# Black Thursday…
# Will History Repeat Itself?

**A. Teaching Objectives:**
This lesson will use the current conditions of the Stock Market to research and highlight the crash the precipitated the Great Depression. Comparisons between margin requirements, industry averages, ownership demographics and the "rules of the game" will be explored.

**B. Economic concepts/vocabulary:**
Stock Market, producers, ticker symbols, rate of return, marginal thinking, interest rates, unemployment rates and price/earnings ratios.

**C. Background/Virginia SOL correlation:**
This lesson concentrates primarily on VUS.9c by exploring the major catalyst of the Great Depression, the Stock Market Crash of 1929. One of the major causes of the Crash was the over-speculation in the market caused by the low margin requirements that were applicable at the time. Also, the skills required in VUS.1a, b, c, d, e, f, g and h may be utilized to fully explain the far-reaching effects of the Stock Market Crash on American society in the 1930's.

**D. Procedure:**
Students will research the Stock Market, concentrating on historical data focusing on Black Monday, Black Tuesday and Black Thursday. The following questions should be answered, with the students writing an analytical paper. As an alternative, short-answer format may be used

**E. Background**
Margin requirement: That part of a security's price that a buyer must pay for in cash. The broker, who, in effect, is supplying a client with a loan, meets the balance of the price. The smaller the margin, the greater the inducement to speculation. Low margin requirements were considered an important cause of the 1929 collapse of the American stock market. In 1934, the Securities Exchange Act gave the Federal Reserve Board the power to regulate margin requirements. The amount has been reset at various times, but in recent years, the Federal Reserve has instituted a 50% margin requirement with a $2,000 minimum.[1]
The margin requirement that was in place in 1929 was only 10%, meaning that you could buy $10,000 worth of stock with only $1,000 down, borrowing the rest. With artificially low interest rates and a booming economy people and companies were more apt than ever to invest in grandiose business expansions and over-priced stocks. [2]

[1] Columbia Encyclopedia, Sixth Edition, Copyright 2003
[2] http://www.shambhala.org/business/goldocean/causedep.html

## F. Questions to be incorporated:

1. Identify the general economic status of the U. S in the decade preceding the Stock Market Crash of 1929. Compare to the general economic status in the U.S. at the present time.
2. State and explain the prevailing margin requirement at the time of the Crash. (10%)
3. Contrast and compare that margin requirement with the current margin requirement (50% with a $2,000 minimum) and the margin requirement instituted in the Stock Market Game (50%)
4. Research the prevailing industry demographics during 1929, and compare them with current lists of publicly traded stocks.
5. Discuss the demographics of the stock-buying public in 1929 and compare those to the current purchasers.
6. Rules of the game…

Since it is generally agreed upon that the Great Depression was actually caused by MANY factors, it would be wise to use this lesson as just ONE PIECE of an economic discussion about the Great Depression. Therefore the lesson could be used as a stepping-stone to the lessons concerning the following mitigating factors, which contributed to the Great Depression.[3]

a. The difference between the basis for the current money supply and the money supply in 1929 (gold standard)
b. The availability of government "safety nets" and unemployment insurance.
c. The difference between current wage rates and wage rates in 1929.
d. General government policy differences between the two time periods.
e. The differences in government spending levels and GDP.
f. The creation of the Federal deposit Insurance Corporation (FDIC).
g. The differences in accepted borrowing practices.
h. The acceptability of free-trade agreements as compared to former trade restriction policies.

## F. Closure:

A two-week research and development schedule is recommended, to be followed by appropriate class time for presentation by individuals or groups of students.

[3] The New Deal Joyce Furfero, Ph.D, J.D.
http://wwwdfurfero.com/articles/art05/art05.html