

# Jesse Livermore

1877–1940



**WHY HE MADE HISTORY** Jesse Livermore was one of the most successful stock market traders of all time. His idea was to sell stock quickly after its price rose. In this way he actually made a fortune in 1929, when so many other people were losing everything they owned.



*As you read the biography below, consider Jesse Livermore's approach to trading stock. Would you say Jesse Livermore was greedy? Is the buying and selling of stock simply gambling? What can we learn from a person who made and lost so much money?*



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Jesse Livermore made and lost four fortunes. But he is usually remembered for the fact that during the stock market crash of 1929 he made a fortune of \$100 million, worth roughly \$3 billion today.

Like so many of the self-made rich men of the early twentieth century, Jesse Livermore left home early, in his mid teens. He took with him very little money and a great deal of ambition. He got a job in a brokerage house, where he quickly learned to read the information about stock sales that was coming off the ticker tape machines.

With this knowledge and the pay he was earning, he started to buy stock in the “bucket shops” of Boston and New York. Bucket shops were operations that sold stock outside the legal world of reputable brokerage houses and stock exchanges. These operations allowed buyers to purchase stock with very little money down. Young Jesse's idea was to buy a stock when it was cheap and sell that stock quickly if it rose in price. Eventually Livermore made so much money in these places that he was banned from them. Then he turned to the world of Wall Street, where he also thrived.

To Jesse Livermore, the stock market was a subject for deep, intense study. Although he came up with rules for what worked and what did not work in the stock market, his belief was that stock speculation was more of an art than a science. Nevertheless, Livermore devoted much hard work to analyzing the market and studying various theories of speculation. He learned from his mistakes. One of the lessons he learned was not to keep holding on to stocks waiting for their prices to go higher and higher. Once he made enough money for his investment, Livermore sold his stock and

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moved on. He finally came to believe that psychology plays an important role in the stock market. He wrote, “Wall Street never changes. The pockets change, the stocks change, but Wall Street never changes because human nature never changes.” Livermore believed people acted in the stock market out of greed, hope, fear, and ignorance. People who expected to get rich quickly, he said, should not be in the stock market.

Livermore’s money bought a life that only the richest could afford. Even after the stock market crash of 1929, he and his family maintained several fully staffed mansions around the world. They had yachts, jewels, and fashionable clothing. They traveled in luxury. Their home on New York’s West Side looked out on Central Park, but Livermore also kept one complete floor in a luxury building on the East Side so his wife, Dorothea, could change clothes no matter which side of town she was on.

Livermore certainly enjoyed his riches, but he also showed he had strong principles. On three occasions when he had so much debt that he had to declare bankruptcy, instead of walking away from the debt, as he was legally allowed to do, he repaid in full all those people he owed.

But all was not perfect. For most of his life, Livermore suffered from periods of deep mental depression, often followed by great good spirits—until the next bout of depression. (Today some speculate that he may have suffered from bipolar disorder, a now-treatable condition thought to be caused by a chemical imbalance in the brain.) In 1940, with another bankruptcy on its way, he took his own life. It was a tragic ending to a colorful life.

### WHAT DID YOU LEARN?

1. **Identify** How can you tell that Livermore was not one of those people who traded stock in order to get rich quick?

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2. **Analyze** Review the As You Read section at the beginning of this biography. In 1929 Jesse Livermore was among the very few to make money in the stock market; the great majority of investors lost money. After learning about Livermore’s successes, why do you think so many others failed?

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### ACTIVITY

Find a copy of the poem “Richard Corey” by Edward Arlington Robinson. Then write a brief composition in which you explore the connections between the life of Jesse Livermore and the events described in this poem.