

Finance – The History of the Financial Markets (44:51)

<https://www.youtube.com/watch?v=jlU0Ncqa3s8>

1. In the video they say that a Stock Exchange is two markets in one. What are the two things it does?
 - a.
 - b.
2. At the time of this video what percentage of Americans own stock?

Rogues & Racketeers

3. What group is credited with starting investing?
4. How did the Romans use investing?

Wall Street is Born

5. How did Wall Street get its name?
6. Which president was sworn in on Wall Street?
7. The Buttonwood agreement was designed to avoid government regulation of street auctions and blocked new comers from the business. How many merchants signed it?
8. The story of how the terms Bull and Bear came to be are explained. Which of these two terms in a rising market? _____ and which is a falling market? _____.
9. Which American industry caused a frenzy on Wall Street by requiring a lot of money?
10. Gould was the master of the short sale, how did he make his money?

The Information Age

11. In 1832 what revolutionized the Stock Exchange?
12. What was the new invention in 1867 that provided investors, outside the Exchange, with up-to-date information?
13. The Wall Street Journal was published in July 8, 1889, what was the price?
14. At the time the Dow-Jones Industrial average was created, it indexed how many stocks?
_____ Today it indexes 30 stocks.

The Most Powerful Man in America

15. Who was considered the most powerful man in America?
16. Buying on Margin is the act of buying on credit. You could put up \$10 and buy \$100 of stock, resulting in a loan of \$90. Charles Merrill warned his customers to get their in order?

Panic and Ruin

17. October 1929 key stocks started to decline, brokers began demanding that investors put more money into their accounts. Because investors did not provide the additional cash that the brokers demanded, when the market opened on October 24, 1929 brokers began selling stocks. Everyone started to sell and very little buying was going on. What was the result?
18. Richard Whitney, VP of the Exchange, try to stop the decline of the market by buying 20 million dollars of stock (US Steel). Who was he really trying to help?
19. Due to the Stock Market crash, the government steps in and writes regulations to prevent it from happening again. Give at least one example that results from the new regulations?
20. Harry Markowitz, Economics, came up with the idea of diversification. What is diversification?
21. In the 1960 the paper crunch causes many problems. List at least one problem that occurred?
22. This sets the stage for the next great invention to come to the NYSE, what is it?
23. October 19, 1987 everyone is using the same computer program, why was this a problem?

The Virtual Market

24. 1971 NASDAQ was created, what type of stocks does it tend to trade?

Info: At one of the breaks in the video they mention that “the price of a membership “seat” on the New York Stock Exchange in 1817 was \$25. Today, it is over one million dollars.” The seats went from 533 to at 1,366 at the time it went public. The most ever paid for a seat was 4 million dollars. In March 2006 the NYSE went public (public can buy shares in NYSE) and buys all the seats on the exchange (or trades them for shares in the company)

25. In the video they provide these statistics. Use these numbers to complete the table below:
 - General Electric went from \$1612 a share in 1929 to \$154 in 1932.
 - General Motors went from \$1075 a share in 1929 to \$40 in 1932.

	1929 price of shares	Purchased shares	Total Cost of shares	Buying on margin 10% of price	Amount owe (difference between cost and paid)	1932 price of shares	Total cost of 1000 shares	Cash you need to come up with (amount owed less 1932 value)
General Electric		1000				\$154		
General Motors		1000				\$40		

Why do you think people were upset when the market started to crash?

Even on a small scale this could be devastating (notice only 10 shares):

	1929 price of shares	Purchased shares	Total Cost of shares	Buying on margin 10% of price	Amount owe (difference between cost and paid)	1932 price of shares	Total cost of 10 shares	Cash you need to come up with (amount owed less 1932 value)
General Electric	\$1612.00	10	\$16,120	\$1,612	\$14,508	\$154	\$1,540	\$12,968
General Motors	\$1075.00	10	\$10,750	\$1,075	\$9,675	\$40	\$400	\$9,275

What is today's value, of 1929 figures?

- General Electric went from \$1612 a share in 1929 in today's dollars it would be worth \$22,422.07.
- General Motors went from \$1075 a share in 1929 in today's dollars it would be worth \$14,952.68.