AWESOME stories

Stock Market Crash of 1929

On the 23rd of October, 1929, share prices on the New York Stock Exchange started to plunge. No one knew why. There were lots of sellers but very few buyers.

Within one hour, staggering numbers of shares were sold. The downward spiral continued the next day.

For five years, the stock market had gone up ... and up ... and up - but during that week in late October, it went down ... and down ... and down. Huge crowds of worried people gathered around the stock exchange.

It wasn't just financial wizards who cared about "the market." Individual investors had joined the professionals to capitalize on boom times. People everywhere had borrowed money to make money. Now they worried: Had those actions been foolish?

In five days, the gains of five years were wiped out. But the plunge did not stop there. The freefalling market threatened the very foundation of America's financial security.

To understand the Great Crash of 1929, we need to step back in time - and review what had happened during the previous decade.

In 1919, the "Great War" was over. European countries were struggling, from all the deaths and the financial drain of funding the fight, but America was just entering a boom time. Cities and towns across the country were connecting to electrical grids.

For the first time, people could buy on credit. "Buy now, pay later" was a new concept at the time. Suddenly cars, and other big-ticket items, were available for the non-wealthy.

Charles Mitchell, president of National City Bank, remembered how Americans had supported their country during the war - by buying war bonds - and "spotted a lucrative gap" in the financial markets.

Now that the Great War was over, why not give those war-bond-buying investors a chance to keep buying bonds? And ... why not add stocks to the mix? Instead of supporting the war, they could support private industry - and make a profit, at the same time.

What had once been risky, for individuals, now seemed like the thing to do. Mitchell opened brokerage offices throughout America.

People with some money (but not with financial savvy) could (and did) buy stocks. All of a sudden, the risks seemed small while the potential profits seemed huge.

Wow ... let's join the rush to buy what once seemed out of reach. And ... people did, just that.

See, also:

Stock Market Crash of 1929 - Part 2

Stock Market Crash of 1929 - Part 3

Stock Market Crash of 1929 - Part 4

Stock Market Crash of 1929 - Part 5

Stock Market Crash of 1929 - Part 6

Credits:

BBC provides the following background about this documentary which explores causes of the 1929 Wall Street Crash:

"Over six terrifying, desperate days in October 1929, shares crashed by a third on the New York Stock Exchange. More than $25 billion in individual wealth was lost. Later, three thousand banks failed, taking people's savings with them. Surviving eyewitnesses describe the biggest financial catastrophe in history.

"In 1919, the US had emerged victorious and dominant from World War One. Britain and its European allies were exhausted financially from the war. In contrast, the US economy was thriving and the world danced to the American tune.

"Easy credit and mass production set the tone in the roaring twenties for an era of consumption like none that had ever been seen before. The stock market rose and investors piled in, borrowing money to cash in on the bubble. In 1928, the market went up by 50 per cent in just 12 months. The crash was followed by a devastating worldwide depression that lasted until the Second World War. Shares did not regain their pre-crash values until 1954.

"This is the story of a financial disaster that we hoped could never happen again."

1929: The Great Crash

Blakeway Productions (2009)

Initial Broadcast, BBC 2

Director
Joanna Bartholomew

Producers
Joanna Batholomew
Denys Blakeway

Narrator
Bill Paterson

Readings
John Session

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http://www.awesomestories.com/asset/AcademicActivities/Stock-Market-Crash-of-19290