**The Great Depression: A Diary by Benjamin Roth**

Benjamin Roth was a lawyer in Ohio who realized early in the Great Depression that he was living through a financially significant time and wanted to learn from it. His diary recorded the effect the Great Depression, the economy, and financial markets had on people.

**The Notes**

The book covers the time period from 1931 to 1941.

“Roth’s diary is a reminder that our economic security, individually and collectively, always rests on a complex interaction of market forces, politics, consumer perception, and the impact of unforeseen (and sometimes unforeseeable) events. As in so many other areas, those offering predictions for the future or even detailed readings of the present are often wrong because of incomplete information, flawed statistical models, or hidden agendas.”

**The Great Depression**

* + Real estate performed almost as badly as stocks. Many properties were bought using 2 to 3 mortgages at the end of the 1920s. Foreclosures were common, but the illiquid nature of real estate and lack of buyers made it impossible for banks to sell, which contributed to later bank failures.
	+ Banks and Savings & Loan companies did everything possible to not go under. Roth recorded that they suspended payments on savings and demanded a 60-day notice on withdrawals. Runs were common.
	+ Smoot-Hawley Tariff Act of 1930 prevented European countries from trading freely with the US. In retaliation, European countries raised tariffs against US goods.
	+ Vegetable gardens became popular to save money, which lowered the demand/price of produce and made it harder for farmers to make money.
	+ Throughout 1931 and 1932 Roth repeats something similar to: “It hardly seems possible that things could get worse.” And it does.
	+ Bank closures and Savings & Loan closures locally and nationally were initially a shock but became a common occurrence in the diary from 1931 to 1933.
	+ Little money was in circulation due to bank failures and the inability to withdraw. Business was at a standstill.
	+ A moratorium on mortgages was considered in many states in 1931.
	+ Safety deposit boxes replaced savings accounts for those who could get money out of the banks.
	+ President Hoover believed a sense of volunteer charity and community service would take care of the unemployment problem. He believed the local governments were responsible to feed and employ workers and the federal government should stay out of it.
	+ Bank and Savings & Loan passbooks became a currency of sorts. Passbooks sold as low as 30 cents on the dollar. Prices on passbooks were quoted in the daily newspapers and traded at local brokerage houses. Many people used passbooks to buy foreclosed property from banks and speculate in.
	+ “It has become popular to wear old clothes—to brag about poverty and how much you lost in the 1929 crash. It is almost bad taste to give a big party or to drive a new car.” — Sept. 1, 1931
	+ Roth noticed that roll-your-own cigarettes, pipe smoking, and packed lunches were ways people saved money.
	+ “Banks are absolutely terrible in their insistence on payments on notes and mortgages. It is the old story of lending you an umbrella when the sun is shining and then demanding it back when it rains.” — Sept. 4, 1931
	+ Small gambling games became a popular pastime during the depression — Whiffle board, dime chain letters, betting on the number of stock sales or bank clearings on the day, crossword puzzle, Monopoly, etc. “People lost all confidence in the old virtues of saving. They were willing to bet small amounts in the hope of getting large returns. They wanted something to occupy their minds and they wanted some gamble to buoy their hopes.”
	+ England, Denmark, and Norway went off the gold standard in 1931.
	+ Japan went to war with China in 1931.
	+ The Reconstruction Finance Corp. was created under Hoover in 1931 to lend financial support to banks, railroads, and other businesses but came too late for Hoover. It was used extensively under FDR.
	+ US Postal savings accounts became another popular alternative to bank accounts. Postal savings accounts were limited to $2,500 and deposits could be converted to postal savings bonds that paid interest.
	+ “Life insurance proved to be a cushion for me in the depression. Money borrowed on life insurance policies should be paid back as quickly as possible. It has so far proven to be the next best investment after government bonds.”
	+ “Everybody demands cash — no checks are accepted. The Truscon Steel Co. paid its employees with checks drawn on a large New York Bank and the local banks refused to cash them. The check may be good today and bad tomorrow. Even certified checks are regarded suspiciously.”
	+ Estimates of 25% of eligible Americans were unemployed in 1932. Those who had a job saw hours and wages cut.
	+ 20% of banks failed during Hoover’s presidency. Of that, 2,294 failed in 1931. Almost 5,000 small banks shut down during the 1920s.
	+ Cash was scarce. People couldn’t buy food, pay bills, businesses couldn’t pay workers, and banks wouldn’t accept checks they couldn’t cash.
	+ “Scrip” became a common cash substitute issued by local governments or businesses.
	+ Double Liability – state governments mandated, in the early 19th century, that bank shareholders were liable for the amount of money invested and the value of the shares they owned. In other words, if the bank failed, shareholders could lose more money than they invested. The goal was to prevent banks from taking unnecessary risks with deposits. Widespread bank failures hit bank shareholders hardest and proved the rules were useless.
	+ Banks became desperate. In one account, they tried to raise funds by urging depositors to buy new stock in the bank with 25% of their deposits and the agreement to leave their deposits alone for a fixed period of 1 to 3 years.
	+ Farmers expanded their farms and bought new equipment, often by borrowing against their property, in order to meet growing demand during WWI. The Great Depression put an end to demand, farmers couldn’t afford to pay their loans. Farm foreclosures grew in 1932.
	+ 15 countries went off the gold standard by the end of 1931. France and US were the only two large countries still on it.
	+ 50,000 WWI veterans camped out in Washington D.C. to demand bonus pay in June 1932. Things grew violent in July after Congress rejected an early release of veteran’s bonuses. The veterans were driven out of the city by the army.
	+ Local governments had little money to operate schools, courts, etc.
	+ FDR was elected in November 1932 by a landslide.
	+ 40% of home mortgages were in default in 1933. Farms were hit hard by foreclosure. It led to farmers protesting low commodity prices and sabotaging farm auctions — farmers showed up en masse at auctions to intimidate anyone who bid on farms, to ensure the farmer who previously owned the property won the auction. Many farmers repurchased their farms via auction for pennies on the dollar. States eventually passed moratoriums on foreclosures.
	+ “In 146 cities of the United States “scrip” money is being used or “barter exchanges” have been set up to exchange services for merchandise.” — December 1932
	+ The US dollar suffered severe deflation during the depression.
	+ Michigan Governor orders a bank holiday in the state on February 14, 1933, after the largest bank in the state failed. The order closed banks for 8 days. Upon reopening, banks limit withdrawals to 5% of deposits.
	+ Maryland orders a bank holiday on February 25, 1933, with similar withdrawal limits upon reopening.
	+ Ohio banks ordered a bank holiday and set 5% withdrawal limits on accounts on February 27, 1933.
	+ Pennsylvania ordered a bank holiday on February 28, 1933.
	+ By March 1, 1933, eight states ordered bank holidays. On March 2, the total was up to 16 states. March 3, it increased to 22 states. FDR proclaimed a national bank holiday from March 6 to March 9. Congress passed the Emergency Banking Act of 1933 on March 9. Banks are allowed to reopen based on how “sound” they are. Stock markets also closed for 10 days during the bank holiday.
	+ FDR begins his fireside chats in March 1933 to help explain the situation and instill confidence.
	+ Retail sales jumped with end of the national bank holiday.
	+ US economy stopped contracting in March 1933.
	+ FDR signed a bill allowing beer and light wines (3.2% alcohol) in March 1933. Prohibition (18th Amendment) was officially repealed on December 5, 1933. Legalized liquor didn’t help the recovery as much as many thought.
	+ FDR signed an order to limit ownership of gold in April 1933. No one can own more than $100 in gold. Gold exports are also not allowed.
	+ Hitler comes to power in 1933 and immediately declares a boycott of Jewish merchants to worldwide outrage. — April 1933.
	+ Inflation is the new *worry* of the day (1933). Inflation worries make regular reappearances throughout the rest of Roth’s diary.
	+ National Industrial Recovery Act was passed in June 1933. It was designed to eliminate unfair competitive practices and standardized wages and work hours between companies in the same industries. It also granted the right for workers to unionize.
	+ “In the past two years there has been an amazing change in American thought from cards and golf to national politics and public matters. Life has become simple. Women’s styles resemble the 1890s and even the bicycle is coming back into favor as a means of transportation.” — May 1933
	+ Labor strikes became common in late 1933 as union workers demand higher wages. The National Guard are called and some end in violence and death.
	+ American Federation of Labor saw its membership grow from 500,000 to over 4 million in less than 2 months ending Oct. 1933. It demanded a 30-hour work week and higher wages.
	+ Civil Works Administration is created in November 1933 to provide federal jobs to the unemployed to build roads, parks, airports, etc. By December, 3.5 million people had jobs.
	+ Retail reports, in 1933, the best Christmas sales since the depression started.
	+ 1933 saw a number of programs set up by FDR’s administration: FDIC and Home Owners Loan Corp. were two of the most successful. The FDIC federally insured bank deposits. Home Owners Loan Corp. allowed homeowners to refinance their home with a 12-year mortgage instead of the common 5-year mortgage and avoid foreclosure. The program refinanced about 20% of home mortgages at the time.
	+ FDR’s experiment devaluing gold begins in January 1934.
	+ Potential signs of war in Europe on February 1934.
	+ 1934 saw an increase in union strikes — over 1,800 — for better wages and working environment. National Guard and police were often called in to break up the strike, ending in violence.
	+ 1935 saw FDR’s administration pass Works Progress Administration which employed 8.5 million people, the National Labor Relations Act, and the Social Security Act.
	+ “When I started these notes it never occurred to me that the depression would last more than two years. We are now in the beginning of the seventh year and the road is not yet clear — with the possibility of inflation ahead. We seem to be emerging from the panic, industry is picking up, etc. — but so much of it has been created by artificial spending that it is difficult to know just where we stand.” — January 2, 1936
	+ Germany seized the Rhine Valley in March 1936.
	+ There were still about 12 million unemployed in April 1936.
	+ FDR wins reelection by a landslide in November 1936.
	+ “Just came back thru the stores on my lunch hour. People are spending money like drunken sailors.” — December 24, 1936
	+ Germany seizes Austria in March 1938.
	+ War breaks out in Europe. Germany invades Poland in September 1939. England and France declare war.
	+ “Religious intolerance increases — and our country is swayed by European propaganda and subversive activities. All in all the world of 1940 is not a pleasant one. We can only hope that a better day is dawning.” — January 1940
	+ FDR’s administration would shift to national defense and supply Great Britain.
	+ Italy joins the war, allied with Germany, in June 1940 while Germany takes control of Paris. Only England is left. Air raids over London begin. People are worried should England also falls.
	+ Japan allies with Germany and Italy in September 1940.
	+ The Selective Training and Service Act was passed in September 1940. It requires all men aged 21 to 35 to register for the draft. 16 million men registered for the first draft in US history.
	+ FDR wins his 3rd reelection by a landslide in November 1940.
	+ Germany turns toward Russia in July 1941.
	+ The war created panic buying of products in the US starting in 1939 to avoid potential rationing and embargos on products similar to WWI. First, it was cars and real estate, next was furniture, appliances, radios, then silk stockings, linens, and clothes.
	+ Japan attacks Pearl Harbor, on December 7, 1941. The US declares war on Japan.
	+ “Blackouts take place in New York and Los Angeles. Many false reports of invasion by Japanese planes.” — December 9, 1941
	+ Germany and Italy declare war on the US on December 11, 1941.

**Financial Markets**

* + Only around 2.5% of Americans owned stocks in 1929.
	+ Most people at the time viewed real estate as the way to grow a fortune.
	+ Following WWI, the US helped rebuild Europe and became its primary supplier which kicked off a boom in the US. Things picked up steam after 1922 as new industries like electricity, autos, and radio, along with mass production, became more mainstream.
	+ Chain store retailers — Kroger, A&P, and others — grew in size during the 1920s and knocked many “mom and pop” retailers out of business.
	+ Florida’s real estate boom took off in 1925.
	+ “To an older man it must have seemed inevitable that we were heading for a crash but to most of us it seemed that we were in a “New Era” which would never end.”
	+ Before the ’29 Crash, stocks sold at 20x to 40x earnings, bonds paid 4% to 5% interest, and use of margin was widespread.
	+ “In 1929 when the crash came all sorts of people were into the market on margins over their heads — doctors, lawyers, merchants, bootblacks, waitresses, etc. They bought stocks on tips, did not know what the company sold or made and did not know how to investigate a stock even if such a thought had occurred to them.”
	+ After the crash, business leaders, politicians, and newspapers urged people that stocks were bargains and the worst was over. It wasn’t.
	+ “Magazines and newspapers are full of articles telling people to buy stocks, real estate etc. at present bargain prices. They say that times are sure to get better and that many big fortunes have been built this way. The trouble is that nobody has any money… From the extreme of speculation in 1929 people have now turned to the extreme of caution.” — July 30, 1931 — stocks were 30% lower one year later.
	+ Real estate bonds sold at 20 to 30 cents on the dollar in September 1931.
	+ “In a great many instances fraud is shown on the part of bank officials who used bank funds to play the stock market. The whole banking fraternity is in public disfavor and many of them face prison.” — Sept. 29, 1931
	+ “A portion of good old government bonds is the backbone of many an investment list today.”
	+ People who thought they bought bargains in 1930, watched those bargains get cut in half (at least) by 1932.
	+ Congress started an investigation on short selling in 1932.
	+ “All sense of value, optimism and initiative seems to have disappeared. That is why the depression period presents so many opportunities to the man who has the nerve to buy stocks and real estate and businesses when the outlook is the blackest.” — April 14, 1932
	+ Stocks and commodities fell to the same level in 1899 in May 1932.
	+ Railroad sector averages hit the same level in 1904 on May 31, 1932.
	+ “O.P.M. (Other People’s Money—or credit) are the three most powerful letters in business but must be wisely and moderately used. Most of the banks are now almost liquid and these vast resources will soon again be loaned out for business expansion. To use these funds for business expansion and yet with moderation is the height of good business management.”
	+ “The bottom was reached in summer 1932 and the upturn gradually started. There had been so many false starts however that it was not until 1934-5 that people really realized that the turn had been passed.”
	+ “Florida in particular is absolutely flat since the land boom of 1925. Literally whole communities can be bought up with little cash.” — July 1932
	+ “In the last 30 days the stock market has given one of the most strenuous rallies in its history… There is no tangible explanation for this by way of industrial revival and yet there is plenty of optimism and feeling that this fall will see a turn for the period. In this 30 day period most of the popular common stocks have doubled and tripled in value. The entire list shows a 70% increase in value.” — August 1932
	+ Railroad stocks were up almost 400% by September 1932 from their lows in July 1932.
	+ “Directly after the war period it became popular for small local concerns to expand by selling stocks to the public. In almost every single instance these investments have proven to be worthless.”
	+ “Bankruptcy receiverships and foreclosures are rapidly cutting down the mountain of debt created during the boom… In the case of the large corporation it is often voluntary for the purpose of breaking leases and getting rid of large bond issues, cutting down heavy capitalization etc. I do not see how real recovery can come until this liquidation movement is completed, old debts wiped out and business showing a profit on the basis of present capacity.”
	+ “In 1928 people were excited about big profits on the stock market: they read literature about investments, lived high and talked about the “new era.” Today their outlook is gloomy, they think the depression will never end, the stock market is an abomination, real estate is no good, everybody is cynical, etc. Just as the public was mistaken in its excessive optimism of 1928 I believe it is mistaken in its excessive gloom.” — February 1933
	+ The stock market rose four months straight following the end of the national bank holiday in early March 1933. New brokerage offices began to open. Roth reports people buying stocks in the hope to make back losses from prior years. Markets would see record volume on the year in the back half of 1933.
	+ The market corrects in July 1933 after 3 straight days of losses.
	+ “The stock market lays down stringent rules to curb the small speculator. Hereafter accounts under $5000 must be margined at least 50%. Pools must be reported.” — August 1933
	+ U.S. Panics: “1873-1879 Major panic. Recovery in 1879. 1880-1884 Good times. 1884-1885 Short panic. 1885-1890 Good times. 1891-1893 Falling prices and warning of panic. 1893-1896 Panic. 1897-1901 Good times. 1901-1902 Short panic. 1902-1907 Good times 1907-1908 Short panic but severe. 1908-1914 Good times. 1914 Panic threatened but stopped by war. 1914-1921 Wartime prosperity. 1921 Primary war panic. 1922-1929 Good times. 1929-1935 Panic.”
	+ Federal Reserve sets margin limits at 55% in January 1936.
	+ “The street is full of stories of large sums of money made in the stock market. Most of these people bought stocks a year or more ago and held on grimly… Many of course sold too soon and took a small profit. The speculative fever has spread just as in 1929 and all sorts of people are crowding the broker’s office. Many stocks sell at 20 and 30 times earnings and a break seems overdue. Bonds pay only about 3% and because of this low return and because of fear of inflation much money has been switched to equities.” — February 1936
	+ “As I look back over the record of the stock market since 1932 many remarkable results can be seen. Stocks that sold at receivership prices are now selling at substantial values. Here are a few extreme examples showing quotations in 1932 and 1936. Phillips Morris Tobacco Co. 1/2 to 90; Sheet & Tube 4 to 68; Republic Steel 2 to 26; Gen. Motors 10 to 70; Chrysler 6 to 100, etc.” — July 1936
	+ Stocks sold at 30 to 40 times earnings in September 1936.
	+ The stock market continued to rise until September 1937. Black Tuesday hit on October 19, 1937. The market fell more than 50% from September to December 1937, down to the same level as 1935.
	+ By March 1938, the stock market is back to the same level as in 1934.
	+ The stock market bottomed in June 1938.
	+ “As I re-read some of the predictions made by outstanding economists in past few years, I must laugh. They were all wrong. None of them foresaw the 1937-39 collapses…”
	+ Stocks hit 2-year lows in June 1940.
	+ Stock Exchange seats sold at $650,000 in 1929. A seat was sold in November 1940 for $33,000. Another sold for $27,000 in February 1941. Another sold for $19,000 in December 1941.
	+ “Industry in a war boom — stock market stagnant — gov’t bonds bringing less than 1% and selling at a high premium — stocks low and selling at five times earnings” — February 1941
	+ “The S.E.C. starts to break up the utility holding companies and their common stocks go to record lows.” — April 1941
	+ “Tax selling” pushes the stock market down to levels not seen since 1938. — December 6 1941

**Investing Thoughts**

* + Roth dances around the idea of market timing early on — i.e. getting out entirely at the top and back in at the bottom — before realizing the difficulty of predicting the turns.
	+ “The rules of conservative investment apply whether you buy real estate or stocks or bonds. Thorough investigation is the first necessity — safety of the principal — and it usually follows that only a fair return on the investment can be expected. To seek a high or unusual return means greater risk and speculation… A pretty safe rule to follow is to stick to the conservative investments. There are times, however, in a depression when cash money is king and many good investments can be purchased at a big discount.”
	+ “As nearly as I can make out from a study of past panics, the cycle of business is always moving down toward a panic or up toward a boom. It rarely for long travels in a straight line… The wise investor will disregard the day-by-day fluctuations of the stock market or real estate market and base his buying and selling on these long periods of rise and fall. Above all, and I repeat it again and again — he must have liquid capital in time of depression to buy the bargains and then he must sell before the next crash. It is difficult if not impossible to do this but the conservative longtime investor who follows the general rule of buying stocks when they are selling far below their intrinsic value and nobody wants them, and of selling his stocks when people are bidding frantically for them at prices far above their intrinsic value — such an investor will pretty nearly hit the bull’s-eye.”
	+ “Again and again I am forced to the conclusion that in prosperous times a man must be cautious and preserve his capital and be careful not to over-expand his business or to go too deeply in debt relying on a continuation of good business to pay the debt. In time of depression a man can be brave and if the depression is nearing an end he can invest his money or expand his business or open a new business with confidence that he is facing 5 or 10 years of prosperity… Many great prosperous businesses were founded on the ruins of depression.”
	+ “Money should be invested not locally but on a national scale if possible, including stocks and bonds in companies located in other communities and operating nationally. Many wealthy families in Youngstown grew rich on only local industries and banks but they are pretty well cleaned out now.”
	+ “Each day brings new and interesting stories of great fortunes wiped out in the past year… The stories run without end. It all comes to the same point. Every investor should at all times have a reasonable portion of his holdings in liquid securities that can’t shrink much.”
	+ “It is my conclusion that the successful investor must cultivate the habit of “patience.”… I suppose the real investor would then have the patience and courage to wait until normal times returned before selling. Patience to wait for the right moment—courage to buy or sell when that time arrives — and liquid capital — these are the 3 essentials as I see it now.”
	+ “Again and again during this depression it is driven home to me that opportunity is a stern goddess who passes up those who are unprepared with liquid capital.”
	+ “This seems to be the sound rule for obtaining wealth but it requires patience which few possess:
		1. Live on less than you earn — save at least 10%.
		2. Invest, don’t speculate so that none of the principal is lost. Re-invest the earnings.
		3. Never sell a good stock unless the price is above its intrinsic value (as in 1929).”
	+ “It is said that George F. Baker, the New York Banker, will always buy sound common stocks when they are being offered below intrinsic value and then he will never sell them except for very good reasons. He looks for his profit in the growth of the company rather than in the speculative increase of the market quotation.”
	+ “I just finished reading a book called *Mellon’s Millions*. In all their business ventures they conservatively built up huge cash surpluses during time of prosperity. When a panic came they were able to absorb competitors for a song. During prosperous days their corporations advanced steadily but during depression they advanced by leaps and bounds.”
	+ “Just finished reading a book entitled *Our Mysterious Panics* by Colman. He gives brief history of every panic from 1819 to 1929. Comes to conclusion that every panic is brought on by human greed and speculation instead of by complex economic cycles.”
	+ “None of these people seem to know the first principles of investment — how to gauge the value of a stock or how to look for accurate information. They buy and sell on tips and since the market has been rising since 1932 they are coming out ahead. They lay nothing aside in bonds. I wonder how many of them will be able to get out at the right time.”
	+ “Floyd Odlum and the building up of his Atlas Investment Trust. Started with $40,000 in 1924 — ran it up to a million in 1929. Sold out for cash and held on to cash until bottom of depression was reached in 1932. With his cash he bought heavily in “special situations.” Mostly in investment trusts hard up for cash. Stocks in these trusts were selling at less than 50% of the asset values… Assets of the Atlas Corporation are now over $100,000,000 and they have literally become private bankers.”
	+ ” It is funny how when the stock market is rising every piece of news is regarded optimistically and bad news is ignored.”
	+ “This depression has indelibly impressed on my mind one thing — and that is the value of having on hand sufficient capital to cover emergencies. In the investment field it means the difference between success or failure to have enough capital to buy bargains when they are available or to hold on to investments thru thick and thin and not be forced to sell at a loss. My experience as a lawyer shows that a large proportion of business failures are caused by lack of capital rather than by lack of technical business knowledge. Even in domestic life there can be no happiness without sufficient surplus to cover emergencies such as illness or death.”
	+ “To build an estate it is necessary first of all to get money by saving it and secondly it is most important to invest these savings so that they will increase and work for you without losing the principal. Most people learn the first rule and succeed in saving various amounts out of their earnings but very few learn the second rule — how to invest it so it earns a profit and yet not lose the principal.”
	+ “Somewhere in between the ultra-conservative man who is afraid to take even a legitimate risk and the avaricious gambler who bets on anything — stands the ideal investor who has learned to make his money work for him. He accumulates money first by savings — then he carefully investigates and weighs a dozen investments before he finally selects one to put his money in. He is willing to take a legitimate risk but is not willing to gamble… If he invests in stocks or bonds he will not follow blind tips or rush into a seething market with thousands of suckers — but in the quiet of his office he will carefully examine the earnings records of the company, its future prospects. He will seek advice if necessary and then buy only if he thinks the price is fair and the prospects good. He will hold on for several years and share in the growth of the company and will sell only if the company loses ground or if a stock-crazy public offers him much more for his stock than its intrinsic value.”
	+ “As long as human nature is the same and people like to speculate, it is probable that in the future, economic booms and depressions will come and go as in the past.”
	+ “During the past depression prominent bankers, businessmen, etc. were all wrong in most of their predictions. Use your own judgment and do your own thinking.”
	+ “The more I see of the recent stock market slump the more I am impressed with the fact that the American people look upon the stock market as a place to gamble and not to invest. In times of rising market the average American becomes over-optimistic: he invests his whole capital in common stocks of the most speculative variety; often extends himself on margin. Then when a slump comes he finds himself over-extended; no cash reserve to fall back upon; he becomes unduly pessimistic and sells at a loss.”
	+ “The average man who buys real estate for investment makes a careful study of the property, the location, the income, etc. and hires a lawyer to examine the title… That same man when he buys stocks either will not investigate because he does not know how or because he is lazy. He bets his money as in a horse race and does not feel his venture a success unless his money is doubled in a very short time. If the patience and care used in a real estate investment were used in making a stock investment, there would be much greater chance of success.”
	+ “It is hard to always judge the exact place in a cycle but it is fairly easy to know whether we are in a period of great prosperity and speculation or in a period of blackness and despair. It is most difficult to know when the turn comes. It is best not to wait for the turn but to follow the simple theory of buying when a security is selling below value and to sell when above value.”
	+ “The beginning of a stock market movement usually is caused by the trend of business but in the end the movement is carried too high or too low — by the extreme optimism or despair of human nature.”
	+ “A major risk should not be taken for a minor profit.”
	+ “The investor must organize all the material around him so he can use it in a simple way. He must disregard the non-essential. He must discipline himself and realize that the investment of surplus funds is all-important and requires work and diligence.”
	+ “Both 1932 and 1938 indicate there is no sure way to catch the bottom of the swing because it comes without warning. When liquidation has dried up and the situation looks hopeless—that is the turn. Your guess is as good as anybody’s.”
	+ “It becomes increasingly clear that nobody can predict the future behavior of the stock market. One day the results of the election upset it and the next day it booms because of some chance happening.”
	+ “Fools rush in to buy when the market is booming — the wise investor buys on darker days when he knows stocks are selling below value — and then holds on — confident that he cannot lose his principal and that sooner or later the market will come back and raise prices above their intrinsic value. To do this an investor must have liquid capital, courage and above all patience and ability to hold on and wait.”
	+ “A stock broker after 40 years experience said to me today: “The only people I know who ever made money in the stock market are those who bought for cash and owned the stocks outright. I do not recall a single margin trader who did not lose sooner or later.””
	+ “One thing is clear. Every speculator gets washed out sooner or later.”