★ *chapter one* ★

The Great Bear of Wall Street

Chaos is come again. Shakespeare, *Othello*

Early on the morning of Tuesday, October 29th, the canyons of Wall Street were thronged with thousands of excited thrill-seekers who had come to witness the anticipated carnage. Policemen on horseback and detectives in uniform attempted to keep the mob clear of the entrance to the New York Stock Exchange, but it was no use; every time they succeeded in opening a pathway, the jostling crowd immediately closed ranks again.

Inside, on the floor of the exchange, one could actually feel the tension and fear in the air as the hands of the clock crawled toward 10:00 and the opening gong. Less than a week earlier on Black Thursday, the stock market had suffered the most disastrous decline in its history, and the staggering plunge of prices on the following Monday afternoon had only increased the prevailing sense of panic.

In broker's rooms across the country, investors visited nervously and coughed and shifted their feet as they stood and stared in hypnotic fascination at the silent stock ticker, the mechanical courier that would soon deliver, with cold indifference, a verdict of survival or—more likely—utter ruin.

William Klingaman, *1929: The Year of the Great Crash*

ON THAT SAME MORNING, AT EXACTLY 7:20, NOT 7:19 OR 7:21, Jesse Livermore stood at the massive entrance to his 29-room mansion in King's Point, Long Island, waiting to see the flying-maiden hood ornament on his black Rolls-Royce. The chauffeur knew the drill, he had to enter the driveway at seven twenty. Jesse Livermore was a precise man.

A light gray fog wafted in from Long Island Sound. It accentuated the cold air, the change of seasons, and added an ominous feel to the air. As usual, the car rolled down the long circular drive at precisely 7:20 and stopped in front of Livermore. He nodded silently to the chauffeur, opened his own door, and slipped into the back seat, the newspapers folded under his arm. He placed them on the leather seats as he did every morning: the *New York Times,* the *London Times,* the *Wall Street Journal.* He glanced at the headlines again; they were basically all the same—"Stock Markets Plummet Throughout the World."

As the car made its way down the driveway, Livermore clicked on his reading lamp and pulled the side-window curtains closed. He wanted to study the newspapers in dark silence. There were no surprises in these newspapers for him. In fact, he had been waiting for these very headlines for almost a year now. He had planned carefully for this day, and he had been patient.

When the car crossed into Manhattan, the driver did not drop the window between them. Instead, he used the microphone. "Mr. Livermore, we've passed into Manhattan. You asked me to tell you."

Livermore pushed open the thick black curtain and let the light of the sun stream into the darkness of the back of the limo. He thought about telling the chauffeur to drive down to Wall Street so he could see, could feel, the atmosphere in the Wall Street canyons.

But that might somehow affect the way he played it from here on out, affect his emotions, his objectivity. Was this the bottom? Was it just a pause in a steep decline? Would confidence in the market return and stop the free fall? Should he cover his short positions? His fortune would rest on the answers to these questions, and he had long ago realized that it was what people actually did in the stock market that counted—not what they said they were going to do.

Some people might want to see the human chaos, feel the desperate financial pandemonium that occurred when the fear-devil rose up and conquered the greed-god that had appeared so strong and indestructible—but not Livermore; he wanted to stay untouched by these human reactions. He would be able to see everything clearly soon enough. He would listen to the quiet clicking verdict of the stock tickers in his office suite when the market opened for trading.

He slid the black curtain back across the window and began to study the newspapers again in the darkness. He spoke without looking up. "Harry, we'll go straight to the office."

Before the automated traffic-light system was installed, a New York City police officer would sit in a booth and operate the lights. When the Livermore limousine approached, this officer would make sure the light was green so Livermore would have no interruptions on his journey from King's Point to his office in Manhattan.

Once a week, Harry the chauffeur would retrace the route, stopping at each traffic-light booth. There he would pass out a cash gratuity to the police officer in charge for the officer's kind consideration in making sure the financier always had a green light when he passed. Livermore was a person who demanded precision.

Livermore exited his car at 730 Fifth Avenue, the Hecksher

Building. He stepped into the private express elevator that stopped on the eighteenth floor, the penthouse. Livermore demanded a straight shot to his office. He chose not to speak with anyone, if he could avoid it.

There was no name on the door of Livermore's office suite. He opened it with his key and entered the small waiting room, an anteroom where Harry Edgar Dache sat during office hours. It was difficult to get past Dache, who stood 6 foot 6, weighed 275 pounds, and was considered by the press to be pug-ugly as well as not very friendly.

At this hour, however, the office suite was empty. Livermore was always first. He opened the second door with a special key kept in a safe. Only he and Dache had the combination. Dache even supervised the cleaning people when they cleaned Livermore's offices. Many considered them the most palatial in New York City, with hand-carved arches, custom bookshelves, and walls paneled in beautiful mahogany and carved oak. Livermore had first seen this paneling in the library of an old English manor house. He had paid to have the paneling dismantled and shipped to New York, where it was reassembled in his offices.

The office suite itself consisted of an anteroom; the trading room with its green chalkboard that covered the entire wall, along with the walkway for the board men; the conference room; and finally Livermore's huge private office. The chalkboard was visible from all the rooms.

Livermore usually employed a staff of seven, six board men plus Dache. The primary job of his employees was to post stock quotes on the green chalkboards that stretched the length of the office area. Dache oversaw all activities in the office and did whatever else he was asked. The board men were sworn to secrecy and paid well. The rule in the offices was no talking during market hours. Livermore wanted no distractions while the market was open. The quotes had to be posted immediately and accurately; millions were riding.

There were several ticker-tape machines in each room. The snaking tape was like the blood that flowed through his veins. It was life itself. He was never out of arm's reach of a stock ticker. There were tickers in the main rooms of all his homes: Lake Placid, Long Island, the Manhattan apartment, the suite of rooms in the Breakers Hotel in Palm Beach, even on his 300-foot yacht.

Livermore read the numerous *New York Times* articles that he had saved from the recent editions. All the papers blamed him for the calamitous crash, personally blamed him for initiating the decline—the precipitous free fall which now seemed to have no bottom. But he believed that business—in his case, the stock market—was like war. In war, you died if you made a mistake; in the stock market, if you made a mistake, you could go broke very fast. One could die, financially, in a heartbeat.

Livermore was a serious person, and on this day he planned to do some serious business. He was impeccably dressed, as he was every day, in a handmade suit from Saville Row in London. His shirts were the latest style, made of the finest Egyptian cotton, monogrammed on the cuff. His suit hung perfectly from his slim frame, his silk tie subtly striped to blend in with it. His blond hair was combed back, parted on the left side. He used pince-nez glasses, which were perched on his nose. He wore a vest with a gold chain that spanned the pockets. On one end of the chain hung a thin gold pencil, on the other, a small golden penknife. He often fidgeted with the pen or the knife, spinning one or the other, while he was talking.

He was the most famous bear on Wall Street, a trader who was as likely to sell short as to buy long. He didn't care; he knew that stocks went down as often as they went up—but when they declined, they did it twice as fast as when they went up, and that was what was going on today.

He had a line out at the present time of over a million shares, well over $100 million. It had been placed months ago, slowly, secretly, and silently, using more than 100 stockbrokers, so nobody could tell what he was doing. He was short the market—he had sold stock that he would later supply, at a much lower price. He was living up to his reputation as the Great Bear of Wall Street.

Today, he was like a lone wolf stalking the arctic tundra, looking for prey—and looking out for other predators that might kill him. There were plenty of Wall Street players he knew who could do just that—end his financial life with one deadly, hammering blow.

He picked up one of the *New York Times* articles he had saved from October 20, and read the headline: "Stocks Driven Down in Wave of Selling." He was careful not to gloat. There was no one who knew better than Livermore how fast things could change in the stock market. He read on:

> In the two hours in which trading was limited on the New York Stock Exchange active issues passed through one of the wildest breaks in history. Final quotations revealed net losses ranging from 5 to 20 points and the aggregate depreciation in open market values was estimated at $1,000,000,000 (one billion) or more.
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> The total turnover was 3,488,100 shares which represented the second heaviest volume for a Saturday since the Stock Exchange was established. During the first half hour trading took place at a rate of more than 8,500,000 shares for a full five-hour day. The stock market community did not know until an hour and twenty-three minutes after the 12 o'clock closing gong what the final prices were, so late was the overburdened ticker.

PIVOTAL STOCKS HIT

One of the stories which gained wide circulation wherever stock market tickers clicked yesterday was that Jesse L. Livermore, formerly one of the country's biggest speculators, is the leader of the bear clique that has been hammering away at the market for weeks, and that the particular weakness which developed in high priced and pivotal stocks was to be attributed, in part at least, to his activities.

Arthur W. Cutten of Chicago, the recognized leader of the bull party, watched the ticker from his hotel in Atlantic City yesterday and told close friends that nothing has developed to change his opinion about the market—that good stocks would eventually sell higher.

Reports of a struggle between Livermore and Cutten for stock market supremacy, which have circulated widely in Wall Street for the last three or four days, were discredited. Livermore is presumed to be heavily short of leading stocks and Cutten heavily long of the same group of issues. The ascendency of Livermore to the position he once held as the country's leading market operator on the bear side, after several years of eclipse, is one of the most interesting developments in the market.

The short selling which it was generally agreed was the principal factor in today's decline, served to induce further liquidation of stocks and the cumulative effect was reflected in a demoralized market in certain issues. It was plain that the market was receiving no organized support. Stocks which ordinarily have powerful backing were allowed to shift for themselves.

With stocks driving higher during the last few months following each downward reaction, the situation was ready made for Livermore. The Street stories are that he went short of a large line of issues such as: United States Steel, Montgomery Ward, Simmons Co., General Electric, American and Foreign Power and half a dozen other of the market's pivotal issues. He then initiated his familiar hammering tactics under which the market first faltered, then broke.

Cutten, the Fishers, Durant and others of the group known in Wall Street as the "Big Ten" were large holders of these particular stocks and have seen their plans and pools wrecked by what were natural economic developments, coupled with much shrewd short selling.

One of the tales started and circulated in the financial district yesterday, was that Livermore had the backing in a bear campaign of Walter P. Chrysler, who was said to be piqued because he suspected that the Chicago-Detroit group had hammered at Chrysler motors in the market, driving it down below 55 from its high of 135 this year.

The outstanding bear leader appears to be Livermore, who has regained a tremendous fortune through adroit short selling and who, temporarily at least, is regarded as being exactly "right" on this market. Cutten, who started as a grain trader, has amassed an estimated $100 million or more in the stock market during the last three years of bull markets. Cutten is the leader of the bull faction and is temporarily at least regarded as "wrong" on the market.

Mr. Cutten was in New York and watched the market from the office of the head of the stock exchange. His expressed opinion to friends is that much of the selling had been hysterical, and that he believes good stocks should be held for higher prices. He has not changed his formerly stated position about the long distance outlook. Neither has he made any statement about the market for publication. Naturally they have nothing to say about their market positions at the moment or what they have been doing in recent days.

The *Times* article had more to tell:

Jesse L. Livermore, who has been in eclipse, so far as stock market operations are concerned, for several years, has made a smashing comeback, if Wall Street reports are true. The comeback of Mr. Livermore as one of the foremost market players is another Wall Street wonder. As a boy he was a board marker in Boston brokerage houses where he developed such skill at tape reading that, despite limited capital he was barred from every bucket shop in Boston and New York. This gave him the nickname that has stuck to him through later years of the "Boy Plunger."

Coming to New York and playing the markets skilfully after long series of ups and downs he struck an extended winning streak and made a fortune of many millions. It is reported that in the current bull market he decided that stocks were too high and guessed wrong. The continued advances of such issues as General Motors, Steel, General Electric and others is said to have taken back a large part of his fortune. He was short of them all and covered time and time again. It was reported in the financial district that he was down to his large irrevocable annuities, of which he has several for himself and his family, acquired during years of earlier prosperity.

Arthur Cutten, Livermore's rival, might be mistaken for a country storekeeper. He cares nothing for conventions, appearances or customs. Shy, quiet and unassuming, he has many times sat back in the corner of a Pullman smoking room and heard casual travelers discussing his stock market

> feats without disclosing his identity. When not attending to his businesses, he is a gentleman farmer on his estate near Chicago.
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> On the other hand, Livermore is the fastidious, well-dressed man of the city. Slight and blond, and he wears his dark clothes well, rides in Rolls-Royce cars, maintains a retinue of servants, half a dozen places of residence and probably the most luxurious offices in New York located atop the Hecksher Building.
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> Temperamentally, the two are entirely unlike. Cutten is calm, slow of speech and not at all impetuous. Livermore is quick, nervous and excitable, given to superstitions, but willing to bet his last nickel if he thinks he is right. Livermore has been down not once, but half a dozen times. Cutten at least in the last years, has typified the bull market.
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> The markets of the next month or so are likely to prove wildly exciting affairs, because of the direct pull and haul against each other of a wide variety of economic factors, all of them powerful. It is now pretty certain that when stocks go up, Mr. Cutten will be there helping them along. It is equally certain that when they decline, Mr. Livermore will be in the market hammering away. There is however no personal battle between them.

"Humph, it's never personal!" uttered Livermore, as he finished the article and placed it on his desk. He and Cutten had often been trading adversaries for years now, ever since they had been young men buying and selling commodities in the Chicago grain pits.

The phone rang, and Livermore signaled to his assistant Dache, who had just arrived, that he would answer.

"Hello."

"This Jesse Livermore?"

"Speaking."

"You bastard, Livermore. This is your doing and you are going to pay. I'm broke thanks to you. No, I'm more than broke. I owe my broker thousands of dollars of margin money, but I still got my gun. I'm headed down there to blow your brains out. Next time you answer your door I'll be standing there and the next thing you know you'll be walking through the gates of hell, which is where you deserve to be you . . ."

Livermore slammed the phone down. It all sprang from these articles, picked up by every paper in the United States, blaming him for the crash. But it wasn't him. He wasn't that powerful; no one was, not even the men from the great House of Morgan. But that wouldn't stop the public from thinking he had triggered the crash and was driving it down by selling, selling, selling. He had called the *Times* and given them an interview explaining that he was not to blame, but it had not worked. No matter what, it seemed people wanted to blame him, maybe just so they could have someone to call on the phone and threaten. He reread the headline of the interview he had given that appeared in the October 22, 1929 edition of the *Times:* "Livermore Not in Bear Pool." He read on:

> Jesse L. Livermore, who has been widely reported in Wall Street to have been heavily short of the market on the present break, and to be the leader of a bear pool, denied yesterday any connection with such a pool.
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> Mr. Livermore's statement, issued from his offices at 730 Fifth Avenue, follows:
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> "In connection with the various reports, which have been industriously spread during the last few days through the newspapers and various brokerage houses, to the effect that a large bear pool has been formed, headed by myself and

financed by various well known capitalists; I wish to state that there is no truth whatever in any such rumors as far as I'm concerned, and I know of no such combination having been formed by others.

"What little business I do in the stock market has only been as an individual and will continue to be done on such a basis.

"It is very foolish to think that any individual or combination of individuals could artificially bring about a decline in the stock market in a country so large and so prosperous as the United States. What has happened during the last few weeks is the inevitable result of a long period of continuous, rank manipulation of many stock issues causing their prices to rise many times above their actual worth, based on real earnings and yield returns.

"The men who are responsible for bringing about these fictitious prices are the same men who are directly responsible for what is happening in the stock market today. It is unfortunate for the general public when such a condition arises that real sound investment issues have to suffer along with the readjustment of issues of least merit.

"If anyone will take the trouble to analyze the selling prices of different stocks, as for instance, United States Steel, which is selling around eight to ten times its current earnings, many other issues must look, and have looked for a long time, as selling at ridiculously high prices.

"The Federal Reserve Board through its various warnings and many expressions from very high banking authorities could not stop the market from going up, so it must be plain and seem utterly ridiculous for any sane person to presume that one lone individual could have any material effect on the course of the prices of securities."

"Fools," Livermore mumbled on finishing the interview. "Fools, to think I could have brought an entire market to its knees. Impossible!"

Perhaps he was part of the trigger mechanism, but it was a pregnant situation. Wild speculation always brought the market to its knees. He had been trading for 35 years, since he was 14 years old. He had made and lost millions of dollars. In 1929, he was at the height of his power, and he knew this was another moment of euphoria.

Livermore pondered the situation carefully. The threatening phone calls had shaken him. He was well aware of the deep psychological wounds that a loss in financial fortune could cause. He had been through it himself many times in his career. He would have to make another statement, and quickly—his family could also be in jeopardy. They had been threatened before.

He waited quietly by the stock ticker that sat on top of his massive desk. The mahogany desk was clean except for the brass-based ticker, a single pad of paper, a pencil, and a matching pair of mahogany in- and out-boxes.

By now, the office was fully staffed. Six markers were up on the boards, wearing alpaca jackets so they would not smear the chalk symbols. Each board marker wore earphones and had a mouthpiece. They were connected directly to the floor of the New York Stock Exchange. Each had a domain of stocks or commodities to administer. The ticker began to click, spitting out a strip of paper like a white snakeskin with perforated scales—the symbols of most of the companies in the United States. These stock symbols represented much of the wealth of the country.

For Livermore, reading the ticker tape was like reading the newspaper. He knew all the symbols by heart, and he had an exceptional mathematical brain that could remember all the quotes, just as a good bridge player can remember all the cards that have been played. To be doubly sure, he watched his board crew as the markers began to move under Dache's supervision, filling the length of the chalkboard with trades. Today, he paid particular attention to his stock holdings. Livermore could look up at the board and instantly calculate to the dollar where his overall portfolio stood. There was silence in the office aside from the sounds of the tickers and the chalk on the boards. There was always silence in the Livermore trading room when the market was open. There was no need for idle chatter when the market was open, and all the board men knew it.

Today Livermore's total profits plus equity were pushing $100 million. This did not change his expression. The main office phone rang again. He motioned for Dache not to answer the call. He did not want to be bothered by another threatening call now that the market was open. The calls broke his concentration; he had nothing to say to anyone, and he did not want to hear from anyone. With the market open he was like a wolf on the prowl. He could only concentrate on what he was doing. Every 1 percent move, up or down, in his portfolio meant he made or lost $1 million.

The slightest loss of attention could cost him millions of dollars. It was exactly the way he loved to trade—every fiber of his being was alive. Nothing else existed but the tape. The tape would tell him everything if he was smart enough to read it, find the hidden clues, and act on them. He was fighting the two great emotions of the stock market: fear and greed. He had a huge bet on the table.

That night he went home to King's Point and found his wife, Dorothy, and two sons, Paul and Jesse Jr., gone. The paintings had been taken down, some of the Persian rugs were gone, and the silver had disappeared. He went up to the safe on the second floor where Dorothy kept her jewels—a fabulous collection, mostly from Harry Winston and Van Cleef and Arpels. All gone.

He went into the kitchen and found the four cooks and two butlers working, preparing dinner for the family.

"Where are Mrs. Livermore and the boys?" he asked.

"They have moved into the chauffeurs' apartments sir," the main butler answered. "We have all heard about the great crash. We are very sorry, Mr. Livermore."

Livermore stared at them for a few seconds, expressionless, and walked to the apartments above the car stables. There were two chauffeurs, one for Dorothy, or "Mousie," as he called her, and one for himself, or "J.L.," as he liked to be called. The car stables were attached to the great stone mansion. He walked into the living room of the apartment, stepping over the rolled-up carpets and around the priceless works of art and antique furniture. Dorothy sat on the couch with the two boys. They were fully dressed in their best clothes.

"Mousie, what's going on? What are you doing?"

"We heard. I'm very sorry, J.L.," she replied.

"What are you talking about?"

"We heard that everybody has gone broke in the crash. It has been on the radio all day. Men jumping out of windows, shooting themselves in their offices, disappearing. Some of my girlfriends called. I'm so sorry, J.L."

He looked at her. Long seconds passed. She was beautiful sitting there with the two handsome boys, one on each side, her jewelry in a special leather case next to her.

She was his opposite: effusive, full of life, funny, instinctive. A true social animal who was at her best in the middle of a crowd of people. She would blurt out whatever was on her mind. She was a great natural comedian, and the best part was that she did not make jokes on purpose. In fact, she was often confused as to why people were laughing.

He looked down at the jewelry case. He had gone to her several times in his worst moments, his worst defeats in the market. He had taken that case to Harry Winston more than once when he was broke and needed a stake. The jewels, worth close to $4 million, were always good for a million in cash from Harry, a stake to start up again. When he went back to retrieve the jewels, after he was on his feet, he always took care of Harry with a wad of cash.

"Mousie, you and the boys come back to the main house for dinner. Bring the jewelry case."

"Oh, J.L., you need them again?"

"No. Today was the best day I ever had in the market. I closed out half my holdings. We're going to be fine. I certainly won't be needing those jewels. Now, you and the boys come along."

He turned and walked out, a smile on his face. What a day. She never failed to surprise him, to make him smile. They were having personal problems, mostly his fault due to the other women. Nevertheless, he hoped they would make it. He knew that if they divorced he would miss her very much. His eyes misted as he thought of their love. Then he shook his head to rid himself of those thoughts. He would enjoy her and the boys while they were still with him. Who knew what the future held?

The threatening phone calls stayed with him; more came in as the days passed. He needed to ward off these threats. He rang up the *New York Times* again, a newspaper that was always ready to quote the secretive Jesse Livermore. The headline of the November 13 edition read: "Livermore Now a Bull: Announces That Stocks Are Too Far Down and Some Are Sound Bargains." He read on:

> Jesse L. Livermore, who for many weeks past has been enlisted on the bear side of the market and is credited with having sold-short more stocks in this plummeting market

> than any other single individual, announced to the *New York Times* last night his conviction that the leading stocks had been driven down too far. Although Mr. Livermore made no statement as to his own positions his statement left the presumption that he has covered his shorts and again is on the buying side of the market.
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> "Leading stocks with good dividend records and a certain future are on the bargain counter right now," declared Mr. Livermore. "Many of them have been driven down too far. People throughout the country have become panic stricken and have thrown their sound securities over without regard to values. To my mind this situation should go no further. There is no reason why first-class securities should be ruthlessly thrown into the market in such fashion as we have seen in the last few trading days.
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> We have seen within the last few days large blocks of these securities thrown on the open market by sellers, many of whom had no other reason than they had been gripped by fear."

But the calls kept coming anyway: "Livermore, you dirty liar. I know how smart you are. You say you are on the positive side of the market while you beat the prices down into oblivion. I'm coming for you. I hope you never get another good night's sleep, you miserable bastard."

And coming: "I'm coming for you. What do I have to lose? I lost everything in the market, thanks to you and your rotten friends. You think you can crush the little man, destroy my family and me with your illegal operation. You are a dead man, you just don't know it. My family suffered, now your family is going to suffer!"

And coming: "I lost my house today Mr. Livermore, what do you think about that? My house that I spent 23 years paying off.

They evicted me today. I'm out on the street like a bum, with my wife and four kids. You did it, and you're going to pay for it."

Nonstop the threats poured in over the phone, in letters, even in hand-delivered telegrams.

By December 21, 1929, Jesse Livermore had had enough. He hired his old friend Frank Gorman, a former Nassau County police officer, as a precaution. Gorman and Livermore were old friends by 1929. Livermore had used him several times in the past when things had gotten hairy. The last time, he had employed Gorman to protect him from "Boston Billy" Monaghan a notorious thief who had robbed Livermore's mansion, been caught, and sworn revenge.

Gorman immediately moved into the King's Point mansion. He accompanied the boys to school every day and became Dorothy's shadow.

Livermore maintained his routine, going in to the office every day and watching the tape, making his moves. One afternoon, Livermore walked to the window and pulled open the drapes. The view took in the bustling metropolis that was New York City in the early days of 1930. As the ticker tape slid unattended between his fingers, carrying its endless quotations—all negative, like casualty lists from a battlefield—he looked out.

He wondered how his life had come to this point. And he wondered why he was not happier. After all, these had been the days of his greatest financial success.