

# The Ambachtsheer Letter

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## THINKING THE UNTHINKABLE: RISK IN THE 21<sup>ST</sup> CENTURY

### Summer, 1929

*“By the summer, stock prices had soared far above the stormy levels of the preceding winter.....All the old markers by which the price of a promising common stock could be measured had long since been passed.....People were comforted by the fact that every previous crash had been followed by a recovery, which would then bring prices to a new high point.....This was a new era, with prosperity coming into full and perfect flower.”*

### Fall, 1929

*“In two months, stock prices had been cut in half. The grocer, the window cleaner, the seamstress had lost their capital. Investors who had dreamed of retiring on their fortunes found themselves once more at the beginning of a long road to riches..... The shock of the panic began to beset the body economic.....The Big Bull Market was more than the climax of a long business cycle. It was a climax in mass thinking and emotion. There was hardly a man or woman in the country who was not affected by this brutal shattering of optimism and hope....”*

### Summer, 1931

*“As 1931 drags along, there are no signs of a business recovery....The mists of distance are softening the outlines of the 1920s, when the radio was a thrilling novelty, when transatlantic flyers became gods overnight, and when common stocks were to bring us all to a lavish utopia...And what of the 1930s? It will not be a repetition of the 1920s. The stream of time often doubles its course, but*

The quotes above come from “Only Yesterday” written by F. L. Allen (Harper & Row, 1931). Allen writes about the bubbly post-WWI era of prosperity shortly after it was clear that it had ended, and that an ominous new era had begun. We focus on Allen’s recollections about the pre-Crash summer and the post-Crash autumn of 1929, and on his reflections about these events two years later as he wrote his book