

which every juror learns his rights ... and is given practical lessons in the law. ... I do not know whether a jury is useful to the litigants, but I am sure it is very good for those who have to decide the case."

For the trial lawyer, nothing can be more useful than learning about the mental processes of jurors, mock jurors, and the public from whom jury venires will be chosen. This book is valuable reading for that reason alone. Beyond that, all who share Hans' concerns about the jury system, its fairness, and its role in a free society will find this book compelling. **TFL**

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Rainbow's End: The Crash of 1929

By Maury Klein

Oxford University Press, New York, NY, 2001.
345 pages, \$27.50.

REVIEWED BY CHRISTOPHER C. FAILLE

Did the stock market crash of October 1929 produce the Great Depression of the 1930s? For decades, folk wisdom treated the two as cause and effect, and dissenting voices were found only in academia. Much of the regulatory system put in place by the New Deal, as it applies to the securities and banking industries in particular, has as its assumption that stock market crashes are inherently disastrous events and must be prevented. But, in 1987, a stock market crash of a magnitude analogous to that of 1929 led to few serious dislocations in the broader economy — and the stock indexes regained their pre-crash levels within a year. So clearly crashes don't invariably produce depressions. What is the real relationship?

The relationship between financial crash and industrial depression is

among the mysteries on which Maury Klein sheds some light in this book. Klein, a professor of history at the University of Rhode Island, maintains that the relation of the former to the latter in the period 1929–30 was that of symptom to disease. The stock market's crash was the threatening flash of lightning that reached human eyes before the roll of thunder (the industrial depression) could get to human ears.

Traditionally, market analysts keep a close eye on "earnings per share." That term means what it sounds like: the corporation's earnings in a given year divided by the number of shares of its outstanding equity. As late as the first half of 1928, there was still a widespread feeling that the rational price for a stock is somewhere near 10 times its earnings. Accordingly, a stock with a price/earnings (P/E) ratio substantially lower than 10:1 would be regarded as underpriced — a good buy. A stock with a P/E ratio substantially higher than that would be regarded, similarly, as ripe for sale. (For those unfamiliar with market jargon, this is what is meant by a P/E ratio of 10:1, or even more simply by a "multiple of 10.")

It was only in the later months of 1928 that some analysts began using a 15:1 ratio as a rule of thumb for the rational price of a stock. Discipline is required to follow rules — even rules of thumb. So discipline is required to sell a stock. If a stock is rising in price, then of course its P/E ratio is also rising, and the natural human temptation is to let it ride. That is exactly what investors did in the late 1920s, and they found market pundits to pat them on the back for it, too. By the summer of 1929, conventional wisdom had shifted so far that stocks selling as high as 30 times earnings caused barely a blink.

A stock that gets too far ahead of its earnings will, in time, fall back in their direction. When this happens across the whole of a market, a reaction may well take place across the whole of the market. In this sense, Klein treats the 1929 "summer of fun" as sufficient explanation for the autumnal hangover. Yet in certain circumstances, a stock market crash would not have been disastrous. A

"whirlpool of uncertainty" might have brought "the bull market down while disturbing the economy itself with only mild ripples of contraction." Why did this crash signal a broader disaster? Because the underlying problem — lack of discipline — was broader.

The erosion of discipline was pandemic to the industries of the time, which were all busy borrowing money that they did not know how to use, or creating hyper-elaborate corporate structures that they did not know how to administer, or warehousing more products than they knew how to sell.

Klein repeatedly employs Alexander Dana Noyes as a spokesperson for his own views of the period. Noyes was a columnist for *The New York Times*, and over the 1929 Labor Day weekend, Noyes wrote that too many people believed that the country had entered "a new financial and industrial era in which old rules are wholly abrogated and past experience has no lessons worth considering." Those old lessons (don't flood your markets, don't go too deeply in debt, keep things simple) still were worthy of consideration. Unfortunately, they were not sufficiently considered.

Klein moves beyond anything Noyes had to say, though, when he tells us that the financial and industrial bubbles were both merely symptoms of a broad socio-cultural effervescence. He believes that high-flying stock prices were of a piece with the enthusiasm of the 1920s for more literal sorts of flying — the enthusiasm that Robert Goddard displayed with his rocketry experiments and that of Charles Lindbergh, when he flew solo to Paris. Such phenomena fed into the sense that this was a "new era" in which the old rules didn't apply.

Evangelism, too, had its new era manifestations. One of the most popular Christian evangelists of the 1920s was Aimee Semple McPherson, who began her career holding revival meetings up and down the East Coast but soon decided that it would be more comfortable to do God's work in a nicer climate. She moved to southern California, where she opened the "Angelus Temple" with seating for 5,000,

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