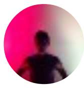

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How I learned to stop worrying and love the stock market

The New York Stock Exchange closed for almost a week after the World Trade Center attacks in 2001. Analysts expected stocks to fall when trading resumed, but self-professed patriots pledged to invest. Letting the market collapse meant letting the terrorists win.

"Show these evil people what you're made of," wrote a commenter quoted on CNN financial news' website. "Buy, buy, buy."

Over the past few decades, American society has come to see the state of the nation reflected in the Dow Jones Industrial Average—it's why Donald Trump spun recent market records into a referendum on his presidency. Rising stock prices signify good things, as straightforwardly as if they were measuring literacy rates or birth weights. But it hasn't always been this way.

Domestic stock trading started shortly after the country's founding, but over the next few decades it remained little more than men on street corners sharing gossip and exchanging paper. Still, investing mattered —public offerings helped grow the banking and insurance industries in the early 1800s, and later fueled the expansion of the railroads, explains Richard Sylla, an economic historian at NYU. But average people were largely unaffected by the fluctuations of the market.

That began to change with the invention of the telegraph, and with it, the stock ticker. There had long been popular fascination with the market's ability to make and lose piles of money, but rules at the exchanges restricted investing to rich people. The ticker made the prices widely available, and thousands of imitation brokerages—so-called "bucket shops"—mushroomed to take advantage, letting people bet on the movement of a stock without ever actually buying or selling any of it.

Stock and commodities exchanges struggled to shake their association with bucket shops and gambling generally up through the start of the

20th century. The public didn't see traders as engines of economic efficiency so much as bettors with the power to jack up the price of food or create a financial panic.

"Not even the Witch of Endor could have made Adam Smith believe, when he was laboring to prove that men did not deserve to be pilloried for buying and selling wheat, that within a century trading in food would be carried on with this absolute license," reads an 1883 paper, Making Bread Dear. "Their dice are loaves of bread. The chances they take are the chances of human life."

The reputation of financial instruments improved during World War I, when the government sold Liberty Bonds to raise cash, but also to raise patriotism. The more people bought the debt, the more it would "bind the nation, foster Americanization, and counter political alienation and radicalism, particularly among those denied the vote," reads When Wall Street Met Main Street: The Quest for an Investors' Democracy and the Emergence of the Retail Investor in the United States, 1890–1930. "The War Loans invited Americans to imagine the nation as a financial market, one in which investment both made and manifested citizenship."

American corporations soon got the same idea. Many began offering employees company stock to try to head off unionization drives and blunt criticism of their business practices, using small shareholders to recast themselves as collectives looking out for their littlest members. Stock market investment surged—12 percent of Americans owned stock in 1922, up from just 5 percent in 1900.

The fantasy of the 1920s boom, that an "investor democracy" would create endless, progressive prosperity, went sideways in 1929. But popular participation in the market remained entrenched, and it steadily expanded over the decades to come.

The post-war emergence of financial economics helped–Chicago School-style research endowed market activity with an aura of science and efficiency, boosting the fiscal and ethical legitimacy of investing. Workaday initiatives helped too—the New York Stock Exchange's monthly investment plans, for example, encouraged average people to stick their toes in the market. Altogether, the growing base of stockholders was a key plank in the argument that American capitalism worked.

"[The Russians] continually talk about 'Big Business' and 'Wall Street Capitalists' as if our big companies were owned and run by a handful of economic royalists," said the longtime head of the NYSE, quoted in 'A Direct Personal Stake': Cultural Economy, Mass Investment and the New York Stock Exchange. "The American people own their industries already."

That wasn't true—only 18 percent of families owned stocks in 1962, while almost 80 percent of the richest families did. But the ascent of the idea of the exchanges continued, carried by the mid-century ascent of the market itself. In 1965, an economic historian wrote that "the oneness of the world" was visible in the gyrations of the markets.

"Nothing of consequence has happened—political, military, economic, social, scientific—that has not been registered in quantitative terms," wrote the historian, Broadus Mitchell, in the foreword to The Big Board: A History of the New York Stock Market. "The big sky of American life has been reflected in the Wall Street pool of water."

New regulations on retirement savings—like the creation of 401(k) accounts and new rules on the administration of pension funds in the 1970s—accelerated the trend, steering trillions of dollars into the markets, and creating millions of new investors. Roughly 60 percent of households owned stock by the end of the 1990s, according to Gallup.

Only about half of Americans are invested in the market today, but that remains extraordinarily high in historical terms. It means that half of the country is directly implicated in corporate profit-making. Tens of millions of Americans, in other words, have to weigh the solvency of their retirement accounts against their livelihoods as workers. The rise of mass investment has made the US into "a nation of millions of capitalists," if only through a looking glass.