

THE STOCK MARKET GAME

Teacher Instructions

STANDARD 11.6 A stock market game in which students invest in simulated stock. They will experience the thrill of speculation and the panic of a crash.

OBJECT: Student involvement in an operating stock market in which they have an opportunity to make decisions which will cause them to succeed or fail. The game also stimulates interest in the '20's and what caused the panic and crash of 1929.

TIME ALLOTMENT: Two class periods

PROCEDURE:

1. Duplicate one copy of the two page stock prospectus for each student” page 3 and 4. Duplicate 40 copies of stock certificates, page 10c for every 30 students who will play the game. After duplication, cut each page into the 8 stock certificates.
2. Select four students as stock brokers. They will sell and buy stock from the players, as you post new prices. The brokers should be centrally located at a single table, and should be given all the stock certificates at the beginning of the game. Surplus money should also be given to the brokers.
3. The Game: Give each player the stock prospectus and issue each player \$500 (4 one hundreds, 1 fifty and 5 tens). When each player has had a chance to read the stock prospectus, allow the players to buy stock from the brokers. The opening price is \$10 a share for each stock. Each stock certificate represents 10 shares. So the opening cost is \$100 per certificate. When every student has purchased stock, read and post the outcomes for 1920. The listing of new stock prices should be posed on the board or on a transparency. Do not erase the earlier postings. Brokers then should begin to buy and sell stock at the new prices. After approximately 10 minutes stop selling stock and close the market for new postings. After posting 1922, allow those students who wish to buy or sell to do so. When about 5 minutes has passed, read the special announcement about President Harding. Allow the market to remain open for 5 more minutes. Those who realize his death will cause a slump will have a chance to sell. Close the market and read the new postings. The game ends after you have posted the results for 1929 (the year of the crash). There are seven postings or stock prices. After the crash have the brokers buy back the stock and determine who has made the most money.
4. Posting price changes: Make a transparency of page 11 (Stock Record) and post new stock prices as they are given. If transparency material is not available draw the chart from page 11 on your blackboard.

CRITIQUE:

1. Begin by asking members of the class how much money they made. Ask the successful ones what system, if any, they used. "Buy low and sell high" might be an example. You may want to reward the top money winners with special privileges or with points. Discuss with the students the various stocks (most of them were actual companies), and what caused some to rise and fail.
2. Also discuss buying on the margin (amount of money put down when buying on credit). In the 1929's there was a 10% margin.
3. Ask the class if anyone sold out before the crash. Ask them to explain what caused them to do this. Begin a discussion of the crash.

STOCK PROSPECTUS

STOCK MARKET GAME

Most of the following stock companies existed in the 1920's. Some became successful, others failed. Read the following prospectuses carefully and decide which stocks you wish to purchase. In the game there will be 7 price changes between 1920 and 1929, when the game ends. Student brokers have been selected in your class; they will buy or sell stock to you as new stock prices are posted.

You will be given \$400 to invest. The game begins in 1920 with each share of stock selling at \$10 a share. Stock will only be sold in 10 share blocks or at a beginning price of \$100 a certificate. You may buy or sell your stock at any time at the listed price, except when the market is closed to post new stock prices.

KROGER FOODS: A newly established regional food processing company. It has canneries in five of our major West Coast cities and deals basically in fruit and tomato products. It has recently offered share to the public and it has been listed on the exchange for just one week. Market experts view this entry as rather speculative and are unwilling to venture any opinions on investment opportunities with Kroger Foods. At present Kroger Foods hopes to purchase five other regional food processors. If successful, Kroger Foods could be an excellent money maker with national markets. Of course, food industries always depend on agricultural prosperity and good crops; this year may be questionable. A good crop and successful merger could make many stockholders very wealthy.

RADIO CORPORATION: This company has long been considered one of the better buys in the field of electronics. This corporation seems to have a bright future. Market experts see this corporation as a good, long term investment, which is safe and provides security for its stockholders. In the past year, it has made a small gain and could continue to grow slowly. The future of Radio Corporation will depend on its new production models and if they are competitively priced.

MAMMOTH OIL: Owned and operated by Harry Sinclair. Mammoth has oil leases in Elk Hills in California. The newly opened field, which geologists feel may be the largest oil field in the United States, has 25 producing wells at the present time. Sinclair is rumored to have the backing of influential government employees. Mammoth has borrowed large sums of money to explore for oil in California and Wyoming and to develop Elk Hills. Secretary of the Interior Fall is reported to be a large stockholder. Sinclair's company has not paid dividends in the past 5 years of operation. The value of Mammoth Oil stock has fluctuated between 20¢ and \$5 a share for the past two years.

THE NATIONAL BANK OF GOTHAM CITY: This bank is one of the oldest, wealthiest, and most conservative financial houses in the country. The owner is proud of saying that his bank still operates on the same principles first established by Alexander Hamilton in 1790. This stock is so stable that when it once dropped two points in a week, back in 1893, it set off a small-scale recession. This bank has paid an annual dividend for 130 years.

DURANT MOTORS: This corporation was founded by a well-to-do carriage maker in Flint, Michigan. Durant took over several undercapitalized companies and brought together 12 auto producers, including Oakland Motors. Rapid expansion has left the company badly undercapitalized. Management fears that Durant Motors may be taken over by the banks. The company is attempting to produce a low cost car and has hired Charles “Boss” Kettering to manage a number of plants. Kettering plans to produce a car with a “self starter.” Durant Motors presently produces the Locomobile, the Durant-Four and the Flint. His long range plans are to develop a giant combination of automobile manufacturers. At this time investment in Durant Motors is risky due to a lack of capital.

MIDLAND UTILITIES: Owned and operated by financial genius Samuel Insull. Midland is part of a billion-dollar corporation operating in 32 states. Several of the most powerful banks and brokerage houses of the Midwest are regarded as his instruments. Midland produces electricity for central Chicago and is expanding into the suburbs. Midland has developed and is using giant steam turbines to generate power. Insull’s financial manipulation and the mass marketing of stock has made Midland one of the most powerful corporations in the Midwest.

KANSAS PACIFIC RAILROAD: The K&P has been in existence for over 60 years. Their assets are many and diversified. In the past they have shown to be a stable company with small but regular dividends. While many railroads are faced with declining profits, the K&P shows a steady increase. They are presently expanding into the Southwest and plan to extend their holdings into Mexico.

TEL-TONE: This telephone company is just being capitalized. This is their first public offering of stock. They presently plan to raise 12 million dollars and manufacture a dial-telephone. This process reportedly will revolutionize the use of the telephone. Their management is young and inexperienced. Any capital invested should be considered high risk. But currently, their stock is one of the hottest on the exchange. It has tripled in value since it was placed on the market less than two months ago.

OUTCOMES

1920	New Stock Price Per Share
Kroger - purchases a West Coast food chain	\$12
Radio Corporation -new model released with built-in antenna	\$13
Mammoth Oil - 9 wells begin producing in Wyoming Field	\$14
Gotham Bank - Bank declares a 6% dividend	\$11
Durant Motors - fails to make payment on notes to the Gotham Bank	\$7
Midland Utilities - Midland extends services into Michigan and Wisconsin	\$13
Kansas Pacific - K&P will pay no dividends this year because of expansion into the Southwest	\$9
Tel-Tone - Dial telephones will be installed in parts of New York City	\$15

1922

Kroger - Merger with large Eastern chain of stores	\$15
Radio Corporation - 15 patents are purchased from the Edison's company	\$14
Mammoth - Largest oil field in America may be located under Mammoth Oil Lease in Tea Pot Dome, Wyoming	\$19
Gotham Bank - Stock price remains the same	\$11

Durant Motors - Locomobile sales are depressed because of competition from Ford Motor Company	\$5
Midland Power - Insull's financial manipulation allows Midland to take control of Commonwealth Edison	\$19
Kansas Pacific - Profits rise as agricultural shipments from the Southwest begin	\$10
Tel-Tone - New York Stock Exchange announces that Tel-Tone has shown the greatest increase of any stock listed on the exchange	22

SPECIAL NEW BULLETIN:

President Harding is suffering from a coronary seizure and may have pneumonia. His is reported to be dying. The stock market will close in 5 minutes for new postings.

HARDING DIES-----New Stock Prices per share

Kroger	\$13
Radio Corporation	\$13
Mammoth	\$16
National Gotham Bank	\$10
Durant Motors	\$4
Midland Power	\$19
Kansas and Pacific	\$9
Tel-Tone	\$19

1925

Kroger - Corn blight on Kroger farms causes 90% loss of crop	\$12
Radio Corporation - speculation on new patent causes rise in stock prices	\$15
Mammoth Oil - Japanese offer to buy the total production of Elk Hills	\$21
Gotham Bank - French government announces that they will begin to pay their World War I war debts to U.S. Banks	\$12
Durant Motors - The Du Pont family begins to buy large blocks of Durant Motors stock	\$7
Midland Power - Insull fears Cyrus Eaton of Cleveland may be trying to take over Midland by purchasing large quantities of stock	\$22
Kansas and Pacific - Speculation on increased profits from holdings in Mexico cause stock price to rise	\$11
Tel-Tone - Announces completion of successful merger. Speculation on the Market continues.	\$24

1927

New Stock Price Per Share

Kroger - Speculation that Purity Markets are buying Kroger for an attempted take over	\$14
Radio Corporation - Rumored merger with the Edison Company causes stock to rise	\$17
Mammoth - Congressional committee begins an investigation of the Mammoth Oil leases. Possible fraud	\$13
Gotham Bank - Bank stock remains unchanged	\$12
Durant Motors - Louis Chevrolet is hired to design an inexpensive automobile	\$10

Midland Power - Cyrus Eaton begins dumping large blocks of Midland stock on a depressed market	\$18
Kansas and Pacific - Drought in the Southwest and depressed farm prices cause profits of K&P to fall	\$10
Tel-Tone - Drop of two points caused by J.P. Morgan selling 200,000 shares. Brokers see only temporary setback	\$22

1928

Kroger - Food prices are depressed because of agricultural surpluses	\$13
Radio Corporation - Merger with the Edison Company falls through when Radio Corporation pays no dividends	\$14
Mammoth Oil - Harry Sinclair is called before Congressional committee. Secretary of the Interior Fall is indicted for fraudulent oil leases	\$7
Gotham Bank - Announces profits have increased 5% over the last quarter	\$13
Durant Motors - Durant Motors and Fisher Body have announced a merger. New corporation will be called General Motors	\$13
Midland Utilities - Reports in the Chicago Tribune disclose Insull's Company is a "House of Cards" ready to crumble	\$14
Kansas & Pacific - New oil fields in Oklahoma cause a new boom along Kansas Pacific track	\$12
Tel-Tone - Fails to rise as predicted. Brokers are unable to explain the downward trend.	\$17

WEDNESDAY, OCTOBER 23, 1929:

The market slipped today as the government announced that home construction, an indicator of prosperity, was at an all time low. The Federal Reserve Board also announced that a change in the prime interest rate would take place in the near future; speculation on the stock market is getting out of hand. It is rumored that the House of Morgan intends to sell 12 million shares of common stock at a loss, before interest rates change. The Gotham Bank announced that margin buyers of stock are being notified that they must put up more money to cover today's losses.

After reading this announcement close the market after 5 minutes.

THURSDAY, OCTOBER 24, 1929 (BLACK THURSDAY)

Panic hits Wall Street. 12 million share are traded in one day on the New York Exchange. \$700 million is lost by stock holders in one day as the market takes the greatest dive in history.

New Stock Price per Share

Kroger -	\$8
Radio Corporation -	\$4
Mammoth Oil -	\$2
Gotham Bank -	\$12
Durant Motors -	\$12
Midland Utilities -	\$3
Kansas & Pacific -	\$8
Tel-Tone -	\$6

BROKER INSTRUCTIONS

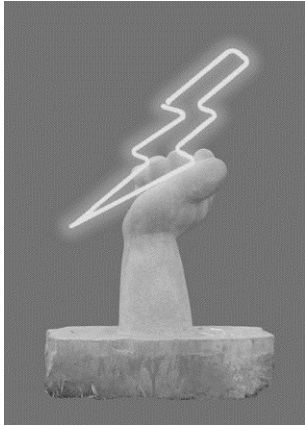
As a stock broker, you will buy from or sell stock to the players. As the game begins you have all the stock certificates. There are 8 stocks; they should be separated into 8 piles. Each stock certificate represents 10 shares, so the selling price should be 10 times the posted value. For example: if a share of stock is selling for \$8, the player must pay \$80 for the 10 share certificates, ($10 \times \$8 = \80).

Each stock is worth \$10 a share, when the game begins. Players pay \$100 for each certificate. After every player has purchased stock, new prices will be posted. When stock is purchased, you must check the current price per share and sell or buy at that price. For example: if a player has 3 certificates (30 shares) and the current listed price is \$4 a share, you would pay him \$120 for his 3 certificates; ($30 \text{ shares} \times \$4 = \$120$).

Students may buy or sell their stock at any time, except when the market is closed for new postings.

STOCK RECORD

Stock	Opening Price	1920	1922	1923	1925	1927	1928	1929
Kroger	\$10							
Radio Corporation	10							
Mammoth Oil	10							
Gotham Bank	10							
Durant Motors	10							
Midland Power	10							
Kansas & Pacific	10							
Tel-Tone	10							



MIDLAND POWER

10 SHARES



TEL-TONE

10 SHARES



MAMMOTH OIL

10 SHARES



GOTHAM NATIONAL BANK

10 SHARES



KROGER FOOD

10 SHARES



RADIO CORPORATION

10 SHARES



K & P RAILROAD

10 SHARES



DURANT MOTORS

10 SHARES



MIDLAND POWER

10 SHARES



TEL-TONE

10 SHARES



MAMMOTH OIL

10 SHARES



GOTHAM NATIONAL BANK

10 SHARES



KROGER FOOD

10 SHARES



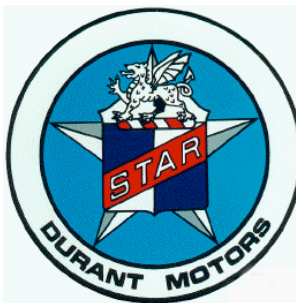
RADIO CORPORATION

10 SHARES



K & P RAILROAD

10 SHARES



DURANT MOTORS

10 SHARES



