamental conditions of business itself—the creation and exchange of useful goods and services, the advancement of industrial science, the efficiency of business management, the wise use of credit, the expanding employment of

labor—in the end determine conditions in the security market. These things are the chief concern of everybody. Upon them alone the general welfare depends.

In face of violent vituperation and political pressure, the Federal Reserve System has done the nation a great service by resolutely and steadfastly conserving the credit resources of our banking structure so that the universal and permanent interests of American business as a whole shall be protected.

Security trading is a large, legitimate and necessary business, but it is only a part, and a relatively small part, of the vast aggregate of American economic activity. There are many others much larger, much more important, and quite as exciting—such as mining the world's coal, making its iron and steel, manufacturing its clothing, raising its food, transporting and distributing the goods it needs. These are the basis of business here and everywhere. Without them the stock market is merely a game of tiddledywinks, and security prices are simply statistical sawdust.

If business will mind its own business, the security market will take care of itself.

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**THINK THROUGH HISTORY : ANSWER**

Students may answer that government regulation of the securities industry is a good idea because unregulated financial speculation contributed to the stock market crash of 1929 and the Great Depression. They may cite the ad's reference to speculation in securities as "a national business obsession" that has deferred businessmen's energies away from their responsibilities. They may also point out that allowing people to use credit to buy stocks weakened the economy. Other students may answer that government regulation of the securities industry is a bad idea because securities trading is not a central element of the American economy and should not be treated as one. They may cite the ad's assertion that "there is no reason why business or the government should act at any time as though security trading or security values are of paramount importance in our economic life." They may also cite the ad's contention that basic business conditions determine conditions in the securities market, and thus government regulation is unnecessary.