

NAME:

Simulation: Stock Market Crash of 1929

It is the 1920s and you are eager to benefit from the booming economy and thriving stock market. Each group (listed below) will represent one group of people affected by initial stock market crash of 1929 and the immediate aftermath. By the end of the simulation, you should understand how the United State's stock market went from "boom" to "bust" in a relatively short amount of time and how the "domino effect" of buying on margin led to an overall decline in wealth and confidence for everyone involved. You will then brainstorm some ideas about how this economic crisis could have been avoided.

Groups:

- Non-wealthy Investors (group 1)
- Wealthy Investors (group 2)
- Stock Brokers (group 3)
- Bankers (group 4)
- Advisors to the President (group 5)

Part I: The Great Crash

Using your Tracking Card (below), you will chart what happens to your investments during the various phases that led to the stock market crash of 1929 (Advisors to the President will be tracking people's confidence in the U.S. government and economy, rather than investments). At the end of the simulation, be ready to explain what happened to your investment/ people's confidence in the U.S. government and economy during the different phases of the stock market crash, and why.

Non-Wealthy Investors

Your situation: You have invested money into the stock market by paying 10% of the stocks' total cost and borrowing the rest from your stockbroker.

	Wealth Gained/Lost:	Reason:
January, 1926:		
April, 1928:		
October 21, 1929:		
October 29, 1929:		
December, 1929:		

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Wealthy Investors

Your situation: You have invested money into the stock market by paying 100% of the stocks' cost.

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January, 1926:		
April, 1928:		
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October 29, 1929:		
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Stock Brokers

Your situation: You have invested money for wealthy and non-wealthy investors. For the non-wealthy investors, you have taken out loans from the bank to cover 90% of the stocks' cost.

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Bankers

Your situation: You have lent money to the stockbrokers to cover 90% of the stocks' cost that the non-wealthy investors owe to the stockbrokers.

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Advisors to the President

Your situation: You are in charge of tracking and keeping up people's confidence in the U.S government and economy.

	Confidence Gained/Lost:	Reason:
January, 1926:		
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Part II: Re-doing History

Imagine now that you have been given the opportunity to re-do the mistakes that led to the stock market crash of 1929. How might **the group you represent** adjust their actions to prevent the economic disaster? Explain **at least three changes** you would make and how those changes might have prevented the Great Crash (all group members need to write out responses). The changes you suggest can occur during any phase of the stock market growth and decline in the 1920s.

Change 1:

Explanation:

Change 2:

Explanation:

Change 3:

Explanation:

NAME:

<p>January, 1926: The stock market is booming. Production and consumer spending is strong, and the value of most stocks continues to rise.</p> <ul style="list-style-type: none">• Non-wealthy Investors – collect ten pieces of wealth for your group, but give five to the stockbrokers to pay off some of your loan• Wealthy Investors – collect ten pieces of wealth and keep all of them• Stock Brokers – collect five pieces of wealth from the non-wealthy investors, but give two to the bank to pay off some of your loan• Bankers – collect two pieces of wealth from the stockbrokers• Advisors to the President – collect ten pieces of confidence
<p>April, 1928: Businesses and consumer spending begin to slow due to overproduction and under-consumption. The stock market declines slightly as people begin to sell some of their stock.</p> <ul style="list-style-type: none">• Non-wealthy Investors – put one piece of wealth into “the pot” and give one piece to the stockbrokers to pay off some of your loan.• Wealthy Investors – put one piece of wealth into “the pot.”• Stock Brokers – collect one piece of wealth from the non-wealthy investors, but give it directly to the bank to pay off some of your loan• Bankers – collect one piece of wealth from the stockbrokers• Advisors to the President – put two pieces of confidence into “the pot.”
<p>October 21, 1929: The stock market takes a big drop. People begin to lose confidence in the market and sell stock rapidly. The overall value of the market goes down. Stockbrokers recall the loans from non-wealthy investors, who cannot pay them. Banks call in their loans lent to stockbrokers.</p> <ul style="list-style-type: none">• Non-wealthy Investors – put three pieces of wealth into “the pot.”• Wealthy Investors – put three pieces of wealth into “the pot.”• Stock Brokers – give one piece of wealth to the bankers and put two in “the pot.”• Bankers – collect one piece of wealth from the stockbrokers• Advisors to the President – put three pieces of confidence into “the pot.”
<p>October 29, 1929 (Black Tuesday): A selling frenzy makes many stocks worthless, and the overall value of the market declines drastically. Bankers invest in the market in an attempt to keep stock values up, and President Hoover assures the public that the market is still safe for investments.</p> <ul style="list-style-type: none">• Wealthy Investors – put three pieces of wealth into “the pot.”• Bankers – put two pieces of wealth into “the pot.”• Advisors to the President – collect one piece of confidence.
<p>December, 1929: The bankers’ attempts to save the market fail, and banks lose their investment. The value of the stock market continues to decline. Wealthy investors lose their investment since there are no buyers to buy their remaining stock. \$30 billion of wealth is lost. Confidence in the stock market plummets and remains low throughout the early years of the Great Depression.</p> <ul style="list-style-type: none">• Wealthy Investors – put three pieces of wealth into “the pot.”• Bankers – put two pieces of wealth into “the pot.”• Advisors to the President – put six pieces of confidence into “the pot.”