The Wall Street Crash (group 1)

Critical Questions: What is a stock? What are the ways that businesses get money? Why do people invest in the stock market? How do businesses spend money? What is speculation? How did speculation affect the 1920's stock market?

Explain how the Wall Street Crash of 1929 contributed to the Great depression.

Source 1: The Pittsburgh Press Front Page October 29, 1929
(From http://pgdigs.tumblr.com/page/17 Accessed February 2, 2014)

FINAL STOCK QUOTATIONS ON PAGES 38, 39, 40, 41 THIS EDITION

Complete Wire Reports of UNITED PRESS, The Greatest World-Wide News Service

The Pittsburgh Press

STOCKS EXTRA
Complete Markets

THREE CENTS

SELLING PANIC WRECKS STOCK EXCHANGE; NEW YORK FRENZIED

Grundy Defends Lobbying

PITT, TECH, W. & J. COMMERCIALIZE SPORTS, IS CHARGE

Cause of Shooting

REGARDS WORK AS FULFILLING PARTY PLEDGE

Senators Listen Unwillingly to Tariff View Exposure.

WILDEST DAY IN HISTORY OF MARKET RUINS SCORES; LOSSES TO BE IN BILLIONS

Leading Financiers Frantically Call Conference As Sales Break All Known Records; Threaten To Close Exchange; Almost Every Stock on List Hard Hit.

By W. W. Forster,
Press Financial Editor.

In the wildest day in stock market history with tickers running over three hours late, sales being chalked up at the astounding rate of [illegible] shares per day and with rumors of the closing of the New York stock exchange, billions of dollars were wiped from security values and huge fortunes literally blown away as market panic reigned today.

At 2 p. m. sales for the day had crossed the [illegible] mark and at the close were announced as [illegible]. Indications were that the tickers would not halt finally before 7 p. m.

The market closed the day, a battered hulk. A stock panic surely was in progress and consternation gripped Wall Street, despite a spirited rally in the last hour of trading.

Rumors were flying thick and fast and so furious was the activity on the floor of the New York exchange that officers of the institution considered halting activities.

PANDEMONIUM MARKS SELLING AVALANCHE.

There was a literal avalanche of selling. Frenzied traders fought on the floor to sell their holdings at the best available figure. They paid little heed to prices. It was pandemonium and no mistake.

Rumors of financial disaster, of stock exchange firms being in a shaky position, of government intervention and similar stories shook the exchange to its very foundation.

A report from the treasury department at Washington that the market's decline was not due to unsound business conditions, had only a momentary effect. The list again plunged down until paper losses stood at a reported figure of [illegible].

The seriousness of the market situation was made more [illegible] when it was announced that a conference was being held in the offices of the J. P. Morgan Co. to take immediate action [illegible]

RACE RESULTS

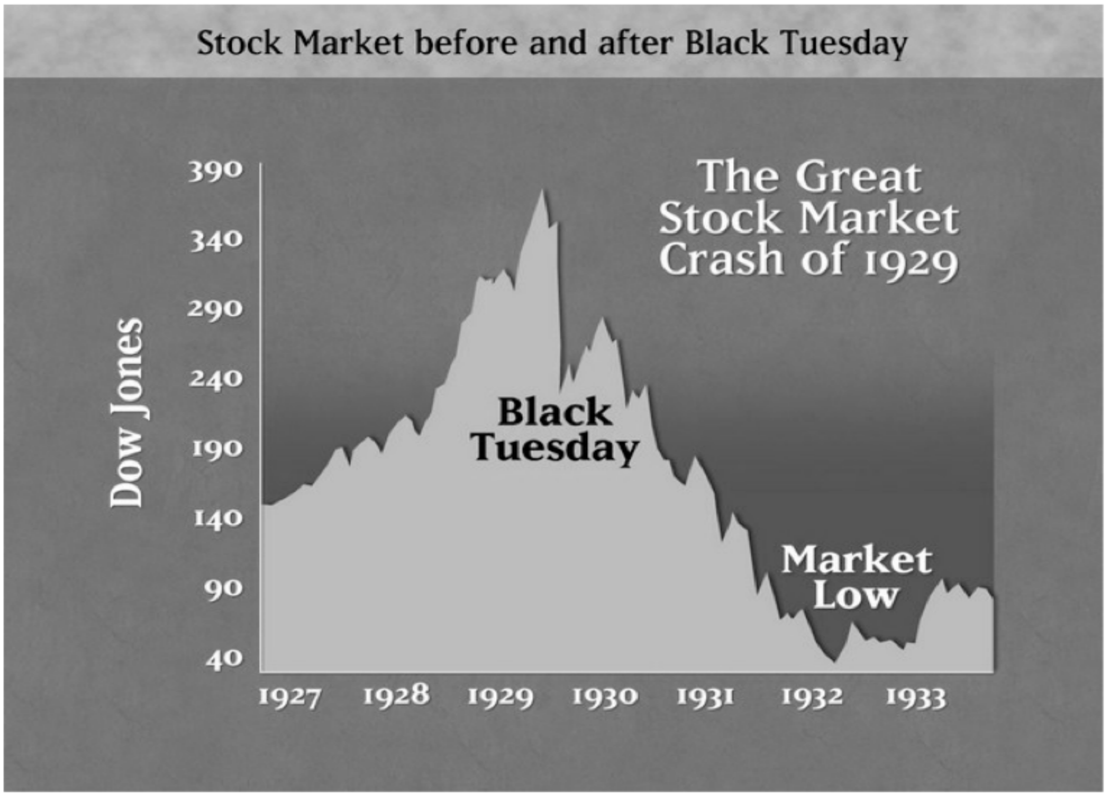
LAUREL

FIRST SNOW HERE

Downfall Accompanies Sub-

FEAR [illegible]

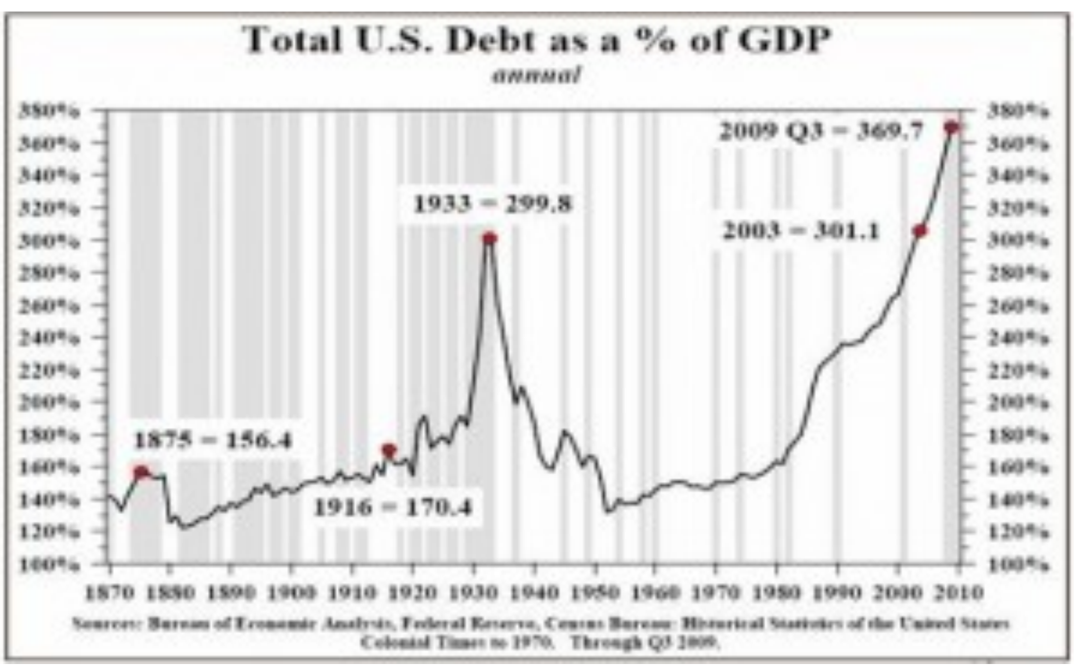
Source 2: Dow Jones Industrial Average 1927-1934
(From http://projectsmrj.pbworks.com/w/page/45474568/The%20Stock%20Market%20Crash%20of%201929
Accessed February 3, 2014)



Source 3: Selected Stock Prices Before and After the Crash (US Federal Reserve of St. Louis 2010 (From https://www.stlouisfed.org/great-depression/curriculum.html)

	3rd September 1929	13. Nov 1929
American Can	182 cents	86 cents
Anaconda Copper	162 cents	70 cents
Electric Bond and Share	204 cents	50 cents
General Electric	396 cents	168 cents
General Motors	182 cents	36 cents
New York Central	256 cents	160 cents
Radio	505 cents	28 cents
United States Steel	279 cents	150 cents
Westinghouse E&M	313 cents	102 cents
Woolworth	251 cents	52 cents

Source 4: Total US Debt as a % of GDP (Bureau of Economic Analysis, 2012)



Source 5: The Wall Street Crash, 1929 *This press account appears in: Leonard, Jonathan Norton, Three Years Down (1944); Allen, Frederick, Lewis, Since Yesterday: the 30's in America (1972). (From* http://www.eyewitnesstohistory.com/crash.htm *Accessed February 2, 2014).*

The Wall Street Crash, 1929

The "Roaring 20s" that followed the end of World War I was a period of prosperity for most Americans. As the economy grew, stock prices soared. By the end of the decade, as many as 25 million Americans had placed money in the stock market in order to share in the wealth. The best part of the process was that you didn't need a lot of cash to join the party. You could buy your stock on margin. That is, borrow the money for your stock purchase using the value of the stock itself as collateral. It is estimated that by 1929, the total amount of debt amassed by the practice had reached six billion dollars. It was a house of cards that remained erect as long as stocks continued to increase in value. However, if stock prices plummeted, the whole rickety structure could collapse.

Jonathan Leonard was a reporter who was on the scene as Wall Street tumbled. We join his story following "Black Thursday."

"That Saturday and Sunday Wall Street hummed with week-day activity. The great buildings were ablaze with lights all night as sleepy clerks fought desperately to get the accounts in shape for the Monday opening. Horrified brokers watched the selling orders accumulate. It wasn't a flood; it was a deluge. Everybody wanted to sell-the man with five shares and the man with ten thousand. Evidently the week-end cheer barrage had not hit its mark.

Monday was a rout for the banking pool, which was still supposed to be 'on guard.' If it did any net buying at all, which is doubtful, the market paid little attention. Leading stocks broke through the support levels as soon as trading started and kept sinking all day. Periodically the news would circulate that the banks were about to turn the tide as they had done on Thursday, but it didn't happen. A certain cynicism developed in the board rooms as the day wore on. Obviously the big financial interests had abandoned the market to its fate, probably intending to pick up the fragments cheap when the wreck hit the final bottom. 'Very well,' said the little man, 'I shall do the same.'

When the market finally closed, 9,212,800 shares had been sold. The Times index of 25 industrials fell from 367.42 to 318.29. The whole list showed alarming losses, and margin calls were on their way to those speculators who had not already sold out.

That night Wall Street was lit up like a Christmas tree. Restaurants, barber shops, and speakeasies were open and doing a roaring business. Messenger boys and runners raced through the streets whooping and singing at the tops of their lungs. Slum children invaded the district to play with balls of ticker tape. Well-dressed gentlemen fell asleep in lunch counters. All the downtown hotels, rooming houses, even flophouses were full of financial employees who usually slept in the Bronx. It was probably Wall Street's worst night. Not only had the day been bad, but everybody down to the youngest office boy had a pretty good idea of what was going to happen tomorrow.

It wasn't only the financial bigwigs who spoke up. Even the outriders of the New Era felt that if everybody pretended to be happy, their phoney smiles would blow the trouble away. Jimmy Walker, for example, asked the movie houses to show only cheerful pictures. True Story Magazine, currently suffering from delusions of grandeur, ran full page advertisements in many papers urging all wage earners to buy luxuries on credit. That would fix things right up. McGraw-Hill Company, another publishing house with boom-time megalomania, told the public to avert its eyes from the obscene spectacle in Wall Street. What they did not observe would not affect their state of mind and good times could continue as before.

These noble but childish dabbles in mass psychology failed as utterly as might have been expected. Even the more substantial contributions of U.S. Steel and American Can in the shape of $1 extra dividends had the same fate. Ordinarily such action would have sent the respective stocks shooting upward, but in the present mood of the public it created not the slightest ripple of interest. Steel and Can plunged down as steeply as if they had canceled their dividends entirely. The next day, Tuesday, the 29th of October, was the worst of all. In the first half hour 3,259,800 shares were traded, almost a full day's work for the laboring machinery of the Exchange. The selling pressure was wholly without precedent. It was coming from everywhere. The wires to other cities were jammed with frantic orders to sell. So were the cables, radio and telephones to Europe and the rest of the world. Buyers were few, sometimes wholly absent. Often the specialists stood baffled at their posts, sellers pressing around them and not a single buyer at any price.

This was real panic. It was what the banks had prevented on Thursday, had slowed on Monday. Now they were helpless. Reportedly they were trying to force their associated corporations to toss their buying power into the whirlpool, but they were getting no results. Albert Conway, New York State Superintendent of Insurance, took the dubious step of urging the companies under his jurisdiction to buy common stocks. If they did so, their buying was insufficient to halt the rout."

Source 6: October 1929 Photo on Wall Street

(From http://www.thehistorybank.co.uk/wall_street_crash.asp Accessed February 2, 2014)

Source 7: "It's fine as long as your going up"
(From http://americainclass.org/sources/becomingmodern/prosperity/text4/politicalcartoonscrash.pdf**)**

"It's Fine as Long as You're Going Up"

Des Moines Register, Iowa, March 29, 1928

Cartoonist: Jay N. "Ding" Darling ■ Dow-Jones closing average, March 28: 210.03.

Farmer with broken ***arm: "Yeah, I tried that once myself."*** For many American farmers, the Great Depression began with the steep drop in farm product prices after World War One. Many farmers who had taken out mortgages to buy more farmland during the war lost their investments when they could not earn enough money on postwar profits to continue their mortgage payments. During the 1920s, farmers watched as more Americans than ever before took loans to invest in the stock market, dreaming of quick wealth.