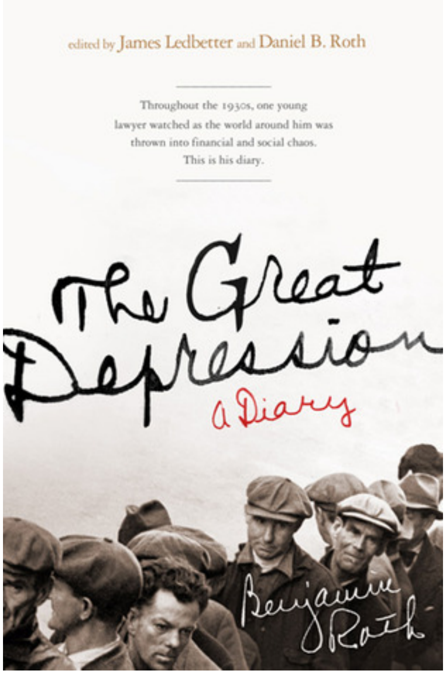

The Great Depression: A Diary

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Book by Roth, Benjamin

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From Reader Review The Great Depression: A Diary for online ebook

Iliya Polihronov says

This book not only brings you into the world of the Great Depression, it is also a real-world testament and reminder to some widely known but often forgotten truths: you can't time the market top, you can't pick the market bottom, most predictions are wrong, buying stocks on leverage is not a great idea, you will lose money if you speculate, having cash around waiting for great opportunities is probably not a bad idea, and anything can happen so you should be prepared [for the downside].

Karl Nordenstorm says

Reading historical diaries is important for internalizing how uncertain reality is. Read and internalize this! It is likely that a new depression or at least 2008 will happen in your lifetime so be prepared for the randomness such events entail.

Reading this book Benjamin Roth quickly earns your respect as a level headed observer. None the less - time after time he gets things wrong. For some time he thought the depression would only last for a year or two. Time after time he finds a great investment, that he would buy if only he had cash - and then its value plummets. Everything dropped in value for a year: so it looked like a great opportunity for buying, but next year they dropped by 60% and so on.

A paraphrase-quote "the stock market has made 8 fake starts upwards, and then reached new lows." Think about it - how could anyone know when to buy the super cheap assets. If you could just ride out the depression, you would make a 400% profit, but stuff seemed so random, and there was a feasible risk of revolution.

Some random new perspectives I got from the book:
* Japan attacked China in 1931 - likely because they thought the west was occupied by the depression, so it was a good time to attack. In 1932 he guessed the US might get involved. Odd?
* France seemed unaffected by the depression, it even appeared to gain. It really looked as if France would be the dominant power in Europe.
* During the depression countries all over the world dropped the gold standard - the practice of letting people exchange the national currency for gold, which was the ultimate reason you could trust paper money. Roth and others initially thought this basically meant nations had basically lost control and their currencies could soon be worthless.
* Cash was a great asset after 1929. By 1932 everything had become 50% cheaper.
* In depressions stupid spending stops. Ross says it became poor taste to own a fancy car, or having expensive parties. People learned to enjoy home, family and simple pleasures. I like what depression does to a culture. I sort of (but not really) want humanity to live through a permanent depression - with Soviet style science projects.
* In 1920 lawyers, doctors and others did not save. Instead they bought stupid stuff like fancy clothes - just like people do today. No matter how rich humanity becomes most people can find the stupidity to buy a shirt expensive enough to make him poor.
* A funny fact from this book is that Roth tells you he, his parents, and grand parents all used to think real

estate was the best long term investment. That erroneous idea goes back so, so far.

The most important thing I internalized from reading this book is that the depression just went on and on and on with several false recoveries. If you invested 100% of your money when prices had fallen by 60% you would not get your money back for about a decade. Unless you sold at the exact right time during a false recovery. The entire decade from 1929 to 1939 makes no sense, although people can spin persuasive stories about them.

This insight (which I probably had intellectually, but not on a gut level) makes me reevaluate my investment plan for a possible crash. I want to prosper during a disastrous decade, and to come out rich on the other side. Some ideas of how to do this:
* Always own three years expenses worth in cash. In my case 20 000 dollars.
* In case of 50% drop in prices invest 40% of my money except the 20 000 buffer.
* In case of 90% drop from pre-crash-level invest an additional 30%
* The numbers do not add up - but that does not matter. A depression can be long. We have one on record that lasted a decade, so a two decade one is plausible. Extra investable funds makes sense.
* Invest diversely. Stock, many currencies including Bitcoin, bonds, it is ok to buy a home that I am willing to spend a long time in, but only if the cash payment of the home would cost less than 40% of my funds.

In years where I guess the market is not overpriced, as measured by Price-earnings ratios, I hold 40% stock, 50% conservative assets and cash, 5 % weird stuff like Bitcoin, that have unlimited potential payoff. In the incalculable chance that Bitcoin becomes a widely used currency its value could increase million fold - meaning that not owning at least a little bit is stupid. Makes sense owning some good lottery tickets. But only letting them be less than 10% of your assets.

Eric Reidsma says

I was disappointed that it didn’t include more stories of life during the depression. A repetitive diary account of the status of the stock market. The investment hindsight to buy low and sell high was not insightful, but after reading this book I was motivated to increase my cash reserves.

Jennifer says

I suspect there are few people who will love this book as much as I did. It is essentially a financial affairs diary kept by an attorney living in Youngstown, Ohio during the Great Depression. As an attorney with a thirsty interest in investment theory and an indecent obsession with all things Great Depression, this book was really right up my alley.

What made this book remarkable was the author's uncanny insight into investment theory. Over the course of a single decade -- the 1930's -- he singlehandedly developed the same theories it has taken professional financial analysts and economists decades to figure out. Quite simply, he *learned* from his (and his clients') experience of living through the great depression and determined the most advantageous ways to invest through high highs and low lows of the economic cycle. I was fascinated to watch his really very simple theories unfold as he observed and evaluated what was happening around him. His bits of wisdom included:

1) People grow their wealth by buying assets when they are CHEAP, not soaring.
2) Therefore, everyone should keep 40-50% of their assets *liquid* (meaning in investment grade bonds or treasuries) and the rest of their wealth in high-quality stocks (for us, think index funds, like S&P 500 index).
3) By keeping some assets liquid, you put yourself in a position that allows you to buy stocks when they are cheap.
4) Stocks will always crash. When stocks crash, bonds soar. When stocks crash, sell some bonds and buy stocks, then hold onto them no matter what.
5) Likewise, when stocks are soaring, bonds are usually dirt cheap. Therefore, when the stock market is setting record highs you should be buying more bonds and fewer stocks. This way, you are always buying assets when they are on sale. This is key.

The author repeatedly lamented that in 1929 people who were invested in the stock market were 100% invested in the stock market -- no one held cash or bonds. Therefore, when the market crashed they lost EVERYTHING. If people had held bonds/cash during the time of the crash, they could have had cash available to buy stocks when they were dirt cheap. The author mentioned a few people he spoke with who did exactly this and basically never had to work again. But it takes enormous patience, levelheadedness, and discipline.

The author also struggled with how to "time" the market. How do we know when it is going to turn? When to buy stocks vs. bonds? Today we know that this problem can be elegantly solved by sticking to a decided and set asset allocation (for instance, "own your age in bonds". If you're 40 years old, own 40% bonds, etc). So, say you own 60% stocks and 40% bonds. The stock market crashes. Stocks go down and bonds go up. Now your portfolio is 60% bonds and 40% stocks. Excellent! Stocks are on sale! Time to rebalance your portfolio by selling bonds and buying stocks so that you reach your 60% stock / 40% bond allocation again. And voila! -- you just bought stocks on sale merely by rebalancing your portfolio. We now know that if you do this rebalancing quarterly, you will do very well indeed. I only wish I could have given the author this missing piece of his puzzle. He had literally everything else figured out on his own.

A fabulous read.

Rita says

The majority of the book is repetitive!!!!!! Its more about the stock market and the numbers rather then people and stories. He gives his opinion and insight into the why's and his predictions often adding notes years later. I found the first 40% of the book informative, after that I read probably another 30% and then skimmed the rest when I found myself rereading the same lines that were written in the previous paragraph.

Bryce says

Who would have thought that cash was trash during a depression? Well it is if you can't get it out of the bank. People sold their passbook savings accounts for 60¢ on the dollar! Government bonds were the only useful form of liquid purchasing power. A fantastic account.

Cailean says

So torn about this book. It's such a wonderful concept, and it covers ten years of U.S./world events during the Great Depression. Because it was a man's recounting of what he observed and how he felt about economic events, there wasn't a lot of "meat" to the book. There wasn't much compelling me to finish it, but I did just to see if more of a personal narrative developed. He points out some very good ideas about how to stay above water during a financial crisis, for example always having some liquid assets available so you can use cash to buy whatever you need, rather than tying it up in the bank. I found especially interesting his observations about WWI and the impending WWII. What I didn't like were the distracting "editor's notes" butting in throughout, explaining things that we didn't really need explained. Perhaps that's why I felt it was too hard to connect to the author, as well. All in all, worth a read (and it only took me a day to read it) because of the unique premise.

Aly Mawji says

During the great depression, banks fearing a bank run held onto their deposits. So if you had money in the bank, you couldn't withdraw it! People were selling their bank pass books for 60 cents on the dollar in order to get their hands on cash. Real estate investors with hotels and other buildings tore down the structures; this is so that they could lower the assessed value and afford the property tax payments. Work for all types of people including lawyers dried up. Stocks took a beating and didn't recover for almost a decade. It was a brutal and hopeless time.

This book recounts the days, weeks and years that made up the depression from the perspective of a sole practitioner lawyer Benjamin Roth in the then prosperous town of Youngstown, Ohio, in the region where the burgeoning US steel industry was based. Roth's diary recounts the events of the day including stock prices of leading companies and the fate of local banks.

If you are a student of economic history or the stock market, this book is a fascinating read (or audio book listen).

Gennady says

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Christine says

I found this a fascinating read - mostly. There are entries that perhaps would have been better left out and they bordered on tedious. I find books about the Depression tend to fall into 2 categories: the black and white image of depressed poverty or the glories of the New Deal. This book is the life of one man. Just a guy who ponders what the heck is going on. I never tire of seeing the ways history repeats itself and Roth does a fine job of pointing that out.

Matthew says

Meh

Interesting initially, but quickly became repetitive. Still, probably worth a quick perusal for those interested in the depression. Very poor predictor of election outcomes. Hah.

Eiron Evans says

Shame the fourth diary for 1934 was missing.

Mahesh says

This classic book is a precious diary (starting in 1931) of a young lawyer, Benjamin Roth, from Youngstown, Ohio. His notes provide a vivid picture into the times of the great depression and the events leading into World War II. The interesting part is that if you were to erase the dates and just read the content of many of the entries in the diary you will be shocked to find out many of the same themes you encounter today. Even more surprising is Benjamin Roth's lament of people not learning from the past mistakes of the depression of 1893 or 1873. From political polarization to real estate speculation to Wall-Street's excesses to overbuilding, you will read through some common themes that have been a landmark of human folly throughout the modern era. The diary also provides great insight into the tough daily life in America during the depression years. Whats heartening to see is that Benjamin Roth, despite being a staunch Republican and a strong believer of market forces, went canvassing regularly in his town for parts of Franklin Roosevelt's New Deal, for the sake of the country. This book is a must read!

Leo Ostapiv says

Very good about 1/2 of the book, creates a unique frightening atmosphere.
Than repeats itself.
My full review (in Ukrainian) is here
https://simeinyi-budzhet.ua/investmen...

Justus says

It is hard to like a book like this. The flaws seem to vastly outnumber the good parts -- but that gives a somewhat skewed perspective. I didn't "like" this book but I'd still recommend others to read the first 100-150 pages or so, which is the heart of the depression. The remainder of the book is more about the years of the New Deal when things are okay (though not necessarily great) and the (Republican) author mostly complains about Roosevelt's policies. The most interesting parts were about the cavalcade of bank closures and the impacts that had on the communities. It is also surprisingly optimistic. No doubt a large part of that is because the author had a job (even if it didn't always pay well), was never foreclosed, etc. But there's little of the doom & gloom I usually associate with the Great Depression.

It is one man's diary -- with an exclusive focus on financial stuff -- over the course of a decade. It gets repetitive. It doesn't start until 1931 -- a full year and a half after the crash, so it misses some of the best part. It is also missing 1935 -- that part of the diary was lost -- which was when some of the biggest parts of the New Deal went into effect. Both of those are very unfortunate omissions.

It is curiously antiseptic. There's surprisingly little feeling conveyed of the pain of the depression. The author will occasionally mention statistics -- how 30,000 people in his hometown are on government assistance -- but it never really has much feeling behind it. The few emotions that come through often feel a bit selfish -- about how "the professional man" (i.e. him) is being left behind while laborers and farmers are being helped.

It is quite repetitive. Lots of "I wish I had some spare cash because I could make a killing by investing now". Lots of "my business isn't going well". It is surprisingly lacking any insight into the author's personal or family situation other than the generic complaints about his business not going well. For instance, I don't think his wife is mentioned a single time. How did they manage to survive all those years if his business was so poor? With all those bank closures, did it ever affect any of his cash? Or was he a hoarder?

There is no real plot to keep the reader engaged. Despite the author saying the depression was like a post-graduate course in finance, there's no real sense that he learned much or was changed by the experience. He started as a staunch conservative Republican and everything he saw is interpreted as confirmation of his previously held views. One line that really struck me was his profound belief that the depression should be left to "work itself out naturally" instead of having any government help at all; an easy position to take when he wasn't one of the 13 million unemployed and never had his house foreclosed. It was also interesting to see perennial talking points appearing in the distant past. The unshakeable belief in the trust of the government when it comes to government bonds ("we can only trust the government") paired with deep skepticism of government programs. Constant cries that massive inflation is right around the corner any day now. Constant cries that "massive" government debt is going to destroy America.

It was written as a personal diary, so I can hardly fault these short comings. It isn't written to be academic, to explain why the author believes what he does, or to convince you to believe the same things. But all of those things also made it hard to keep reading, which is why I recommend: don't force yourself to be a completionist with this book. Read the first 100 pages or so, which is the best part. Then move on to something else to read.