Answer Key: The Stock Market Crash of 1929

Warm-up

1. F
2. A
3. B
4. C
5. D
6. E

Lesson

Answers below are taken from the Foundations and Grade Level work and should be used as a guide for grading Advanced work.

For many of the answers, responses will vary depending on what the class voted on regarding investments. All answer choices and explanations for each are included.

Throughout the activity, draw student attention back to the purchasing power of their investments by 1929 standards based on the information in the warm-up. Notes included.

Howard 	What is a stock broker's job? (b) To advise people on how to invest in the stock market and then manage their investments.

Starting Cash Amount:	Which stock are you investing in?
(c) $100 ***Equivalent to:*** 400 men's haircuts 5 month's pay for a waiter Almost 6 month's pay for a waitress	*Radio Corporation of America (RCA)*

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Investment Options #1

Option 1	
Investment #1	Growth
$100	$120

Option 2	
Investment #1	Growth
$1,000	$ 1,200

Loan Amount #1
$900

Profit #1 *Growth minus investment #1*
$120 - $100 = $20 ***Equivalent to:*** A week's pay for a waiter A week and a day's pay for a waitress 200 loaves of bread

Profit #1 *Growth minus loan amount #1*
$1,200 - $900 = $300 ***Equivalent to:*** More than a month's pay for a truck driver Half of an average new car

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Investment Options #2

Option 1	
Investment #2	Growth #2
$120	$144
$300	$360

Option 2	
Investment #2	Growth #2
$3,000	$3,600

Loan Amount #2 *Circle the amount you need*
$2,700 *or* $2,880

Profit #2 *Growth minus investment #2*
$144 - $120 = $24 ***Equivalent to:*** 3 day's pay for a truck driver *or* $360 – $300 = $60 ***Equivalent to:*** A week and a half's pay for a truck driver

Profit #2 *Growth minus Loan #2*
$3,600 - $3,000 = $600 ***Equivalent to:*** An average new car More than 2 month's pay: Truck driver 7 ½ month's pay: Waiter Almost 9 month's pay: Waitress

Uh oh! The stock market crashed! What percentage did the stock market decrease by? What does this mean?	(d) 90% It means people lost 90% of their investments

What was your stock valued at before the crash? *Circle one*	$144	$360	$3,600

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You initially invested $100. How much of that money is left after the crash?	a) $15 (stock value $144) b) $64 (stock value $360) c) $360 (stock value $3,600)
Did you take out any loans? How much do you owe?	a) $0 (no loans) b) $900 (1 loan) c) $3,600 (2 loans: $900 + $2,700) d) $3,780 (2 loans: $900 + $2,880)
In today's dollars, how much money did you lose total?	a) $1,545 (no loans) b) $18,000 ($900 loan) c) $70,110 (loans: $900 + $2,700) d) $73,614 (loans: $900 + $2,880)

1. Consider the amount of money your class lost in our stock market crash simulation. If this had been real life, how do you think this would have affected you, your classmates, and your families today?

If this had been real life, I think the amount of money our class lost would have affected us and our families by **(answers will vary)**

2. Buying on margin is the term for borrowing money to invest in stocks. Did your class buy the RCA stock on margin? If yes, what was the result? If not, what do you anticipate the result would have been?

   (Advanced Only - Responses will vary)

My class ***did*** / ***did not*** buy stocks on margin. Buying stocks on margin can lead to…

(b) Earning larger profits while owing the bank a lot of money at the same time.

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3. How did the stock market crash affect the U.S. economy? Check all that apply.
☐ U.S. banks lost a lot of money in stock market investments. ☐ Nine thousand banks around the country were forced to close. ☐ ~~The U.S. treasury department rushed to reimburse people the money they lost.~~ ☐ Nine million people lost the money they had in their savings when banks closed. ☐ $1.26 billion was lost when banks closed. ☐ ~~Millions of people migrated out of cities to seek cheaper living in rural areas~~ ☐ ~~Government programs protected people's money and supported failing banks.~~ ☐ Businesses were unable to get financial support via loans through banks. ☐ Businesses closed around the country. ☐ Millions of people lost their jobs when businesses were forced to close.

4. How did the stock market crash affect Texas and Texans specifically? *(Incorrect answers are crossed out.)*
The stock market crash affected Texas by (a) reducing demand for cotton ~~(b) raising cotton to unaffordable prices~~ (c) decreasing the price of cotton (d) hurting cotton farmers (e) prompting busts in the oil industry (f) causing the Texas Railroad Commission to pass restrictions on oil production ~~(g) putting a stop to oil production in the state because gas was too expensive~~ (h) causing more people to move to cities in search of jobs.

Exit Ticket

1. (Responses will vary but may include):
    - The price of oil dropped due to overproduction (boom and bust cycles).
    - Construction work in Dallas dried up causing 18,000 construction workers to lose their jobs.
    - Unemployment in Houston rose to 23%.
    - Unemployed Texans traveled through the countryside and moved to cities.
    - The price of cotton dropped from 10 cents a pound to 5 cents a pound.

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