Name _____ Class _____ Date _____

THE TWENTIES

Enrichment: Connection to Economics

The Stock Market

A stock is a certificate stating that its owner owns a piece (or "share") of a corporation. Shares may be bought or sold. The value of a stock goes up or down, depending on how well the business does. By selling a stock at a value higher than the amount paid for it, a person or group can make a profit. As you have read, the stock market enjoyed a period of rising stock prices during the 1920s. More and more Americans put their money into stocks in an effort to get rich.

Your assignment: Work in a group to create a chart showing the average price of stock for four companies during the last five years.

Suggested procedures:

1. Using a financial site on the Internet or other reference source, find the average price of stock for these four companies over the past five years, using their respective call letters: International Business Machines (IBM), Exxon Mobil Corporation (XOM), General Motors Corporation (GM), and the Ford Motor Company (F).
2. Complete the Average Stock Price (Per Share) graphic organizer by filling in the average price of stock for the four companies over the last five years.
3. Using the information in the graphic organizer, chart a line for each company's stock price on the graph on page 14, titled Average Price of Stocks, Last Five Years. Use a different color for each company's line.
4. In the blank box, create a key for the completed graph.
5. Use the completed graph to answer the questions on page 14.

Average Stock Price (Per Share) Graphic Organizer

	Four Years Ago	Three Years Ago	Two Years Ago	One Year Ago	Today
International Business Machines (IBM)					
Exxon Mobil Corporation (XOM)					
General Motors Corporation (GM)					
Ford Motor Company (F)					

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Questions:

Review the graph above, and reread Section 1 of The Twenties under the heading "The Big Bull Market Makes Fortunes." Then answer the questions below on a separate sheet of paper.

1. Which company's stock increased the most in value over time?

2. If you had invested in the Ford Motor Company five years ago, how would you have done? Would you have made a profit, or would you have lost money? Explain.

3. By purchasing stock on margin, a buyer in the 1920s paid as little as 10 percent of the stock price upfront. If you had bought stock in IBM three years ago and paid 10 percent of the stock price, then how many dollars did you pay?

4. Imagine that four buyers bought stock on margin in each of the companies five years ago. According to the chart, which buyer would have had trouble repaying the loan to his broker? Why?

5. **Apply Information** Based on your text and this activity, would you borrow money to invest in stocks? Why or why not?