Student Name:

Causes of the Stock Market Crash of 1929

You've learned a lot about why the Stock Market Crash of 1929 happened on Thursday, October 24, 1929—Black Thursday. Fill in the gaps in this table to review the long- and short-term causes of the Stock Market Crash of 1929. For example, the first long-term cause listed in the column on the left is "Buying stocks on margin." If the column on the right was blank, then in that column, you would fill it in with an explanation of how that cause led to the crash. If the column on the left was blank, then you would fill it in with the cause.

Long-term Causes

Long-term Cause	How did it help lead to the Crash?
Buying stocks on margin	This had been going on throughout the 1920s. It created a lot of personal debt in America, as people borrowed money to buy stocks that they couldn't pay back unless one of those stocks got hot and could be sold at a profit. This led to the Crash by driving stock sales but failing to increase the amount of cash—real value—in the stock market. If anything happened to shake confidence in the stock market, there would be little cash available to keep it running
	This was common throughout the 1920s, as some investors bought stock just so its price would rise, and then it could be sold at a profit. This led to the Crash by continuing to drive paper values of stock while real values lagged behind: the market crashed because it had no real money to keep it running.
	People who were in deep debt from buying stocks on margin throughout the 1920s were then unable to walk away from the stock market because they needed a big payoff to cover their debts. This led to the Crash because people continued to play the stock market throughout the 1920s without putting enough cash into it to create real value.
Lack of federal regulation of the stock market	

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Short-term Causes

Short-term Cause	How did it help lead to the Crash?
	These were rare before the mini-crash of March 1929. But when they did come, in the mini-crash and in the Stock Market Crash of October 1929, margin calls ensured that more stock would be sold as brokers tried to make back some of what their clients owed them. The volume of stock sold in October 1929 created the Crash.
The RCA stock speculation	
	This kind of federal regulation had not happened before March 1929. Wall Street was afraid that if this happened, people would not be able to borrow money to buy stocks, and then no one could buy the RCA stock that speculators were trying to sell quickly. This led to the Crash because it made stock brokers nervous that the government was going to clamp down on speculation, and they were more ready than ever before to launch a massive sell-off of stocks if that happened.
Charles Mitchell's $25 million loan to Wall Street.	