

## The Wall Street Crash

The Wall Street Crash of 1929, also known as the Great Crash, the Crash of 29, or Black Tuesday, was a major American stock market crash that occurred in the autumn of 1929. It started in September and ended in mid-November, when share prices on the New York Stock Exchange collapsed.

It was the most devastating stock market crash in the history of the United States, when taking into consideration the full extent and duration of its aftereffects. The Great Crash is mostly associated with October 24, 1929, called *Black Thursday*, the day of the largest sell-off of shares in U.S. history and October 29, 1929, called *Black Tuesday*, when investors traded some 16 million shares on the New York Stock Exchange in a single day. The crash, which followed the London Stock Exchange's crash of September, signaled the beginning of the Great Depression.

People sold their Liberty Bonds and mortgaged their homes to pour their cash into the stock market. In the midsummer of 1929 some 300 million shares of stock were being carried on margin, pushing the Dow Jones Industrial Average to a peak of 381 points in September. Any warnings of the precarious foundations of this financial house of cards went unheeded.

Prices began to decline in September and early October, but speculation continued, fueled in many cases by individuals who had borrowed money to buy shares—a practice that could be sustained only as long as stock prices continued rising. On October 18 the market went into a free fall, and the wild rush to buy stocks gave way to an equally wild rush to sell.

Many factors likely contributed to the collapse of the stock market. Among the more prominent causes were the period of rampant speculation (those who had bought stocks on margin not only lost the value of their investment, they also owed money to the entities that had granted the loans for the stock purchases), tightening of credit by the Federal Reserve (in August 1929 the discount rate was raised from 5 percent to 6 percent), the growth of holding companies and investment trusts (which tended to create debt), a multitude of large bank loans that could not be liquidated, and an economic recession that had begun earlier in the summer.