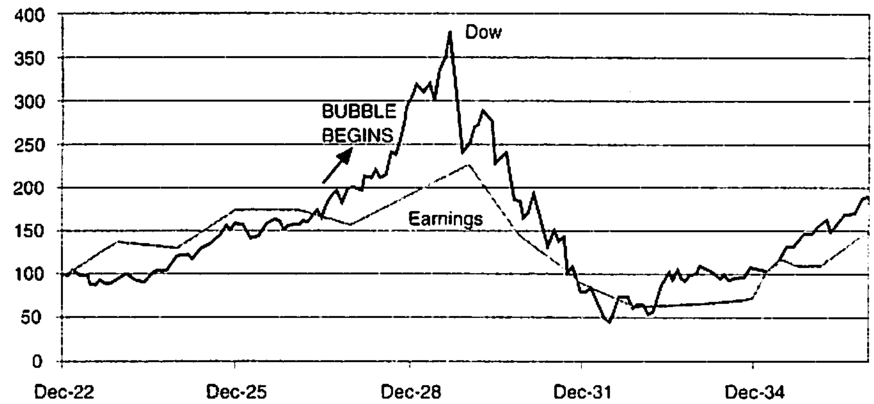
FIGURE 5

U.S. Stock Prices and Corporate Profits: 1922–36



The bubble began in the fall of 1927.

tained their steady advance of 10 percent per year. The market displayed every classic symptom of a mania: the progressive narrowing in the number of stocks going up, the nationwide fascination with the activities of Wall Street, the faddish invocations of a new era, the suspension of every conventional standard of financial rationality, and the rabble enlistment of an army of amateur and ill-informed speculators betting on the basis of rumors and tip sheets.

By 1929, anywhere from two to three million households, one out of every ten in the country, had money invested in and were engaged with the market. Trading stocks had become more than a national pastime—it had become a national obsession. These punters were derisively described by professionals like Jesse Livermore as "minnows." But while the bubble lasted, it was the people who were the least informed who were the ones making the most money. As the *New York Times* described it, "The old-timers, who usually play the market by note, are behind the times and