During the “Decade of Excess” (1920-1929) Americans enjoyed exceptional prosperity. They became consumers of luxury goods purchased on credit. They invested heavily in the stock market with borrowed money. The financial sector was largely unregulated. This was the decade when Foshay was building his securities empire.

October 29, 1929, just two months after the Foshay Tower dedication, the stock market crashed and changed all that. This day signaled the start of the Great Depression. Billions of dollars were wiped out in one day and Foshay’s far-reaching business empire crashed, along with thousands of other businesses.

When the stock market crashed, the banks refused to extend credit. The Citizens’ Alliance, established by local businessmen, was connected to the financial institutions controlling the extension of credit. Northwest Bank, a force behind the powerful Alliance, had absorbed several smaller banks. They had previously extended credit to Foshay but called in those loans after the market crashed. Unable to secure an additional $300,000 loan, Foshay’s companies went into an operating receivership on November 1, 1929. This allowed them to continue business rather than liquidate the assets. Joseph Chapman, a Minneapolis banker and businessman, was named Receiver of all the Foshay companies by Judge Sanborn.

Thousands of investors lost money in the crash of Foshay’s public utilities empire.

In 1930, the Department of Justice began its investigation into the possibility of the Foshay company using the mail to misrepresent stock solicitations to the investor. The U.S. District Attorney and the state prosecutor declined to pursue charges but Chapman, the Receiver of Foshay’s companies, persisted. A federal grand jury convened in St. Paul on September 9, 1930.

Not the tower but the man who built it fell last week. Time magazine, November 11, 1929.