

# Wall street crash essay sample



The Wall Street Crash of 1929, also known as Black Tuesday<sup>[1]</sup> and the Stock Market Crash of 1929, began in late October 1929 and 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 fallout.<sup>[2]</sup> The crash signaled the beginning of the 10-year Great Depression that affected all Western industrialized countries<sup>[3]</sup> The American mobilization for World War II at the end of 1941 moved approximately ten million people out of the civilian labor force and into the war.<sup>[4]</sup> World War II had a dramatic effect on many parts of the economy, and may have hastened the end of the Great Depression in the United States.<sup>[5]</sup> Government-financed capital spending accounted for only 5 percent of the annual U. S. investment in industrial capital in 1940; by 1943, the government accounted for 67 percent of U. S. capital investment.<sup>[6]</sup>

The Roaring Twenties, the decade that led up to the Crash,<sup>[8]</sup> was a time of wealth and excess. Despite the dangers of speculation, many believed that the stock market would continue to rise indefinitely. On March 25, 1929, however, a mini crash occurred after investors started to sell stocks at a rapid pace, exposing the market's shaky foundation.<sup>[9]</sup> Two days later, banker Charles E. Mitchell announced his company the National City Bank would provide \$25 million in credit to stop the market's slide.<sup>[9]</sup> Mitchell's move brought a temporary halt to the financial crisis and call money declined from 20 to eight percent.<sup>[9]</sup> However, the American economy was now showing ominous signs of trouble.<sup>[9]</sup> Steel production was declining, construction was sluggish, car sales were down, and consumers were building up high debts because of easy credit.<sup>[9]</sup>

The market had been on a nine-year run that saw the Dow Jones Industrial Average increase in value tenfold, peaking at 381.17 on September 3, 1929. [9] Shortly before the crash, economist Irving Fisher famously proclaimed, “Stock prices have reached what looks like a permanently high plateau.”[10] The optimism and financial gains of the great bull market were shaken on September 18, 1929, when share prices on the New York Stock Exchange (NYSE) abruptly fell.

On September 20, the London Stock Exchange (LSE) officially crashed when top British investor Clarence Hatry and many of his associates were jailed for fraud and forgery.[11] The LSE’s crash greatly weakened the optimism of American investment in markets overseas.[11] In the days leading up to the crash, the market was severely unstable. Periods of selling and high volumes of trading were interspersed with brief periods of rising prices and recovery. Economist and author Jude Wanniski later correlated these swings with the prospects for passage of the Smoot-Hawley Tariff Act, which was then being debated in Congress.[12]

On October 24 (“Black Thursday”), the market lost 11% of its value at the opening bell on very heavy trading. Several leading Wall Street bankers met to find a solution to the panic and chaos on the trading floor.[13] The meeting included Thomas W. Lamont, acting head of Morgan Bank; Albert Wiggin, head of the Chase National Bank; and Charles E. Mitchell, president of the National City Bank of New York. They chose Richard Whitney, vice president of the Exchange, to act on their behalf.

With the bankers' financial resources behind him, Whitney placed a bid to purchase a large block of shares in U. S. Steel at a price well above the current market. As traders watched, Whitney then placed similar bids on other "blue chip" stocks. This tactic was similar to one that ended the Panic of 1907. It succeeded in halting the slide. The Dow Jones Industrial Average recovered, closing with it down only 6.38 points for the day; however, unlike 1907, the respite was only temporary.