



LIFE·PAC®

History & Geography



Alpha Omega Publications®

HISTORY AND GEOGRAPHY 1208

THE STOCK MARKET

CONTENTS

I. THE HISTORY AND WORKINGS	2
The Stock Market: How It Started	2
The Stock Market: How It Works.....	5
Selling, Buying, and Brokers.....	8
II. FROM CHOOSING TO CRASHING	14
Selecting Stocks.....	14
What Causes the Stock Market to Crash?	18
III. TYPES AND TRACKING	23
Types of Stocks	23
Tracking Stocks in the Newspaper.....	26

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HISTORY 1208

THE STOCK MARKET

The very first **stock exchange** was created in 1531 in Antwerp, Belgium and England's first stock exchange originated in 1773. America created its first stock exchange in New York. With the **New York Stock Exchange**® dominating the financial pages of the newspaper and causing waves in the financial world every week, it's almost humorous to hear of its humble beginnings. With billions of dollars moving about daily, you might find it hard to believe the NYSE's® beginnings were with a handful of men standing in front of a buttonwood tree near the Trinity Church in East Manhattan during the American Revolution. Silver was traded for paper documents, giving "proof" that the bearer now owned stock in the cargo that was moving in to the harbor each day. The goods were available and the business was brisk. Trading in New York had begun.

OBJECTIVES

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAC®.

When you have finished this LIFEPAC, you should be able to:

1. Describe in brief the history of the stock market.
2. Explain how the stock market works.
3. Explain the process of buying, selling, and trading stocks; to know the function of a stock broker.
4. Describe what a stock is and explain the process of selecting one.
5. Explain what a stock market crash is, what causes one and when they have happened.
6. Give an explanation of the four different types of stocks and the definitions of "bull" and "bear" market.
7. Identify terms in the newspaper having to do with the tracking of stocks.

Survey the LIFEPAC. Ask yourself some questions about this study. Write your questions here.

I. THE HISTORY AND WORKINGS

SECTION OBJECTIVES

Review these objectives. When you have completed this section, you should be able to:

1. Describe in brief the history of the stock market.
2. Explain how the stock market works.
3. Explain the process of buying, selling, and trading stocks; to know the function of a stock broker.



**“Money was made, not to command our will, But all our lawful pleasures to fulfill.
Shame and woe to us, if we our wealth obey; The horse doth with the horseman away.”**

- Abraham Cowley

VOCABULARY

Study these words to enhance your learning success in this section.

American Stock Exchange®	The formal name of the curb traders; the AMEX®, as it is known, began in 1908
bond	Certificate guaranteed that the original investment will be paid with interest at a specified date
curb trading	Trading which began on the street curb because the NYSE® turned down certain stocks
Industrial Revolution	Growth in America in the 19th century; emphasis moved from farming to manufacturing
New York Stock Exchange®	The largest of all American stock exchanges, created in 1792
share	A unit of the equal parts of the capital stock divided by a corporation
stock exchange	A place where financial securities are bought and sold
Wall Street	Where the New York Stock Exchange® originated; still the meeting place of the NYSE®

THE STOCK MARKET: HOW IT STARTED



In the early days of our nation, the Colonial government was looking for a way to finance its wartime operations, so it sold **bonds**. If a person bought a bond, they received a paper for a certain amount of money and period of time. After that time expired, the person turned in the bond and was given the cost of the bond plus a **profit**. At the same time, the first banks in American history were being created, and once again cash was needed to make the start successful. In addition to bonds, the banks sold little parts of their banks to whoever had the money and the desire to own a **share** in the business. Once again, the idea was good and the business grew. These **transactions** were the beginning of the stock market of today. The men would meet on what was once a farmer’s market area known as **Wall Street** in New York. Desiring better organization, 24 men gathered and initiated the New York Stock Exchange, which is also known by its initials, NYSE®.



After the **Industrial Revolution**, Wall Street came to prominence in the 1900s, and the New York Stock Exchange was getting all the business it could use. Some of the stocks that were offered for sale were not reliable enough to be put in the NYSE®, so a brisk business was running outside on the curb of the street. This was called “**curb trading**” and the business was called “The Curb Exchange.” It continued to grow and was renamed the **American Stock Exchange®**, also known as AMEX®.

Today, there are hundreds of stock exchanges in cities all over the world that work together and play an important part in the economies of America and other countries of the world.

From its humble origins of the 1700s, the stock market in America has grown to be an important financial force in the world today. However, as important as the stock market seems, you may not be familiar with some of the terms surrounding it and its activity. Let us take a look at a few important terms:

An annual report - This is a document that is **issued** each year to give details to investors about a company’s financial performance. It is the “homework” done so that you may know if your money is being invested wisely. That is valuable information, as is the Dow JonesSM industrial average which is given every day on many financial networks. The DowSM is a composite index of stock prices representing 30 of the nation’s biggest companies. “Composite” means that the DowSM is a single index which represents the market performance of more than one company—in fact, thirty companies. It is almost as if the DowSM did a day’s long inspection of the “top 30” and wants you to know how they performed. By looking at the chart, you can get an idea of the status (health) of the nation’s top companies. Since these companies are essentially the backbone of the nation’s economy, you get an idea of the financial health of corporate America. When you hear the TV reports on the “NASDAQ®,” you are hearing news about the “National Association of Securities Dealers Automated Quotations®,” a computerized nationwide trading system for over 4,000 companies. Amazon.comSM, Apple® Computer, Microsoft®, and other high-tech companies are listed here. On the NASDAQ® Composite Index you will get an idea of the strength of the high-tech industry.



Fill in the blanks:

- 1.1 From its humble origins of the _____, the stock market in America has grown to be a financial force in the world today.
- 1.2 After the _____, Wall Street became much more important and the New York Stock Exchange was getting all the business it could use.
- 1.3 A unit of the equal parts of the capital stock divided by a corporation is called a _____.
- 1.4 In the 1700s the first banks in American history were being created and once again _____ was needed to make the start successful.
- 1.5 Some of the stocks offered were _____ to be put in the NYSE®, so a brisk business was running outside on the curb of the street.



Matching:

- | | | | |
|------|-------|--------------------------|--|
| 1.6 | _____ | share | a. a place where financial securities are bought and sold |
| 1.7 | _____ | American Stock Exchange® | b. the largest of all American stock exchanges, created in 1792 |
| 1.8 | _____ | stock exchange | c. started in the 19th century; emphasis moved from farming to the factory |
| 1.9 | _____ | New York Stock Exchange® | d. The formal name of the curb traders; it began in 1908 |
| 1.10 | _____ | Industrial Revolution | e. a unit of the equal parts of the capital stock divided by a corporation |



True/False:

- 1.11 _____ The very first stock exchange was created in 1531 in Antwerp, Belgium.
- 1.12 _____ “The Curb Exchange” continued to grow and was renamed the American Stock Exchange®, also known as AMEX®.
- 1.13 _____ New York Stock Exchange® is also known by its initials, NYSE®.
- 1.14 _____ England’s first stock exchange began in 1873.



Mark the boxes that are TRUE:

- 1.15 _____ If a person bought a bond, they received a paper for a certain weight of gold.
- _____ In the early days of our nation, the Colonial government was looking for a way to finance its wartime operations, so it sold bonds.
- _____ Traders would meet on what was once a farmer’s market area known as Wall Street in New York.
- _____ The Belgium Stock Exchange began with a handful of men standing in front of a buttonwood tree near the Trinity Church in East Manhattan during the American Revolution.
- _____ In addition to bonds, the banks sold little parts of their banks to whomever had the money and the desire to own a share in the business.