



Name: _____ Date: _____ Due: _____

Booms & busts

Markets tend to move in cycles – this means there will be times when the markets are up and the economy is booming, there are plenty of jobs, people are making money, they spend more money and max out their credit cards. It feels like the good times are just going to go on forever.

Some commentators say the sharemarket is driven by greed and fear. In the boom times, confidence is high and no-one wants to miss out on profits. Investors can sometimes get carried away in their optimism, borrowing a lot of money to invest, investing in risky companies and ignoring warning signs.

There will also be times when the markets are down, the economy is flat, there are fewer jobs around, less people are spending money and the cost of living is higher. People are worried about keeping their jobs and are not confident about the future. When people lose confidence, fear takes over. People become scared that they will not only lose the profits they have made but possibly all of the money they started with. Fear overtakes greed and people start to panic trying to sell their shares at whatever price they can get.

If you take a look back in history you can clearly see these cycles.

These are sometimes called booms and busts – a boom is where the market moves upward and continues to move up, and then there is a sharp drop which is often called a bust – this is when people can lose a lot of money.

In this lesson we will take a look at four major events that have had an impact on the market. Prior to each one of these events there was a boom time, where things were good, people were investing and making a lot of money.



The Wall Street Crash of 1929

Watch: '1929 Wall Street Stock Market Crash' and answer the questions below.

<http://www.youtube.com/watch?v=RJpLMvgUXe8>

1) In the 1920's was it prosperous? Which areas in America were the most prosperous?

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2) Where were people making the most money?

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3) What was happening to the economy in the summer of 1929?

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[Continued over]



4) Were there warnings that the boom times might be coming to a close? Did people take notice?

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5) What happened on Wednesday 23 October 1929?

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6) Why were people shocked? What did they do?

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7) What did the bankers agree to do? Did it work?

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8) Tuesday 29 October 1929 – what is this day known as? What happened?

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9) Who was the worst hit? How much did they lose?

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10) What did those that had money do?

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11) How long did it take for the American economy to recover?

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Following this period from 1929-1932 there was a depression – this is known as **'The Great Depression.'** During this period, many people around the world were unemployed, incomes fell, international trade declined and the price of everything plummeted. It took many years for the economy to recover.