CHAPTER ONE

A QUARTET FOR A CALAMITY

OCTOBER 24–DECEMBER 6, 1929

HOW MANY PEOPLE DOES IT TAKE TO CHANGE THE WORLD?

The world of the Roaring Twenties had embraced the idea that American business leaders, largely free of government constraint, could produce and sustain prosperity for the American people. Nowhere was this belief more deeply rooted than on Wall Street, whose leaders were the financial architects of corporate America.

What mere federal bureaucracy would dare question the decisions or restrict the power of such financial titans?

As the summer of 1929 swept into the fall, four men were moving along different paths—in the market, in business, in politics, and in academia—that would require each of them to weigh the power of Wall Street against the obligations of public service. Their paths would cross; their fates would diverge. But over the next decade, they would answer that question.

How many people does it take to change the world?

It can take just four—four people capable of inspiring others in the public arena; four people who, in the last autumn of the Roaring Twenties, were traveling into a new decade with no idea how important their journey would be to Wall Street, to their country, and to the world.

THURSDAY, OCTOBER 24, 1929

ON A CHILLY GRAY MORNING, RICHARD WHITNEY STRODE ONTO the floor of the New York Stock Exchange in lower Manhattan, listening to the nervous chatter before the opening bell.

Dick Whitney had turned forty-one in August, and this had been his world, his realm, for nearly half his life. He had been a governor of the exchange for a decade, its vice president for a year, and its acting president for three weeks as its official leader enjoyed an extended honeymoon.

He was an impressive figure. Tall, a bit beefy but impeccably dressed, he still moved with the grace of the Ivy League athlete he once was. He had the profile and hooded gaze of a hawk; his sleek dark hair was combed almost straight back from a sharply etched hairline. For nearly fifteen years, he had handled bond trades for the august J.P. Morgan firm, where his older brother, George, was a partner. When President Hoover had sought advice during some anxious trading days earlier in the year, it was Dick Whitney he summoned to the White House.

After years of robust gains, the market had shuddered back in the spring when the Federal Reserve Board, concerned that the market was flying too high and too fast, tried to curb the flow of bank credit to Wall Street speculators. New York bankers defied the Fed and continued to make speculative loans, but the resulting summer rally was erratic. In August and September, the financial seas had grown stormier as investors fretted over the Fed's next steps and debated the economy's direction. Contrary opinions generated a surge of buying and selling. Like the veteran yachtsman he was, Whitney had kept the exchange on course as its clerks grappled with the paperwork from that agitated trading. Some on the Street feared a calamity was coming, but the exchange's board trusted Whitney to cope.

Yesterday, it seemed like that calamity had hit. And he had missed it.

Instead of spending Wednesday on the trading floor, Whitney had spent the day far from Wall Street's telephones and stock tick-

ers, in the New Jersey hunt country. It was the day of the elite Essex Fox Hounds race meeting. He was a steward for the event, assessing the condition of the course, debating whether a fallen mount's rider had been fouled, and declaring a dramatic dead heat in one of the day's biggest races.

Thus, he had not been at his post during the most alarming day of stock trading anyone on the NYSE could remember.

The trading floor on Wednesday had been hit by a tidal wave of selling in its final hour. Only the closing bell had halted the nearly perpendicular plunge. "Brokers who have passed all their lives in Wall Street said it was the most hysterical demonstration they ever witnessed," a New York *Daily News* columnist reported. The men on the exchange floor could not know it, but this traumatic day was merely the prologue of the 1929 crash, an historic three-week siege of plunging prices that would scar Wall Street's memories for nearly sixty years. Wednesday's panic had brought "complete chaos" to the trading floor as the stock ticker fell so far behind it was "valueless as an indicator of prices," the columnist complained. He was one of the market pundits who were still uneasy about Thursday's mood, worried that "mob psychology" was not yet through shaking the Street.

If more shocks came today, Dick Whitney would be ready. In a dark brown double-breasted suit, he resembled a mighty tree trunk planted near the stairs to the raised podium where, each day, an exchange official pressed the button of an electric bell that opened and closed trading.

At that moment, the chief of the NYSE mechanical department, responsible for the tickers and the other modern machinery at the exchange, moved across the felt-tiled floor toward the podium steps. Whitney stopped him and briefly told him to stay near the bell throughout the day. He didn't need to explain why. The previous day's crash might have broken some small member firms, requiring their suspension from the exchange. The bell would be rung to halt trading so the acting president could report these insolvencies. The aide nodded and continued up the steps. At the exact point of 10 A.M., he pressed the button. The firehouse clanging of the opening bell overrode all other sounds for a few seconds.

And so another trading day began, the day that would make Dick Whitney famous.

For the keepers of the Manhattan society stud book, Dick and his brother, George, were not "*the* Whitneys," the wealthy, sporty family whose art collections, Thoroughbred horses, and motor yachts defined class for Jazz Age society. George and Richard were "Boston Whitneys," the grandsons of a shipmaster and merchant, the sons of a respected banker; their lifelong pride in their pedigree was obvious to all who knew them, according to one biographer close to the family.

Their father's death in 1904, when they were teenagers, did not interrupt their athletic march through prep school at Groton and college at Harvard. Both were tapped for Harvard's most coveted club, the Porcellian, earning the right to wear its golden pig mascot on their watch chains. Both gravitated to Wall Street after graduation.

George Whitney paved the way. A star squash player in Harvard's Class of 1907, he moved to New York while his uncle, Edward F. Whitney, still had a partner's desk in the offices of J.P. Morgan, the formidable private banking firm housed in a staid fortress at 23 Wall Street. In June 1914, George married the daughter of a former Morgan partner who had been ambassador to France. Dick was his brother's best man at the lavish country wedding, covered by almost every society columnist between Boston and Washington. The following year, George Whitney was hired into the bond department at J.P. Morgan; he now sat at the right hand of Thomas W. Lamont, the decisive managing partner of the firm and one of the most powerful people in American finance. Thinner and more elegant than his brother, George Whitney was also vastly richer, easily commanding all the luxuries of life. Inevitably, George Whitney's success sprinkled pixie dust on his brother's prospects.

Fierce competition defined Dick Whitney's early life. He had played football and baseball at Groton and had a splendid career on the Harvard crew, helping row the team to victory over Yale in 1909. He completed work for his Harvard degree in 1910, but returned to Cambridge to collect his diploma with his beloved Class of 1911.

Years later, he could astound his friends by reciting from memory the full name of every one of his classmates. (This was no trivial feat; his list included American poet Harold Trowbridge Pulsifer, Hawaiian physician Alsoberry Kaumu Hanchett, and a dozen varieties of "Smith.")

Like his brother, Dick relied on helpful Uncle Edward, who loaned him the money he used, on January 12, 1912, to buy a seat on the New York Stock Exchange. And also like his brother, he married into New York society—in a romantic match touched by tragedy. Gertrude Sheldon Sands was the young and strikingly beautiful widow of Samuel Stevens Sands III. Sands died in a car crash in 1913 and left his widow with a young son and namesake. Sands's bereaved mother, born into the Harriman railroad dynasty, later married the fabulously wealthy William K. Vanderbilt. Mrs. Vanderbilt sat with her young grandson during the quiet at-home wedding at which Gertrude Sands married Dick Whitney on May 27, 1916. Two weeks later, he set up his own NYSE member firm, Richard Whitney & Company. The New York Stock Exchange became the cornerstone of Whitney's professional life. There, he pitted his instincts against other bond traders in a clubby culture as steeped in tradition and camaraderie as Harvard had been.

His wartime service was safe and uneventful. From September 1917 until early 1919, he worked in Washington and New Jersey for the U.S. Food Administration and became acquainted with its autocratic chief, Herbert Hoover. The detour into government service did not interrupt Whitney's progress in society or at the exchange. By 1916, he was an active member of the Essex Fox Hounds, whose red-coated outfits would have been familiar to any Victorian country squire. By 1920, he was a member of the Somerset Hills Country Club in Bernardsville, New Jersey, where he played golf with corporate titans and Wall Street notables. He soon added membership in the New York Yacht Club to his sporting society credentials, and now served as the tony club's trusted treasurer. In May 1919, a few months after George Whitney became a partner at J.P. Morgan, Dick Whitney was elected to the board of governors that ruled the exchange. He worked on the necessary committees and, no doubt,

traded discreetly on his brother's rising influence. In 1928, that golden year when Wall Street could barely count the money that flowed into its pockets, Whitney was elected vice president of the exchange, second in command to the well-connected Edward Henry Harriman Simmons, the nephew and namesake of the great railroad baron and financier, E. H. Harriman.

Whitney's prospects for advancement were good: "Harry" Simmons, Gertrude Whitney's second cousin by marriage, was clearly tiring after five years in the volunteer role of exchange president. In early October 1929, with the markets already wildly turbulent, Simmons became the third husband of a somewhat scandalous divorcée and left immediately on a two-month honeymoon in Hawaii. Whitney had been given a chance to try out for the presidency.

But when the violent storm of chaotic trading had struck the exchange on Wednesday, October 23, it seemed that Whitney had bungled his audition for the sake of some foxhunting friends.

The stock market's crash wasn't the only news that glared out from front pages across the country that Thursday morning. President Harding's former Interior secretary had just gone on trial in Washington, accused of taking bribes from oilmen in connection with drilling leases in the Teapot Dome formation in Wyoming and elsewhere. The trial was an uncomfortable reminder that the Jazz Age prosperity that had pumped so much cash into the stock market owed its longevity at least in part to an environment of almost seamless crime and corruption. The general climate of lawlessness was reflected in the nation's blithe disregard for the National Prohibition Act, the law adopted a decade earlier to rid America of "intoxicating liquors." Whether they were at their Manhattan clubs or at their country estates or their Florida villas, Whitney and all his friends could get a cocktail or after-dinner brandy whenever they wanted one.

His social set was pretty much free to do as it pleased on Wall Street, too. The corruption of the financial world may have seemed more genteel than the escapades of gangland bootleggers, but it was just as pervasive and destructive. Stock prices on Whitney's exchange

were routinely manipulated by "pools," which were coveys of rich investors who secretly combined their funds, bought some company's shares, and hired a trader on the NYSE floor to "paint the tape" with an artificial rally that would lure in unknowing public investors, to whom the pool operators could sell their shares at a quick profit. Bribes were paid to willing journalists who wrote glowing stories about the stock to puff up public interest when the pool was ready to sell. As soon as the insiders sold, the rally would usually collapse and ordinary investors would suffer the inevitable losses. Earlier in 1929, just such a cabal had whipped up the price of Radio Corporation of America stock to produce a fast $5 million profit for the pool members. The RCA pool's profits were plucked, of course, from the pockets of unwitting public investors who bought too late. A more recent effort to boost the stock of the Chrysler Corporation, begun on October 16, had been derailed by the recent market turmoil. One wealthy speculator brazenly refused to cover his share of the Chrysler losses on the grounds that the pool agreement was an illegal contract under New York state law and therefore could not be enforced in court!

Of course, like any private club, the NYSE had adopted rules laying out the criteria for membership and the duties of members. Those rules barred behavior that was "detrimental to the interest or welfare of the exchange" or "inconsistent with just and equitable principles of trade." A member who committed one of these vaguely defined sins could be fined, suspended, or expelled from the exchange.

But the rules that governed the stock exchange were far less powerful than the men who governed the stock exchange. They alone decided when, and if, the rules would be enforced against a misbehaving member. They alone decided whether unjust or inequitable trading had occurred and whether a member's behavior had been detrimental to the exchange. Severe discipline was rare; members disliked causing trouble for their friends unless it was simply unavoidable. In one case, a New York court ruled in 1920 that a major firm had committed fraud but, in reply to a complaint letter from an

investor in 1928, Dick Whitney explained that no disciplinary action had been taken against the member firm because he, personally, disagreed with the court's decision.

The code of behavior beyond the NYSE was no less self-serving. Powerful bankers like those at J.P. Morgan typically would give dealers less than twenty-four hours to decide if they wanted a piece of a new issue—sight unseen, no details provided. If they said yes, they would have to sell the new securities, no matter how dicey or dubious they turned out to be; if they said no, they would likely be left out of the next hot new issue. Consequently, new issues of stocks and bonds were sold to investors largely on the strength of rumors, bribed journalists' puffery, and false boardroom promises. Corporate financial statements were sometimes unavailable, frequently unreliable, and occasionally fictional. Bankers, still clothed with rectitude in the eyes of the public, had become stock hustlers, regularly plucking bad loans or dubious shares from their own ledgers and selling them to their own naïve depositors. Foreign government bonds were sold to trusting investors and listed on the exchange by bankers who knew the bonds would likely wind up worthless. Bogus stock trades were done for the sole purpose of dodging taxes or evading exchange rules to reap a quick profit.

For the lucky among the era's renegades, then, the 1920s unfolded with enough glamour and gaiety to blur the memories of the Great War and its carnage. For the unlucky, the "prosperity decade" had been a cruel taunt. Far from the prosperous enclaves, farmers struggled against mounting debt and pitiless drought; factory workers, many of them still children, labored seven days a week for meager pay; labor organizers dodged billy clubs and blacklists, while organized criminals ruled the docks, the slums, and the smoky rooms of political clubs across the country. But the sun shone steadily on Wall Street through most of the decade, nurturing the wealth of Dick Whitney and his exchange colleagues.

On this Thursday morning in late October 1929, that prosperity felt very shaky. Before the exchange opened, telegraphed sell orders had hurtled toward the trading floor from across the country. Now, as the clanging of the opening bell died away, those orders hit the

floor. The Dow Jones Industrial Average immediately fell more than 10 percent. There were few buyers, even at the depressed opening prices left behind in yesterday's rout. Shares were dumped in such quantities that the first half hour's trading volume eclipsed the normal levels for an entire day. The search for bidders continued frantically through the first hour, with lower and lower prices being offered and ignored. The ticker was more than fifteen minutes behind by 10:30 A.M., and it never caught up. The blue chips were breaking: U.S. Steel fell almost 6 percent. Bethlehem Steel fell 9 percent. General Motors was off nearly 15 percent. Industrial giant Johns Manville plunged 22 percent, and that technology darling RCA, beloved by the pool operators, fell almost 40 percent. The morning seemed far worse than the free fall of yesterday's final hour—if only because the closing bell was so many hours away.

Crowds filled the visitors' gallery overlooking the trading floor until Whitney decided to shut it down, inadvertently sparking rumors that the exchange itself might close. Outside, people seeking any sort of news were filling the intersection of Broad Street and Wall Street. No one knew what was happening; prices were obsolete before they were even printed on the paper ribbons curling out of stock tickers across the country. By 11:30 A.M., a huge clocklike dial hanging at one side of the trading floor showed the ticker was running nearly fifty minutes behind.

Amid this turmoil, Whitney got a message summoning him to the Morgan offices across the street. Entering by a side door around noon, he found the presidents of the city's major banks conferring with his brother's powerful boss, Tom Lamont. The bankers pledged some undisclosed amount—as much as $240 million, by one account—to help support prices on the exchange and then trooped back out onto Wall Street, careful to let their faces betray nothing to the crowds. Whitney stayed behind to discuss how best to deploy the new funds and then pushed his way through the crowd on Broad Street to return to the exchange.

The moment he reached the trading floor, Whitney marched straight toward Post No. 2, a wooden kiosk almost directly in front of the podium where he'd stood at the opening bell. And like a bell,

he called out his bid to buy thousands of shares of U.S. Steel at $205 apiece—well above the most recent recorded price. Cheers greeted his order as a clerk scribbled it onto a paper chit. Seeming "debonair and self-confident," Whitney moved on, making generous bids for other sagging stocks. In minutes, he had bid for an estimated $20 million worth of stock. The effect was galvanizing. Others on the floor started to buy. As word spread of a rally, new buy orders arrived over the wires. The day still ended with a loss, but as one chronicle put it: "Black Thursday ended a good deal less black than it might have."

Whitney was just the servant of the banking lords who provided the money to cover his historic bids. Indeed, while Whitney marched from post to post within his world, Tom Lamont held newsmen's attention at a rare impromptu press conference inside the Morgan offices.

"There has been a little distress selling on the stock exchange," Lamont began, with quaint understatement. "We have held a meeting of the heads of several financial institutions to discuss the situation." He calmly explained that no brokerage firms were in financial difficulty, and credit risks had been dealt with. "It is the consensus of the group that many of the quotations on the stock exchange do not fairly represent the situation."

He said nothing of the pooled funds from the bankers, the generous bids by Whitney, or the rally fueled by that bidding.

But the next day, in the multiple pages of newspaper coverage devoted to this new "worst ever" crash, Dick Whitney's pivotal role was detailed. "His bid of 205 for 25,000 shares of Steel electrified the group around the Steel post and communicated buying enthusiasm to other parts of the floor," reported *The New York Times*. "It was assumed that Mr. Whitney, who is frequently spoken of as a 'Morgan broker,' had received the order from the House of Morgan or interests identified with it." An image emerged of "a field general in the bankers' battle for an orderly market." Prices steadied on Friday, October 25, and again during Saturday's two-hour session. Whitney assured reporters there was no plan to close the exchange—although

every firm was working through the night on the staggering paperwork from the 12 million shares that were traded on Black Thursday.

The story of Whitney's glorious march across that panic-stricken trading floor grew in the retelling—indeed, his colleagues gave him the old Post No. 2, which he proudly displayed in the lobby of his firm's office suite. He was applauded within the exchange, saluted outside it. Whitney had become famous "quite literally overnight," and the media spotlight that found him on Black Thursday 1929 would follow him for the rest of his Wall Street career. "All that he did henceforth was to have a touch of magic," one journalist wrote a few years later. "The way he smiled, the look in his eyes, his merest wisecrack—all were to be noted and related."

By Monday, October 28, it was obvious that the bankers behind Whitney's triumphal bids were fighting in a hopeless cause. That day, the ticker ran almost three hours behind. Bankers continued to gather and confer at the "Morgan corner," but their own banks' stock prices were plummeting along with all the other shares; prudence barred further cash pledges. There were reassuring headlines in that morning's papers: "Bankers Mobilize for Buying Today," and "Huge Funds Expected in the Market Today for 'Bargain Buying.'" But those predictions were wishful, not real. By nightfall, anyone still trading with money borrowed from a broker had been told to put up more cash or sell their stocks. Some veterans recalled how the exchange had closed its doors for several months when hostilities broke out in Europe in 1914; this bombardment of selling was surely the financial equivalent of war. Some brokerage firms began to clamor for the NYSE to close again until the storm of "mob psychology" blew over. Whitney, now attuned to the impact the closure would have on the very "psychology" the firms were worried about, resisted those demands.

The New York Federal Reserve Bank, after an emergency meeting of its board in the predawn hours of Tuesday morning, October 29, took extraordinary steps to pump cash into the banks that would have to help steer Wall Street through this storm. The action, taken without the approval of the Fed in Washington, was an-

nounced before the market's opening bell. It was the right thing to do and it no doubt kept some banks afloat and functioning, but it did not cure the panic.

When the exchange opened for business that Tuesday, the bottom fell out of the nation's stock market. It was "the most disastrous day in the stock market's history," the normally staid *New York Times* reported. The more theatrical *Daily News* detected "the dark despair of death" stalking through Wall Street. The basic machinery of the exchange was breaking down. With no bids at all, some stocks had not even opened for trading—forestalling any buyers seeking bargains. Printed orders piled up on shelves and desktops, ignored in the mounting chaos. Immense blocks of stock were dumped on the market for whatever they would fetch. Three million shares were traded in the first thirty minutes of Black Tuesday—at prices that reflected an almost vertical decline from the previous day's calamitous numbers.

The pressure on the board of governors to close the exchange became almost overwhelming. Whitney sent an aide out across the floor to discreetly alert the governors to a secret meeting at noon; he knew even a whiff of news about his summons would accelerate the panic. At his direction, board members slipped away from the floor "in twos and threes," heading not to their usual opulent chamber on the sixth floor but to an obscure administrative office directly below the trading floor. Whitney's colleagues crowded into the low-ceiling room; some found seats on tabletops, others slumped against the walls. Two Morgan partners, after a brief hassle with security guards, glided in. Whitney noticed how uneasy everyone was—cigarettes were lit, puffed once or twice, then stubbed out only to be replaced with fresh ones seconds later. The long narrow room was soon "blue with smoke and extremely stuffy," he later recalled.

Whitney continued to oppose the closure of the exchange and somehow, amazingly, there were not enough votes in that crowd of frightened men to overrule him. The governors temporized, deciding to meet again that evening. They also agreed that, at the first sign of a rally, Whitney would announce abbreviated trading hours to

give back-office clerks time to catch up with the mounting paperwork. A feeble rally emerged in the afternoon and, at the evening meeting, the group decided to remain open for another day. As the board members started filing out of the smoky room, Whitney told each of them: "Now get your smiles on, boys!'" One journalist later noted that Whitney had always dealt with a challenge "with an absolutely unromantic poker face, save when the situation was so bad that it called for a broad smile." Confidence was the only weapon he had now to fight the panic at the exchange; the bankers were looking out for themselves.

Wall Street could not continue at this abnormal pace. Night after night, the lights of the office towers in lower Manhattan had never gone out. Staffers grabbed quick naps on cots or on the floor or, if they were lucky, in nearby hotels, and then went back to work processing trades. Battalions of uniformed messenger boys, ordered to stay on the job without respite, trudged through the darkened downtown blocks carrying millions of dollars' worth of paper stock certificates from one firm to another. The clerical and administrative workers of Wall Street were exhausted, and there were four trading days left before the closing bell at noon on Saturday. On Black Tuesday alone, more than 16 million shares had changed hands, at prices that represented a loss of about $10 billion—"twice the amount of currency in circulation in the entire country at the time," according to one account.

The hoped-for rally arrived on Wednesday morning, and at 1:40 P.M., Whitney hurried up the podium steps to announce that the exchange would delay opening on Thursday for two hours and would observe "special holidays" on Friday and Saturday to deal with the backlog of paperwork. But in making the announcement, as one account put it, an increasingly savvy Whitney "resorted to one more of the dramatic anti-panic devices for which he was showing such flair." Normally, the tickers fell silent for public announcements like this. But lest anyone should mistakenly think the exchange had closed "even for a matter of seconds, [Whitney] saw to it that the tickers went right on chattering while he spoke."

Within a few days, Dick Whitney had gained national prominence. Not only did he carry the flag of the House of Morgan on the exchange floor, he was calmly and effectively leading the nation's premier marketplace through the worst crisis in its history. He was recognized on the street, consulted at his various clubs, sought out by reporters, treated with greater deference by his peers. "Lives were disintegrating, and he was the man who could hold them together if anyone could," one account noted. He was becoming the confident face of Wall Street, the voice of unfettered capitalism. He embodied the hope of millions that, soon, the good times would roll again.

FRIDAY, NOVEMBER 1, 1929

A MOUNTED POLICEMAN SCANNED THE CROWD OUTSIDE THE Rialto Theatre on Times Square as a gleaming limousine pulled up to the curb. Other uniformed officers quickly formed a human corridor from the car to the Rialto's entrance. The limousine's rear door opened and movie producer Joseph P. Kennedy climbed out, his tuxedo signaling that this was no ordinary night at the movies. Ruddy and slim with a boyish face and neat auburn hair, Joe Kennedy turned and offered his hand to his fellow passenger. The crowd exploded with cheers as actress Gloria Swanson stepped out into the unseasonably warm Manhattan evening.

Her noisy fans surged forward. The police chain seemed to waver. Several of Kennedy's personal aides leapt from the car and quickly surrounded the star, gripping her arms and lifting her several inches off the sidewalk as they hustled her toward the safety of the lobby.

Even while being voluntarily manhandled, she looked magnificent. Her gold lamé evening coat gleamed like a comet. Those close enough caught a glimpse of a pale blue satin gown trimmed with silky brown chinchilla fur. Dark wavy hair, enormous expressive eyes, a petite but womanly frame—Gloria Swanson was every inch the star Joe Kennedy wanted her to be in public, every bit the alluring female he knew her to be in private. They had been lovers for more than a year.

The theater marquee proclaimed why they were together tonight:

it was the New York premiere of *The Trespasser,* a Joseph P. Kennedy production and Gloria Swanson's first talking picture. The family melodrama, in which Swanson not only talked but sang, had opened to rapturous reviews in London and Kennedy was optimistic about its New York success.

Just turned forty-one, Joe Kennedy could add this laurel to a growing stack of achievements. Wherever he landed, he had piled one business coup on top of another, displaying a buccaneering appetite for risk and ignoring complaints about his sharp dealing and broken promises. Barely a month earlier, a New York *Daily News* columnist had hailed him as one of the ambitious young men who were displacing the gray-haired barons of business. His deal-making prowess was admired by some, feared by others, but acknowledged by all as something out of the ordinary. But this—a glittering premiere, with one of Hollywood's most charismatic stars on his arm and in his bed—this was some heady new species of success.

The theater soon filled up with his invited guests, prominent bankers, brokers, and businessmen who had been woven into his life as a Wall Street speculator, financial consultant, and motion picture executive. But some of the guests had known him since his boyhood in the Irish precincts of Boston, where his father had been a successful saloon owner and a cog in the local Democratic Party machinery—and where his wife Rose's father, John "Honey Fitz" Fitzgerald, had stepped down from his second term as mayor in 1914 but remained a prominent and irrepressible Democratic gadfly.

Joe Kennedy had no interest in following in the footsteps of either his father-in-law or his late father, who had died earlier that year. He had attended the elite Boston Latin School, a competitive public school whose alumni included founding father John Hancock and philosopher Ralph Waldo Emerson—and whose sports rivals included Dick Whitney's teams at Groton. Kennedy had been an excellent athlete but his grades were less impressive so he had been held back and squeaked into Harvard a year behind Whitney, as a member of the Class of 1912. The two men had lived in essentially different worlds that overlapped on the Cambridge campus, one a world of pedigree and privilege with doors opening directly into the

corridors of power, and the other a world of outsiders, fenced in by the prejudices of Boston's ruling class.

Like Whitney, Kennedy dreamed of getting rich in the world of finance. Boston's anti-Catholic bias put a job at any prominent bank beyond his reach, so he had passed the state test to become a bank examiner, sitting in judgment of bankers who wouldn't hire him. His expertise had been useful when his father bought a stake in a struggling neighborhood trust company and, in January 1914, put his twenty-five-year-old son on the board as president. With a flair for self-promotion, Kennedy had portrayed himself to the media as "the youngest bank president" in Massachusetts.

In October of that year, Kennedy had married Rose Fitzgerald, a darling of the local newspapers through her poised appearances at her father's campaign events and her romps through Irish Boston's whirl of society parties. The Catholic wedding service, held in the private chapel of Boston archbishop William Cardinal O'Connell, had been front-page news in *The Boston Globe,* which described the bride as "the talented and charming daughter" of the former mayor and the groom as "president of a local trust company." The couple had settled into a comfortable life, with his days spent at the bank and her days filled with social engagements and, soon, a growing family. Their first child, Joseph P. Kennedy Jr., had been born in July 1915. In steady succession, baby Joe had been followed by John Fitzgerald in 1917, Rosemary in 1918, Kathleen in 1920, Eunice in 1921, Patricia in 1924, Robert in 1925, and Jean in 1928.

When the United States entered the European war, the Irishman in Joe Kennedy wasn't eager to risk his life to help bail out the British Empire. He had spent the Great War in the shipbuilding business, as assistant manager of a Bethlehem Steel shipyard in Quincy, Massachusetts. He had made sure the workers had housing, food services, reliable transportation, and medical care during the Spanish flu epidemic—and had overseen the shipyard's baseball team, drawing on his prowess on the Harvard team. Decades later, he would claim that, during these years, he had been bested in a naval contract dispute by the tough young assistant secretary of the navy, a patrician New Yorker named Franklin D. Roosevelt, whose political

ambitions Kennedy would later support. Newspapers that closely covered the shipbuilding industry in the Boston area did not print a word about the almost certainly apocryphal conflict—which supposedly had climaxed when marines invaded the shipyard, seized two disputed Argentine battleships, and sailed them away in broad daylight. Roosevelt's own papers from those years were silent about the alleged episode. Indeed, nothing ever backed up the claim except Kennedy's word—and that was a weak staff to lean on.

After his experience as a bank president, Kennedy had invaded the booming world of Wall Street bearing the shield of the successful brokerage firm of Hayden, Stone. "It is easy to make money in this market," he said as he dove into it. "We'd better get in before they pass a law against it." He parlayed his contacts at the firm into a stake in the nascent motion picture industry, and through a series of mergers and consulting arrangements, became a millionaire many times over.

His attractive family had grown up in the sheltering arms of that wealth, with homes on Cape Cod and in the expensive enclave of Bronxville, New York, and leased villas in Florida during the northern winters. Rose and the children, frequently with her parents in tow, traveled on luxury liners to Europe. The children attended private schools, pursued expensive hobbies, and rode in chauffeured cars. When Kennedy was home, he quizzed them at meals about current events and their schoolwork. But as his Hollywood interests expanded, those visits had recently become shorter and less frequent.

Kennedy's family did not feel any jolts from the stock market crash in late October 1929. Like dozens of major American corporations, Kennedy's business interests—chiefly RCA and the RKO theater chain—had made money lending spare cash at sky-high rates to finance Wall Street speculation. But Kennedy himself had grown uneasy about what seemed increasingly to be a sucker's market. He had liquidated most of his investments in the spring of 1929 and cashed out of his RCA stock in early October, avoiding the worst of that month's losses. As November arrived, he was flush with cash and fully focused on his lover's film premiere.

Indeed, the market crash almost seemed to be old news on that

warm, glittering night. The stock exchange, closed that day to deal with more paperwork, had rallied in an abbreviated session the day before. The Federal Reserve, prominent bankers, Wall Street executives, and Washington officials from President Hoover on down were all expressing confidence that the worst was over. The news was sure to have put Kennedy's wealthy guests into a better mood for the evening's entertainment.

Kennedy settled into his seat at the Rialto as the lights dimmed and *The Trespasser* began.

There were technical difficulties. The voice recording was not precisely synchronized with the flickering black-and-white images on the screen. Luckily, the reviewers had seen the show at an earlier screening when everything had worked perfectly. The film ended with enthusiastic applause that deepened into a standing ovation as Gloria Swanson made her way onto the stage. She said a few graceful words and glided back to Joe Kennedy's side. The rest of the evening was filled with celebratory parties and the ritual wait for the favorable reviews in the early editions of the city's many newspapers.

The next day, Swanson and her entourage packed up for Chicago and the film's premiere there, after which they would travel on to Hollywood. She would later claim that, some weeks before the New York premiere, she had been secretly summoned from her Manhattan hotel room to meet with a senior Catholic Church official from Boston, who had asked her to end her romantic relationship with Kennedy. Her lover "had sought church permission to live separately" from his wife, the cleric had told her. She had refused to discuss the matter and stalked out. Swanson "could talk about how discreet she was," one Hollywood historian noted, but by the time of this New York premiere, "Joe and Gloria's affair had been going on for well over a year and had reached the level of Hollywood common knowledge."

On the day after the premiere, as Swanson prepared to head west, Kennedy settled down to business in New York. He planned to keep an eye on ticket sales at the Rialto and to promote the film to other theater chains across the country. Given the stacks of newspapers he collected for early reviews, he could not have missed the front-page

business news on Saturday: the collapse of the giant Foshay utility holding company in Minneapolis. According to the papers, the court-appointed receiver blamed Foshay's sudden failure on "over-expansion" of the conglomerate's business and "contraction of securities sales" on Wall Street.

The sale of securities on Wall Street had become the lifeblood of utility holding companies like Foshay in Minneapolis and, to an even greater extent, Samuel Insull's sprawling utility empire based in Chicago and the burgeoning Associated Gas and Electric combine in New York. As electric power spread into more unlit corners of America in the 1920s, these holding companies had grown and multiplied by selling shares in complex layers of subsidiaries. The results for customers were higher electricity bills, padded by a lot of self-dealing corporate overhead. The results for investors were upside-down pyramids, with millions of shareholders and bondholders depending on revenue from a small base of actual money-making utilities. The results for a small cadre of insiders were breathtaking wealth and almost total management control, obtained with just a sliver of their own cash.

That was the way Wall Street worked, Kennedy knew. As he saw it, the insiders—those who knew the confidential financial details, who were alerted to price manipulations in advance, who used their seats on countless corporate boards to pick up early news and to promote their own interests—were the real players. Everyone else? Just suckers, mostly: sad, failed men whose borrowed dreams had ended in ruin over the past months, or in suicide in the past weeks.

Kennedy was temporarily out of the Wall Street game, but whenever he stepped back in, it would be as an insider. Nobody who knew him doubted that. And almost all the insiders did know him. He had been helping some of them manipulate prices on Dick Whitney's stock exchange since the early 1920s, and when the market settled down, he would be happy to engage in those games again.

By Thursday, November 7, *The Trespasser* had set a record for box office receipts in its first week, and Kennedy was getting the word out to other theater owners to whip up their interest. The stock mar-

ket was faring less well: after closing for city elections on Tuesday, November 5, it saw its prices continue to fall, putting pressure on many of Kennedy's friends on Wall Street. But that was their problem, not his. As the weekend approached, he prepared for his own return to his Los Angeles life and to his lover and business partner, Gloria Swanson.

FRIDAY, NOVEMBER 8, 1929

THE CHANDELIERS OF THE CROWDED HOTEL ROOSEVELT BALLroom in midtown Manhattan illuminated the beaming face and leonine head of New York governor Franklin D. Roosevelt, a distant Democratic cousin of the Republican president for whom the hotel was named. The governor did not betray any concern about the empty seat at the head table—a seat that should have been filled by former governor and failed Democratic presidential candidate Alfred E. Smith.

Roosevelt was the guest of honor for the annual alumni association dinner for the Columbia University Law School, where he had studied more than twenty years earlier. Hundreds of formally dressed lawyers and judges were chatting and eating before the speeches began. Near the head table, a lectern was equipped with the big boxy microphones that would carry the evening's speeches out to radio listeners across the region. The alumni association president anxiously checked his watch and scanned the ballroom's entrances for a glimpse of Al Smith, who was scheduled to speak just before the governor. In the broad, faintly British accents of his privileged upbringing, Governor Roosevelt traded genial banter with the university's longtime president.

In his remarks, the university leader intended to remind the conservative audience—most of whom had likely voted against Roosevelt in the previous year's gubernatorial election—that "when a man was chosen for public office, he represented all of the people and was entitled to their whole-hearted cooperation"—or, at least, their courtesy during the public radio address to come.

But what could explain the discourtesy of Al Smith? There had

been reports of some friction between the two Democratic politicians, but no one dreamed Smith would neither show up at this honorary dinner for Roosevelt nor call to explain his absence. As the moment for the radio broadcast neared, the alumni president quickly adjusted the evening's program—Roosevelt would speak directly after the university president, with a spot left at the end for Smith, if he showed up.

In his remarks, Roosevelt called for a thorough reform of the legal system so that everyone, whether rich and powerful or poor and friendless, would receive evenhanded justice from the police and the courts. He warned his audience not to be lulled into complacency by the fact that two prominent officials—the state's former banking superintendent and President Harding's former Interior secretary—had recently been found guilty of accepting bribes. In his rolling cadences, Roosevelt pointed out that the mere fact that these convictions were seen as remarkable and newsworthy "is in itself a proof that what should be a matter of course is received by the great majority of the people as an extraordinary triumph of right over might."

Roosevelt's call for equal justice may have drawn rueful looks from the city reformers in the audience. That week, New Yorkers had gone to the polls and reelected, by an enormous margin, the dapper Mayor Jimmy Walker, the darling of the Manhattan Democratic machine known as Tammany Hall and the overseer of a notoriously corrupt city government. If anyone seemed well beyond the reach of justice, it was Mayor Walker and his cronies. Roosevelt's uneasy arm's-length alliance with Tammany Hall left the governor constantly at risk of guilt by association whenever some new outrage was uncovered.

After Governor Roosevelt's speech ended, the alumni association president stepped to the podium. "Up to this morning Governor Smith was expected to be here—up to now he is expected," he said. "It is a matter of deep regret that he is not [here], for he is beloved throughout the state. The next move is, I suppose, to declare this dinner adjourned."

Smith had planned to attend the alumni dinner. Indeed, he had

been getting into his formal wear at 7:30 P.M. that evening when he got shocking news: James J. Riordan—a popular Democratic donor whose friendships stretched from patrician Franklin Roosevelt to buccaneering Joe Kennedy—had blown his brains out in his Greenwich Village townhouse.

Seized by grief, Smith forgot entirely about the Roosevelt dinner and immediately left for Riordan's home. Smith and Riordan had been close friends and frequent business associates for more than a decade. Less than a week earlier, they had jointly invested in a big Miami hotel. Beyond the searing personal tragedy, the suicide had the potential to become a political calamity for Roosevelt and the state's Democrats. Riordan was the founder of the County Trust Company, a small but politically important bank in Greenwich Village. Al Smith served on its board along with Vincent Astor, one of Franklin Roosevelt's close friends. Several other major Democratic donors were also board members. County Trust had been a reliable lender to many Democratic campaigns; in return, the Democrats elected to state and city offices had been reliable sources of cash deposits for the bank. At this moment, the bank held hundreds of thousands of dollars of public funds entrusted to it by Democratic officeholders. If too many depositors became worried about the bank's safety and withdrew their cash, the bank would be forced to close its doors. Thus, the bank's failure would be a disaster not only for its customers but for taxpayers as well—and, of course, for the Democratic Party's hopes for the gubernatorial and congressional midterm elections that were less than a year away.

When Smith reached Riordan's home on West Twelfth Street, he joined others there in an urgent appeal to the city medical examiner to suppress news of the suicide until noon the next day, when County Trust's doors would close for the weekend. Despite misgivings, the city official agreed. Smith and his fellow board members immediately put together a blitzkrieg plan to publicize the bank's solvency before it reopened on Monday.

Even Franklin Roosevelt was kept in the dark about his friend's death until the next day. He was at a Democratic Party "unity lun-

cheon" to kick off his 1930 reelection campaign when the news of Riordan's death broke "like a bomb," as the *Daily News* put it. The wedges of ripe melon were abandoned as Democrats huddled in shocked clusters around the room. To an inquiring reporter, Roosevelt seemed stunned, saying only, "This is terrible. This is terrible."

The governor surely was as worried as Al Smith about the solvency of Riordan's bank, with its well-known ties to the state's Democrats. In just ten months as governor, Roosevelt had already faced the scandalous failure of another Tammany-linked bank, the City Trust Company; that collapse had led to the recent conviction of his banking superintendent on bribery charges. No one could claim that Governor Roosevelt had handled that politically fraught crisis very well.

Beyond his intimate circle, Franklin Delano Roosevelt had been an easy man to underestimate. Fellow students at the Groton prep school and in Harvard's Class of 1904 knew him as the cheerfully pampered only child of a domineering widowed mother. He struck them as a little puppyish, a bit too eager to please, always trying but never quite managing to fit in with the more confident campus cliques. Those who knew him as a young bachelor recalled an attractive and frivolous fellow whose primary skill was charming the dowagers at debutante parties; Teddy Roosevelt's daughters joked that his initials, F.D., stood for "Feather Duster." During his brief stint as a young Wall Street lawyer, his associates did not see him as a serious rival for the coveted partnership slots at the firm. To them, one biographer noted later, he was just a "harmless bust." Bearing what one early biographer called "perhaps the best trade-name in American politics," he told friends he planned to follow in the footsteps of his idol Theodore Roosevelt, his wife's adoring uncle. But that ambition did not impress his social circle, where politics was generally seen as a tawdry and undignified calling that reeked of tenement saloons and smoky clubhouses. He was an engaging campaigner but his early service in the state legislature in Albany did not attract much attention, except for a few observations that his height and pince-nez glasses made it seem he was always looking down his

nose at his peers. "He was like a hothouse plant just set out among the weathered and hardy rivals," one early political associate later recalled.

But Roosevelt's early enthusiastic support for presidential candidate Woodrow Wilson in 1912 had paid off with an appointment as assistant navy secretary in Wilson's administration, and his distinguished wartime service in that position—once held by Teddy Roosevelt—had raised his profile within his party. In 1920, Roosevelt had been tapped as the national vice presidential candidate on the Democratic ticket, and he campaigned tirelessly for Ohio newspaper publisher James M. Cox, the presidential nominee who was defeated by Warren Harding. Roosevelt strode handsomely into the Jazz Age with athletic grace, political ambition, family wealth—and a marriage that had been twisted into a dutiful political partnership by his early infidelities, his wife's implacable resentments, and his mother's refusal to permit a divorce that would have destroyed his political career and social reputation.

Then, in August 1921, the charming and cheerful Roosevelt, just thirty-nine years old, was stricken with a crippling attack of polio. Within days, this robust father of five was in writhing pain, unable to stand or walk on his own, unable to care for his body's most basic needs, unable to endure even the weight of a bedsheet on his legs. Whatever her private injuries, his wife, Eleanor, did not fail him. She knew only one thing could impel her husband to fight back against this catastrophe: his deep hunger for political success. Only that long-nurtured dream could get him to strap on the heavy leg braces, to endure the painful therapies, to accept the daily indignities of wheelchair life in a world that, in the 1920s, saw "cripples" as damaged goods—mentally, physically, and even morally unfit for much of anything.

His wife and his closest political advisor, a gnomish former newspaperman named Louis McHenry Howe, worked together tirelessly to help him cling to the shreds of his political influence as the GOP decade unfolded. As Roosevelt fought for whatever he could salvage from polio's devastation, Howe helped him produce a steady stream of letters, telegrams, and phone calls to maintain his ties with influ-

ential Democrats across the country—never out of touch, rarely out of mind.

Indeed, Roosevelt's years in this private medical nightmare produced some of his most memorable public moments. At the Democratic National Convention in Manhattan in 1924, he brought an electrified crowd to its feet when he smilingly steered his crutches and leg braces to the podium to give an upbeat speech in support of Al Smith's first quixotic bid for the presidential nomination. If his public personality seemed as carefree as ever, his charm was now buttressed by both harder and softer virtues: a steely resolve and an eloquent empathy. In September 1926, at his party's state convention in Syracuse, he devastatingly took on Andrew W. Mellon, the Pittsburgh plutocrat who was President Coolidge's Treasury secretary. With Coolidge's backing, Mellon had dismissed pleas for leniency from wartime allies struggling to pay their war debts to America, saying: "Well, they hired the money, didn't they?" It was true, Roosevelt said, that war had made America "the bankers of the world." He continued: "But there are two kinds of bankers: the kindly, understanding, sympathetic man who, by his tact, his wise suggestions, his willingness to help even the humblest creditor solve his troubles, saves many a shaky loan for his bank and is beloved and honored in the community—and the tight-lipped, steely-eyed, close-fisted financier who thinks only in dollars and cents and whose only answer to a discouraged and bewildered borrower is 'Well, you hired the money, didn't you?' This is the kind of a banker Mr. Coolidge and Mr. Mellon have made us in the eyes of the world."

At the 1928 Democratic National Convention in Houston, he was back again cheerfully and successfully nominating Al Smith for president and warning his party against a pro-business myopia that could "turn these United Sovereign States of America into the 'United States, Incorporated,' with a limited and self-perpetuating board of directors and no voting power in the common stockholders." By now, his leg braces were lighter and his crutches had been replaced by a cane—and an iron grip on the strong arm of one of his sons. But the eloquence and the gallant, grinning courage that had touched so many hearts four years earlier were still there, and were

still exhilarating to see. There were pundits, including the influential columnist Walter Lippmann, who would persist in seeing Governor Roosevelt as a lightweight—an "amiable boy scout," as Lippmann put it in late 1931, or "somewhat shallow and futile," as the acerbic H. L. Mencken observed in early 1932. But within Roosevelt's intimate circle, no one doubted that the frivolous "feather duster" of his younger years had vanished during his battle with polio.

One powerful politician who saw FDR's usefulness to the Democratic Party was Al Smith, the parochial big-city Catholic who had won the Democratic nomination in 1928. The Republican candidate was Herbert Hoover, Coolidge's capable and well-traveled Commerce secretary. The common wisdom was that 1928 should be a GOP year, given the uneven but apparently indestructible prosperity of that dazzling decade. But Prohibition was the wild card: Smith and many urban and immigrant voters opposed it; Hoover and many rural Protestants supported it. Otherwise, the two men "shared the same fundamental outlook," one of Hoover's biographers noted. Both were economic conservatives, "friendly toward business" and determined "to minimize government intervention in the market."

But to have a prayer of carrying his Republican-leaning home state, Al Smith needed someone with him on the state ballot who had what he himself lacked: distinguished service on the national stage, a Protestant pedigree that stretched back to Dutch settlers in the mid-1600s, and the cachet of family ties to that irrepressible progressive, Teddy Roosevelt. Smith needed Franklin Roosevelt. He pressured Roosevelt to run for the governorship for the good of the party, and Roosevelt agreed, despite his reluctance to cut short the therapy he hoped would someday allow him to walk again unaided.

It proved to be a wise choice for the state's Democrats. Ignoring the ill-disguised contempt of some of Smith's aides, Roosevelt campaigned from one end of the state to the other. He used his robust shoulders and arms to prop himself up on a convertible's backseat or lean with an apparently relaxed grip on a sturdy podium as he made one clarion speech after another. He called himself a "progressive Democrat" and he promised to continue Smith's programs to support labor, small businesses, and upstate farmers. He somehow man-

aged to keep his affliction out of the spotlight, without denying his experience. He met publicly with other polio survivors, including many children, and encouraged them with his cheerful example. When he had to be physically carried to some upper-story venue, he chatted and smiled during the journey as if he were unconscious of his situation.

In one of his finest speeches on the trail, he lashed out at the religious bigotry besetting Al Smith in the presidential race. He recalled the injured soldiers on the battlefields of the Great War. When medics were carrying stretchers of the wounded and dying, he said, "people were not asking to what church these German boys or these American boys belonged." If anyone could remember that and still "cast his ballot in the interest of intolerance," he continued, ". . . then I say solemnly to that man or woman, 'May God have mercy on your miserable soul.'"

On Election Day, November 6, 1928, Al Smith was defeated overwhelmingly by Herbert Hoover, failing even to carry New York State. Hoover trounced Smith by 6 million votes, swept up 444 Electoral College votes to Smith's 87, and helped push the GOP to a 100-seat majority in the House of Representatives. But in the wee hours, as upstate New York results came in, Franklin Roosevelt won the governorship by a margin of just 25,564 votes. Smith had led the national ticket to overwhelming defeat; Roosevelt had led the state ticket to a razor-thin victory.

In his inaugural address in Albany, Roosevelt gave as succinct an expression of his deeply held principles as he had ever offered. He condemned the glorified selfishness and "rugged individualism" of the Coolidge-Hoover tradition. "Our civilization cannot endure unless we, as individuals, realize our personal responsibility to and dependence upon the rest of the world," he said. "For it is literally true that the 'self-supporting' man or woman has become as extinct as the man of the Stone Age. Without the help of thousands of others, any one of us would die, naked and starved." Those thousands "worked in sunlit fields, in dark mines, in the fierce heat of molten metal, and among the looms and wheels in countless factories" to produce the food, clothing, and small luxuries of life enjoyed by others, he con-

tinued. In his view, it was simple *fairness,* not charity, that required those who benefited so much from their fellow citizens' labor to pay attention to those citizens' needs.

But when Roosevelt was sworn in for a two-year term on January 1, 1929, he faced not only a solidly Republican legislature—as resistant to safety net programs and business regulation as it had been for years—but also a covey of sneering Smith loyalists who expected him to be a puppet governor, deferring to the defeated Smith's continued backstage control in Albany. Indeed, on one remarkable occasion—a day when four of Roosevelt's campaign initiatives were killed in the state assembly—Smith crashed one of Roosevelt's first press conferences in the statehouse, jokingly claiming to be a journalist and quizzing FDR about how he had rearranged the office furniture. When the new governor finally could field serious questions, Smith "listened in silence but with a look of satisfaction as his successor was compelled to do the answering to questions ranging from water power development to taxation," reported *The New York Times.* The next day's newspapers focused as much on Smith's stunt as on FDR's comments. Confronted with this persistent interference, the new governor instinctively threw up defenses to protect his independence, cloaking his resistance with charming noncommittal nods and good cheer; Smith grew increasingly disgruntled.

Although Roosevelt retained most of Smith's top appointees, including the secretly corrupt banking superintendent, he drew the line at keeping Smith's secretary of state, an able but abrasive autocrat named Robert Moses, explaining simply that the man "rubs me the wrong way." It went deeper than that—the two men had been feuding since 1924 and Moses made no secret of his contempt for Roosevelt, calling him "a pretty poor excuse for a man."

Then in February 1929, the City Trust Company in Manhattan collapsed in a mess of fraudulent bookkeeping and bad loans; its failure wiped out the savings of thousands of people in the city's Italian immigrant community and outraged their fiery young Republican congressman, Fiorello La Guardia. It was a major political embarrassment for New York Democrats, not least because the bank's legal team included Al Smith's young nephew, hired just six

months after he was admitted to the bar. The Smith-appointed banking superintendent was soon accused of taking bribes to look the other way as City Trust unraveled. The City Trust crisis peaked while Roosevelt was on one of his regular therapeutic trips to Warm Springs, Georgia, which he had patronized since early in his battle with polio. That left Lieutenant Governor Herbert H. Lehman, a son of the Lehman dynasty on Wall Street, in charge of naming someone to head the investigation of the failed bank. Lehman decided the most credible man for this daunting job was Robert Moses.

City Trust proved to be a cesspool of self-dealing, accounting fraud, bribery, and conflicts of interest, all carried out under the hapless oversight of a board of directors chaired by a sitting municipal judge firmly aligned with Tammany Hall. The City Trust collapse was followed in June 1929 by the collapse of a respected private bank, Clarke Brothers; that failure, while less politically fraught, also led to fraud indictments and convictions. In July, Moses had delivered a scathing public report that encompassed both cases. It called for tighter regulation of all private banks, which at the time fell in the crack between state and federal oversight; a robust overhaul of the state banking department to give it more resources, more expertise, and broader jurisdiction; a ban on bank affiliates formed solely to speculate on Wall Street with depositors' money; and stiffer penalties for negligent directors, such as those who presided over the City Trust debacle.

Roosevelt praised the prescient report but did little that Moses recommended. He set up a toothless Republican-dominated committee that recommended no meaningful reforms.

Was Roosevelt's response merely a by-product of his deep mistrust of Moses? Perhaps. Or perhaps, as one biographer suggested, it reflected a more fundamental belief "that bankers were possessed of a morality somewhat higher than that of businessmen in general." In any case, the City Trust embarrassment had lingered into the autumn. At least one state GOP luminary had argued publicly that Al Smith was to blame for the whole mess, and the scandal was sure to dog Roosevelt in his 1930 reelection campaign.

With that history, it was no wonder that the suicide of Demo-

cratic banker Jimmy Riordan on Friday, November 8, 1929, prompted Al Smith and his allies to launch a vigorous media campaign to tout the soundness of County Trust, with Roosevelt contributing the positive assessment of the state banking department. Fortunately, the bank actually was sound and had not been touched by the stock market losses that Riordan supposedly experienced in the weeks before his death. On Sunday, that good news hit the front pages in tandem with the bad news of the suicide.

When County Trust opened on Monday, November 11, every officer was present. Stacks of cash were visible behind the tellers' windows, ready for a rush of withdrawals that never materialized. Instead, Jimmy Riordan's friends lined up to open new accounts or add cash to existing ones, and the bank ended the day stronger than it had been when it had closed on Saturday. A potential bank run had been averted by a brave show of confidence, but Governor Roosevelt could not be sure he would be as lucky the next time.

Perhaps Robert Moses had been right about the folly of trusting bankers to police themselves? The governor's foxhole education in the art of regulating the world of finance had begun.

DECEMBER 6, 1929

THE FEDERAL JUDGE IN NEWARK, NEW JERSEY, LISTENED AS William O. Douglas, a young law professor from Yale, sketched out a proposal to give intelligence tests to all the debtors whose financial failures were being sorted out in the judge's courtroom.

Professor Douglas, rangy and rumpled, had for months been interviewing debtors involved in more than a thousand cases on the judge's docket, holding "clinics" to learn how they had wound up there. Now he wanted to explore whether a lack of intelligence was the bedrock factor behind these failed businesses. Why not establish, once and for all, whether a low IQ was more to blame for business failures than a weak economy, unequal access to credit, or poorly enforced antitrust laws?

"Probably all of us have a hunch that most of these men are quite dumb and perhaps morons," Bill Douglas explained, his western

twang tinged with humor. "It is probably a good hunch but it doesn't mean very much unless it is backed up by facts." With the help of a psychology professor at Yale, he had picked out an intelligence test "devised particularly for business institutions," Douglas told the judge, and he wanted to administer it to all the debtors in his study. After all, Douglas reasoned, if a lack of intelligence is a cause—or perhaps, *the* cause—of business failures, "it certainly is significant. No complete analysis of causes would be complete without it."

And a complete analysis of the root causes of business failures was precisely what Bill Douglas was trying to produce with a groundbreaking study of the bankruptcy process that hit its stride in 1929.

His research project was part of a creative revolution called "legal realism," a view of the law that went beyond the formalism of judicial rulings to incorporate the social, psychological, and economic forces shaping legal outcomes in the real world. "The notion that law was a neutral, scientific system, the realists believed, was an elaborate cover for enforcing the preferences of those in power," explained the legal historian Noah Feldman.

The shift to legal realism at Yale Law School was led by Robert Maynard Hutchins, who became acting dean in 1927. A brilliant and persuasive innovator, Hutchins shared the realists' belief that lawyers needed to understand the human landscape in which the law operated. To nurture that perspective, he added compulsory courses in economics, history, psychology, and the social sciences. He also set up the Institute of Human Relations on campus as a center where law professors could "work with economists and sociologists and psychologists to make those connections between the law and the social scientists that were essential to a full understanding of the law's role in modern society." As Hutchins saw it, "The object of a law school education was to produce educated lawyers and not merely lawyers who knew the rules and how to manipulate them."

Hutchins's plans for Yale seemed to electrify young Bill Douglas. After hearing the dean speak at a suburban country club dinner in May 1928, Douglas buttonholed him in the club's locker room and

the two young men—they were both just twenty-nine—sipped bootleg booze and talked until well into the night. Within a few weeks, Hutchins had persuaded Douglas to move to Yale.

In private practice, Douglas had hewn fairly close to the traditions of his profession, even the less seemly ones. As a young associate at Cravath, Henderson & de Gersdorff, he had worked on a railroad bankruptcy that was a textbook example of how Wall Street insiders and their lawyers manipulated the process to shortchange ordinary creditors and investors. But by the time he met Hutchins, Douglas had been teaching law for a year at Columbia, where his mentor Underhill Moore was an early advocate for legal realism. Like Moore and Hutchins, Douglas was growing impatient with what he called the "how-to-do-it trade school" approach to legal education. As he wrote decades later: "Why spend one's life teaching bright youngsters how to do things that should not be done?"

He moved to Yale in the summer of 1928 with a brain buzzing with fresh ideas for changing how business law was studied and taught. As one biographer put it, "He wanted students to learn how corporations worked—how they were formed, financed, managed, merged, reorganized and, occasionally, dissolved."

Hutchins encouraged his faculty to do field research and was especially supportive of studies that included collaboration with other disciplines. Douglas was hungry for exactly that kind of intellectual exercise. Under the flag of the Institute of Human Relations, he teamed up with Dorothy Swaine Thomas, a gifted young sociologist and statistician, to conduct a field study of small-business bankruptcies. He persuaded U.S. District Judge William Clark in Newark to open his busy docket to the researchers, who spent months interviewing "distraught owners of small grocery stores, restaurants, and retail clothing stores" about their personal roads to ruin. He and Thomas interviewed the debtors' accountants, their local Better Business Bureaus, their employees, their creditors. Douglas wanted to learn everything he could about how the dry facts of business law shaped the real-world experiences of business people.

In the shadows of the booming 1920s, tens of thousands of businesses in America had gone broke—nearly 37,000 a year, on average,

since the end of the war. Courts had handled more than 57,000 new cases in the first half of 1929. From 1925 to 1928, the courts dealt with nearly 200,000 bankruptcies—more than twice the number of ordinary civil lawsuits in the trial courts and appellate courts in that period. Railroads were chronic debtors, regularly restructuring their liabilities via court-appointed receivers. Typically, as in the case Douglas worked on as a young Cravath associate, these receivers were boardroom insiders with little concern for small creditors, modest investors, or idled workers. American farmers, who had been encouraged to boost their harvests during the war, were now facing a glut that had pulled crop prices down to ruinous levels. Their distress pushed many regional banks, farm supply companies, and retail businesses into bankruptcy. As that pitiless process ground forward, Florida's overblown real estate bubble popped in 1925, generating more business failures and bank losses. The impact of the October crash was still uncertain. So far, the collapse of the Foshay utilities conglomerate had been an isolated event, but clearly such top-heavy public utility holding companies were vulnerable to a weak stock market.

Although his first focus was on small-business failures, Bill Douglas had not ignored these larger bankruptcies. As his reputation grew, he was recruited by the U.S. Commerce Department to study corporate failures in the Philadelphia area. In both research projects, Douglas kept digging deeper into the subsoil of business life, looking for the root factors that caused businesses to fail. If those factors could be identified and addressed, he reasoned, there would be fewer failed businesses, fewer ruined lives.

BILL DOUGLAS, JUST THIRTY-ONE years old in 1929, knew more about ruined lives than most of his fellow law professors at Yale. His widowed mother had often recounted how, when he was a child in the first years of the century, she had lost her savings when her lawyer unwisely invested the money in an ill-fated irrigation project near their home in booming Yakima, Washington. The project's failure left the Douglas family with little but a roof over its head and

barely a penny to spare. These tales were not quite accurate, as he later learned, but the belt-tightening was real, whatever its cause.

With big dreams, a plainspoken eloquence, and a near-photographic memory, Bill Douglas eked out an education with before-school jobs delivering papers, after-school jobs doing janitorial work, all-summer jobs picking fruit, and school-year jobs teaching and tutoring other students. A high school valedictorian, he worked his way through tiny Whitman College in Walla Walla, Washington, and then hitched train rides east with nearly empty pockets to begin working his way through Columbia Law School.

Since his graduation from Columbia in 1925, he had been as skittish as a grasshopper. He worked at the Cravath firm in Manhattan, but he missed the open vistas and empty acres of his western home and never felt at ease in the city's crowded stone canyons. He traveled back to his beloved mountains for a brief stab at private practice in Yakima, but found the work dull and unrewarding. He returned to Manhattan to teach at Columbia Law School, and in mid-1928 made his move to Yale. Less than a year later, Hutchins was lured away to head the University of Chicago. Douglas was tempted to follow his young mentor, but Yale gave him a raise to keep him and he stayed on to pursue what he saw as a worthy experiment in making the law "more relevant to life."

At Yale, Douglas was far more interested in his research than in his students, some of whom he dismissed as the "spoon-fed, coddled, pampered" sons of privilege and wealth. Thomas I. Emerson, a Douglas student who became a noted civil rights scholar, later recalled that students saw Douglas as a pampered "big-city lawyer" who had been lured from Wall Street to Yale by a fat pay package. "It never occurred to us that Douglas was a country boy who came to New York with six cents in his pocket," Emerson said. From Douglas's first months on campus, he displayed the irreverent rejection of conformity that would become his lifelong trademark—childish stunts with a few faculty friends, tipsy or flirtatious behavior that pained his staid and more conventional wife, Mildred, and a frank and unapologetic hunger for admiration or, failing that, attention.

A brusque but brilliant young man in a big hurry, Douglas had

quickly taken up the study of business failures and how creditors, investors, and employees fared in the legal process that followed. From his bit part in that railroad bankruptcy to his ongoing study of big and small corporate failures, he knew the process from the inside out. His research in Newark and Philadelphia had attracted the attention of President Hoover's Commerce secretary, and had been written up both in important law journals and in tabloid newspapers. Almost overnight, he had become widely known as an articulate authority on every aspect of corporate bankruptcy law.

And that had put young Bill Douglas in exactly the right place at the right time, because the bankruptcy work of the New York court system had just plunged into a lurid, slow-moving scandal.

In January 1929, the city had learned of the attempted suicide of a minor federal court clerk and the disappearance of his cousin, a lawyer who had recently been indicted for stealing from estates he handled as a court-appointed bankruptcy receiver.

Matters had accelerated in February when a federal grand jury in New York found widespread abuses in the federal court's handling of bankruptcy cases and accused a federal judge of "serious indiscretions" in appointing bankruptcy receivers, including the fugitive lawyer. The scandal had burst onto the front page in early March, with news that the federal judge's stepson had mysteriously wound up with a luxury car that had been owned by a bankrupt chain of local candy stores. The judge was overseeing that bankruptcy case—a small, simple case whose court-appointed receiver nevertheless was paying fees to three friendly lawyers and paying nothing to the retail chain's creditors. The same month, the same federal judge had been accused in Congress of appointing favored attorneys as bankruptcy receivers in exchange for their hiring the judge's friends and relatives.

Then in April, the storm of scandal had hit hurricane force. The federal judge resigned, becoming only the second federal judge in New York City history to step down under the cloud of criminal allegations. The fugitive lawyer surfaced in a Philadelphia hotel and agreed to meet there with federal prosecutors. Moments before the meeting, as the prosecutors waited in an adjacent room, he had poi-

soned himself, leaving behind a long confessional letter that turbocharged the scandal and further stained the reputation of the bankruptcy courts.

The federal inquiry had been expanded and deepened under the direction of Judge Thomas D. Thacher, a formidable figure in New York legal circles. By the fall, expert witnesses had been called before Judge Thacher to present their ideas for reform. One of them was Professor Douglas from Yale. As the hearings rolled forward through the fall, Douglas had courted reporters, consulted with the U.S. Commerce Department, attended important policy conferences, and formed friendly ties with a number of influential jurists and political figures in New York and Washington. Indeed, within a few months, Judge Thacher would leave the bench to become President Hoover's solicitor general in Washington, where he would undertake a national study of bankruptcy courts and call again on Douglas for expert advice. With his star on the rise from Wall Street to Washington, Douglas felt confident that his unconventional research methods would get a respectful hearing anywhere in the federal court system.

But on that cold December morning near the end of the wild ride of 1929, none of his newfound fame was helping Douglas sell the idea of giving IQ tests to all the business failures coming before the bankruptcy judge in Newark, New Jersey.

Judge Clark cautioned that the IQ test might provoke opposition among the debtors—indeed, they would likely "take it as an insult," he said, and he would not order them to cooperate. But later, something about the out-of-the-box idea apparently appealed to the judge, who was in some ways as unconventional as Bill Douglas. He decided that if some debtors occasionally volunteered to be tested, he would not object.

It wasn't what Douglas wanted—indeed, this haphazard testing would render the research results useless from any scientific standpoint. But still, it could produce some intriguing findings, some fresh headlines, and some additional gloss on Douglas's growing national reputation. As one biographer would later see it, this outcome was typical of how Douglas could so often turn his missteps into

success. "He picked a hot topic, positioned himself in front of the issue by posing the right questions for future study, and then left that often tedious work for others."

Undaunted by the judge's limitations on his outlandish IQ testing idea, Douglas happily boarded the evening train back to New Haven.

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THE DREAM OF "DEREGULATING" AMERICAN FINANCE HAS NEVER lost its appeal in America's conservative circles. Even "neoliberal" Democrats in the 1990s gave lip service, at least, to the idea that federal market regulation is a *burden,* not an *asset,* and that the ideal should be an unregulated market free to maximize profits for investors and raise capital for American business.

But no one who makes those arguments today has ever actually experienced an unregulated financial world in America. Today's Americans have lived their entire lives under financial protections first enacted ninety years ago. They have always had "a cop on Wall Street." They have never experienced the financial jungle of unregulated capitalism.

These four men had.

In October 1929, after a decade of increasingly reckless corruption, Americans watched in horror as an unregulated Wall Street collapsed, helping to drag a great nation to its knees.

Over the next ten years, a majority of Americans would come to believe that only Uncle Sam had enough power to restrain the ruthless greed that had undermined the nation's economy.

During that pivotal decade, from 1929 to 1939, the work of these four flawed but remarkable men—the deft politician Franklin Roosevelt, the polished conservative Dick Whitney, the buccaneering Joe Kennedy, and the irrepressible Bill Douglas—would help fundamentally change the way "other people's money" would be handled in America.

The decade was an argument between two sharply differing visions. One vision was for an American future that looked very much like the past, with clear lines of privilege and a firm hierarchy of

power; the other vision was for a future in which a national commitment to fair play would open the door of opportunity to the largest number of Americans possible. The debate is as fundamental to the nation's well-being now as it was then: How does a democracy fairly share the benefits of its economy with its citizens?

Capitalism, without argument, can generate great wealth and opportunity for those who participate in it, and the ideal of democratic capitalism is that anyone *can* participate. Financial markets are the central nervous system of capitalism. How those markets operate, then, determines how capitalism shapes society.

How those markets *should operate* was a fundamental debate in the 1930s.

Should Wall Street be the exclusive preserve of people who were sophisticated enough to look out for themselves? Could they generate enough wealth to sustain the larger society? Dick Whitney, who battled to save practices he thought made markets work better, would have answered "yes." He believed that the wise stewardship of Wall Street's elite would keep unregulated markets healthy and let the benefits of capitalism spread, indirectly, to the rest of the population. He was not alone in this belief—millions of affluent Americans agreed with him, and millions more still do.

But would ordinary Americans tolerate a freewheeling capitalism that laid its heaviest burdens on the backs of the "little guys" while steering most of its benefits into the pockets of the "big guys"? How long would ordinary citizens wait for some fair share of the wealth to dribble down to them? Franklin Roosevelt believed that this "trickle-down" form of capitalism, always unfair, had become dangerously untenable amid the brutal suffering of the Great Depression. For reasons of their own, Joe Kennedy and Bill Douglas enlisted in FDR's campaign to spread the benefits of capitalism more widely and more fairly. They were determined to make Wall Street a place where ordinary Americans could pursue their own prosperity instead of waiting for crumbs to fall from the tables of privilege. This unprecedented effort led by Roosevelt would help build America's postwar middle class and would make the American marketplace the envy of the world.

In the process, the battle waged by these four men would prove that government could level the American playing field of opportunity for future generations. Wisely led, government could regulate markets without ruining them; it could rein in the ruthless without stifling the worthy. Government could undertake big, difficult, controversial things like market regulation and make them work. It could change the world—if it dared.