

THE STOCK MARKET CRASH

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1. What did people think of the economic boom of the 1920s?

2. What had been happening with stock prices? What had this led many Canadians to do?

3. What happened in July 1929? What happened soon after with the wheat crop in Canada and with world wheat prices?

4. What happened on Thursday, October 24, 1929?

5. Why was October 24 referred to as Black Thursday?

6. What happened on Tuesday, October 29, 1929?

7. Why was Black Tuesday such a disaster?

8. What did investors think would happen after the crash? What did happen?

9. How did the stock market crash cause a chain reaction?

10. How did bankruptcies even effect those who had not been in the market?

11. How did consumers having less money cause serious economic problems?

USING GRAPHIC TEXT

12. What is a stock exchange? Why do people buy shares in companies?

13. What percentage did prices fall for the following stocks?

1. Bell		3. Ford	
2. CPR		4. Imperial Oil	

14. Explain the steps of the Chain Reaction leading to the great depression.

a place where people can buy and sell stocks, or shares, in publicly traded companies
stock exchange
people who buy and sell shares participate in the stock market

Toronto Stock Exchange
 (now known as TSX) is Canada's biggest and oldest
people buy shares hoping to make money by selling them at a higher price

FOCUS ON the Stock Market Crash

Was buying stocks a wise investment or a foolish gamble?

To many people, it seemed as if the economic boom of the late 1920s would last forever. On **stock exchanges**, the price of **stocks** — shares in a company — had been rising for years. As a result, many Canadians had invested in the stock market. They believed that share prices would keep rising and that investing in stocks was a sure way to make money.

Few people paid attention to signs that the bubble of prosperity was about to burst.

Black Thursday

The international price of wheat reached a record high in July 1929. Soon afterward, Canada and other countries around the world began reporting bumper crops. Suddenly, there was too much wheat for sale. As a result, wheat prices began to fall.

Then, on Thursday, October 24, 1929, wheat prices on the Winnipeg Grain Exchange plummeted. Everyone wanted to sell their wheat — but few wanted to buy. Millions of dollars in profits were lost as people tried to cut their losses by selling wheat. The day became known as Black Thursday.

Black Tuesday

On Black Thursday at the Winnipeg Grain Exchange, few people realized that even worse was to come. Five days later, a similar crash occurred on the world's leading stock exchange in New York.

Share prices on the New York Stock Exchange had been sliding gradually downward for some time. Then, on Tuesday, October 29, worried investors started trying to sell their shares. This started a panic, and prices plummeted. Suddenly, the downward slide turned into a crash.

The day of the crash became known as Black Tuesday. This disaster sparked similar crashes on other stock markets in Canada and around the world. Millions of investors lost huge amounts of money.

▼ Figure 2.8

Stock	EXAMPLES OF DECLINE IN STOCK PRICES 1929–1932		
	1929 High Price	1932 Low Price	Decline in Price 1929–1932
Bell Telephone	\$183.00	\$78.00	\$105.00
Canadian Pacific Railway	\$67.50	\$8.50	\$59.00
Ford of Canada	\$70.00	\$5.75	\$64.25
Imperial Oil	\$41.25	\$7.40	\$33.85
Steel Company of Canada	\$69.25	\$11.00	\$58.25

After the Crash

At first, many investors believed that stock prices would go up again. But over the next days and months, it became clear that this would not happen. The price of many stocks continued to fall.

The crash caused a chain reaction. After losing money in the crash, many individuals and companies could no longer pay their bills. People who had borrowed money to buy things could not repay loans. Many were forced into bankruptcy.

These bankruptcies affected even those who had never invested in the stock market. They could not collect money that was owed to them, and they, too, began to suffer hard times.

Many people had less money to spend on consumer goods. This reduced demand. As a result, companies were forced to lay off workers, and some even closed their doors. Unemployment rose. This reduced demand even more, causing more cuts in production and throwing even more people out of work.

Gradually, Canada and the entire world moved into the Great Depression.

SHOW YOU KNOW

1. Explain how the 1929 stock market crash caused a chain reaction that was an important cause of the Great Depression.
2. In the years before the stock market crash of 1929, many people tried to "get rich quick" by investing in stocks. They ignored warnings that this was a bad idea. After the crash, some said that people who lost money deserved what they got. Were investors who lost everything fools or were they just unlucky? Explain the reasons for your answer.



▲ **Figure 2.9** Floor traders at work at the Toronto Stock Exchange in 1937.

▼ **Figure 2.10** The Chain Reaction Leading to the Great Depression.

