

Name _____

The Stock Market Crash of 1929

The stock market crash that took place in 1929 was one of the worst crashes in the markets history.

One reason for the crash is what is called over speculation, which means that stocks had become worth much more than the actual values of the companies they represented. The new automobile and radio industries had spurred a rampant optimism that the economy would continue to grow. In fact, the stock market had grown 600% between 1921 and 1929, with the Dow Jones Industrial Average rising from 63 points to 381 points. People were also purchasing stocks on credit, rather than putting actual money into the stock market, so the supposed rise in the value of the stock market was actually just an illusion. As the economy slowed, the value of the stock market fell. Not wanting to lose their money, people panicked and began selling their stock. On October 28th and 29th, known as Black Monday and Black Tuesday, stock values fell a total of 23%, which remains the worst 2-day drop in history.

The market was unable to recover, and over the next few months the stock market fell to 40% of what it had been, and many people lost everything that they had. The market finally reached its all-time low in the summer of 1932 when its value was only about 10% of what it had been at its peak. By that point, the country was entrenched in a deep economic depression.

The stock market crash had cascading effects. Over 10,000 banks that had invested in the stock market, or who had lent money to investors, went out of business. Many other businesses went bankrupt, and unemployment rose to 25%. The stock market would not recover its pre-1929 value until the middle of the 1950s.

Circle the correct answer.

1. What is overspeculation?

- A. stocks are worth much more than the companies they represented
- B. purchasing stocks on credit
- C. stocks are worth much less than the companies they represented
- D. rapid increase in the value of stocks

2. Which industry had spurred optimism in economic prospects?

- A. automobile
- B. radio
- C. A and B
- D. none of the above

3. The Stock Market Crash of 1929 is also known as:

- A. Black Monday
- B. Black Tuesday
- C. Black Monday and Tuesday
- D. the darkest days in history

4. In the summer of 1932, the Stock Market reached its all-time low of _____ of what it had been at its peak.

- A. 40%
- B. 600%
- C. 25%
- D. 10%

5. Which was NOT a cascading effect of the stock market crash?

A. many charities sprang up around the country

B. banks went out of business

C. businesses went bankrupt

D. unemployment rose to 25%