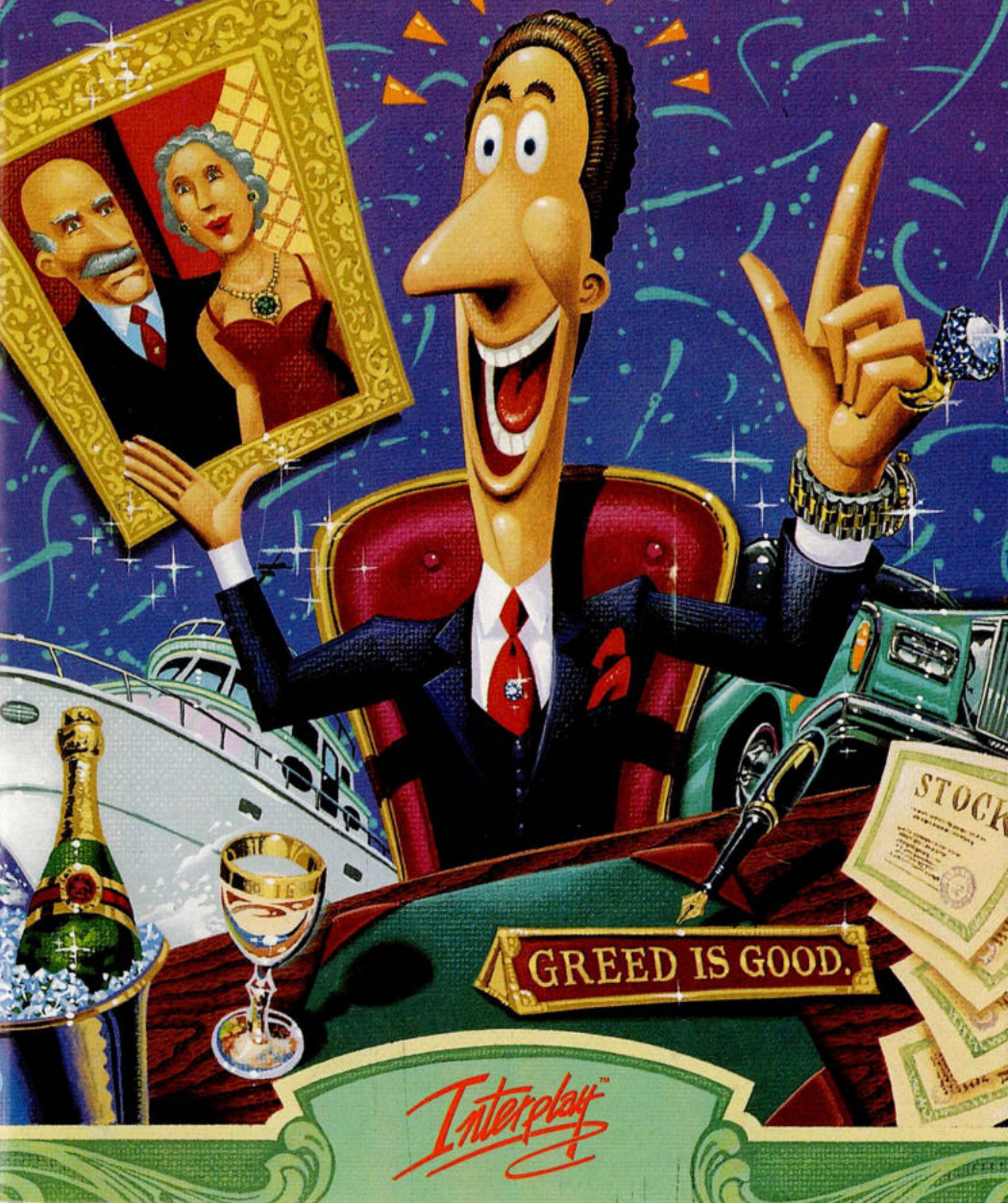
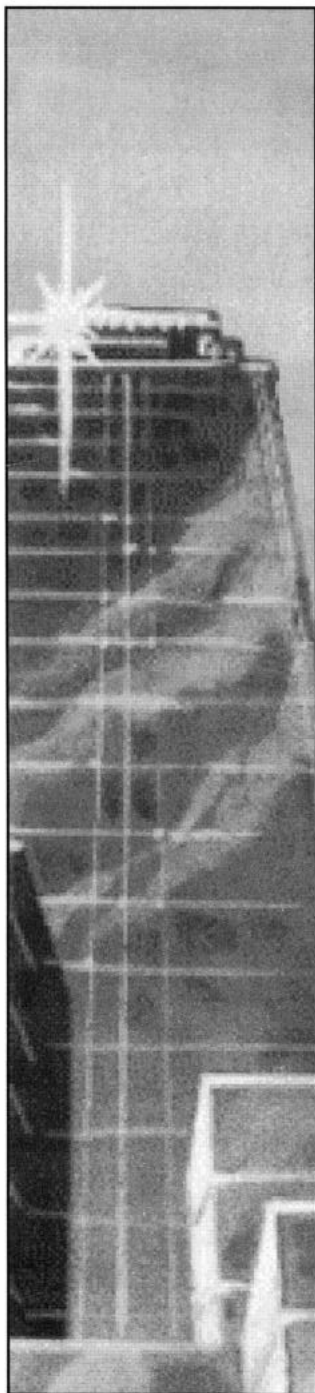


RAGS TO RICHES™

THE FINANCIAL MARKET SIMULATION

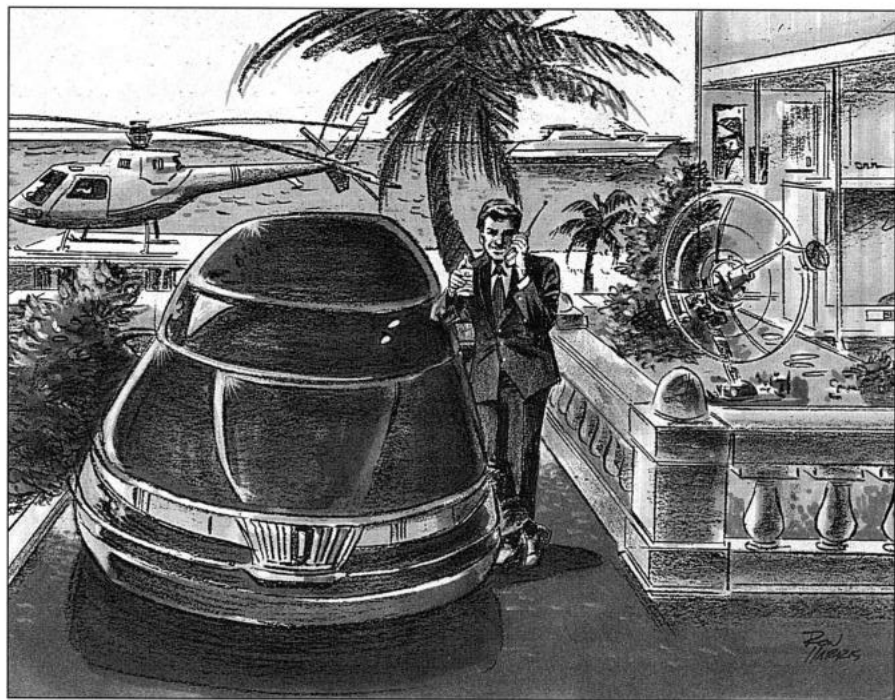




RAGS TO RICHES™

manual of play

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Q
DON'T SAY YOUR PARENTS NEVER GAVE YOU ANYTHING. WITH \$200,000 of someone else's money, you now have the opportunity to make untold millions, skirt the Securities Exchange Commission, best the Internal Revenue Service, keep others waiting while you go shopping, take two-hour lunches and generally act as the big boss. With your fingers on the pulse of the world of lust and greed, your future is finally in your own hands. Don't blow it.

Contents

Part One

Playing Rags to Riches™

1

Getting Started

2

Choice of Play Period

3

The Office Interface

4

Pencil Pushers

10

Your Office Staff

11

Available Options

13

How to Make Money

14

How to Buy Things

16

How to Increase Your

Client Base

17

Some Sage Advice

18

Part Two

The History of Wall St.

19

The SEC and IRS

34

Glossary

36

Bibliography

42

think my interest in the financial markets began when I was eight. That was when my grandmother taught me to play poker. She almost always let me win and would pay off with a share or two of blue chip stock. Afterwards, I'd follow the stock's price in the paper. I was hooked.

A few years later, my father sat me down and taught me gin rummy. He wasn't as kind and probably ended up with all those stock certificates. But numbers and their relationships were what I learned.

On one level, *Rags to Riches™* is all about how numbers interact. On another, this game illustrates exactly how our event-driven financial markets work. If you can master *Rags to Riches™*, send your résumé to Wall Street. If you don't get hired, it will be their loss.

I started in the markets trading U.S. Government Securities. Now I trade some governments, a few commodities, and a lot of stocks. In *Rags to Riches™* you get to trade it all. To make money, you'll have to be lucky and smart.

Rags to Riches™ is based on today's news and depicts today's trading relationships. You'll be able to infiltrate the opponent's camp. You'll be able to consume the wealth you create. It's as real as today's world – maybe more! Enjoy!

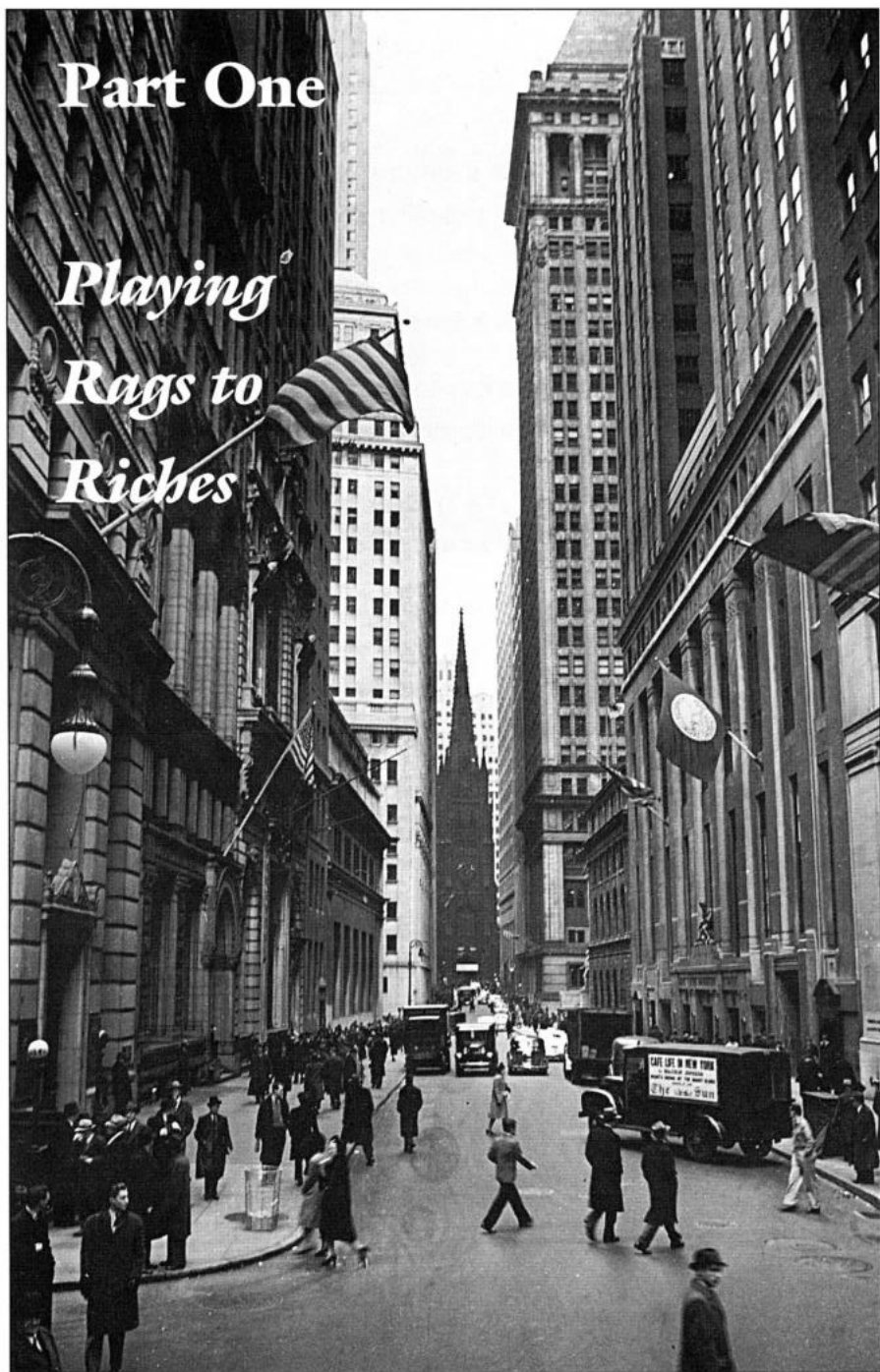
R. Leigh Ardrey

West Newbury, Massachusetts

February 1993

Part One

Playing Rags to Riches



Getting Started

BEFORE YOU MAKE EXPENSIVE DECISIONS IN *RAGS TO RICHES™*, YOU MUST make a number of choices regarding the environment. After the title screen appears:

Choose *Start a New Game*, *Load a Saved Game*, or *Exit to DOS*.

Choose the level you'd like to start play: beginner, intermediate or advanced. Decide which of the following statements best describes you:

BEGINNER

A major oil tanker explodes off the coast of Kuwait; oil prices could go up or down.

INTERMEDIATE

I understand what would happen to gold prices if the U.S. went back on the gold standard, but I've never been a serious student of the market.

ADVANCED

If a hurricane ripped through Florida in June, I can predict exactly how it would affect gold, oil, Treasury bonds and blue chip stocks.

You may now select the number of your competitors in the commodities jungle. The advantage of playing alone is that you have no competition when you want to buy or sell, but the more competitors you put in place, the more places you have to put your informants so you can see how your rivals are making the big bucks. Everything's a trade off; why do you think its called the Exchange?

Choice of Play Period

YOU MAY CHOOSE TO PLAY IN THE PRESENT, OR DURING THE ERA OF THE 1929 Stock Market Crash. If you choose 1929, your physical environment will reflect this era. Historically accurate events preceding and following the Crash will effect commodity performances. We suggest reading the history section, beginning on page 19, which might help you understand the economic and political events which lead up to the Crash. You might just learn enough to foretell when things could get a little sticky!

If you play in the present, your game course will be random, with current events and modern locations to navigate. Of course you have the most modern telecommunication advantages here, like a television and computer.

Type in the name of your company at the prompt: Here's your chance to see your name in bright lights all across New York!



Your first New York office (1929 Module)



THE OFFICE INTERFACE

With a portion of the money from your parents' largesse, you have rented an office on the lower east side near Wall Street, but not near enough to pay the landlord through the nose. We all have to start small with large dreams. Your office is equipped with:

CHALKBOARD/COMPUTER

This screen shows price fluctuations, with five minute updates, for the four commodities in which you can deal; **Treasury Bonds, Gold, Oil and Blue Chip Stocks**. On the screen you will see the current price for the desired commodity, the amount you currently own (this may be a negative number if you sell short, see *Selling Short*), the average purchase price for the amount you own, the minimum number of shares you trade (buy/sell), the price at which the commodity will double (see *Doubling*), and the amount of cash you currently have on hand.

Two buttons on screen will allow you to buy or sell. If you click on the computer screen, the focus commodity will change. If you click on the graph you will see a full-screen graphs page.

TELEWRITE/TICKER

This narrow bar at the top of the screen is a constant source of information and stock quotes. Although you have many other things that demand your attention - secretaries, television, telephone calls and lunch - it is advisable to keep at least one sharp eye on this scroll. Here you will receive information on current events that affect prices. The ticker only operates during New York office hours (9 a.m. to 5 p.m. in the Modern scenario)... but one day you may own offices in London and/or Tokyo. Offices overseas allow the ticker to continue operation in those markets.

PHONE

Clicking on the office telephone will instantly call the person whose name shows on your Rolodex.

ROLODEX

Ever hear of Rolodex envy? Everyone knows your Rolodex is your most important asset. Every time you click on the Rolodex you cycle through your list of names. To begin, these people are on your phone list:

MOM

Calling your mother will inevitably take up a large part of your day. Be nice, you might end up with a big, fat loan for your troubles. Just remember that you will have to pay the loan back in 30 days.

J.E.A.

Jivaro is a headhunter for the Jivaro Employment Agency. Since he works on commission, you must contact him to hire your staff (see *Office Staff*.)

Call him up, click on the staff member you are searching for, and he will tell you how much it will cost to hire that person. If it's too expensive for you just tell Jivaro no.

CHARITY

Sister Mercy is a charity organization. Each call donates \$1000 (or what you have set your charity level at: see *Options Menu*.) Expensive yes, but remember your magnanimity will also help keep you looking like a respectable member of society if you're operating illegally.

You must get out to lunch to meet new faces. As you meet more people in your journey from rags to riches, their names will be added to your Rolodex. But remember a fat address book has its price too. Some of the people you meet will be "insiders" in their respective fields and too much contact with them might make the SEC very suspicious.

- Famous insiders to watch for are: Lucy Lustre (Gold), Slippery Sam (Oil), T. Bond (Treasury Bonds), and Mr. Chips (Blue Chip stocks).

RADIO

Click on the radio to change the radio station or you can turn it off.

TELEVISION

Clicking on the television will change the channel. There are four channels to watch (sorry, no commercials). Each channel focuses on one of the four commodities you can buy and sell in the game.

BNN The Bond News Network... "all bonds, all day"

CHNN The Chip News Network... "chip off the old block"

ONN The Oil News Network... "slick as it gets, all day"

GNN The Gold News Network... "heavy metal news, all day"

As you watch these television stations, be on the lookout for occasional tips regarding events that are about to occur, and that just might pay off if you react in time.



NEWSPAPER

Clicking on the newspaper will bring up the front page of yesterday's news, chronicling the recent events of the day. While reading yesterday's news may not necessarily help you earn money based on those events, they might help you learn how to interpret the effects of certain incidents on the market. Knowledge is power.

CLOCKS

Your office is equipped with three clocks. Not surprisingly, the clocks show you what time it is in three parts of the world. The clock to the left of your screen shows the time in New York. The middle clock face shows London time, and the one to the far right shows the time in Tokyo. Since this is the big time, these clocks move in five minute increments.

CALENDAR

Rags to Riches™ is played in one year. The calendar shows the date.

SLEEP

Wake up and smell the currency! Time is money and managing your time intelligently can bring large rewards. Sleep is an important time-management aspect of *Rags to Riches*™. The two-eye icon in the lower left corner of your screen reflect your energy level. The eyes will begin to close when you have been awake for a long period. When they shut completely, you must sleep it off at home or in the office. Sleep in the office isn't as relaxing as at home, but if you are expecting an important call we recommend you do this. To sleep in your office, press the sleep button, and you will count sheep for the specified number of hours or until that call comes in (see *Available Options*.)

Traveling will not allow you to avoid resting, as you have too much work to do on the plane to get your shut-eye there. You will have to sleep for a day or so upon landing in Tokyo, New York or London. Jet lag, you know.

DOOR

Your office is conveniently equipped with a door. If you click on the door with the mouse, an icon selection will appear. These show you destinations you can travel to when you need to get out of the office for a while:

HOME

This is where you go for some good shut-eye. You lose time as you sleep, but perhaps you will dream.

LUNCH

This is where you go to do lunch. Yes, you're hungry, but more importantly you should be hungry to network. All the big honchos do business over food, and this is your opportunity to make contacts. Everyone you meet here will be added to your *Rolodex*. Some of the people you meet at lunch will be insiders who can later help you make wise decisions. Remember, lunch is off the record and tips you receive while eating *will not* increase your risk of getting investigated by the SEC.

INTERNATIONAL NEWSSTAND

Sometimes you can get an extra tip by visiting the international newsstand. And, of course, a stroll is a nice way to break up the day. A wise investor plans his trips here before and after the market opens and closes, as a visit here takes times. Everything is a trade off in this world.

CREDIT CARD

This is where you go when you get the urge to splurge. A large portion of your end-of-game score depends on how many things you own. The mall has six stores:

Antoine's Fine Collectibles
Gibby's Sports

Barney's Boats to Bikes
Pencil Pushers

Crazy Teddy's
Realty Shack

Remember, these stores do not take any returns. Be sure you can afford the goods before you buy them. As Crazy Teddy likes to say as he sells you something: "...til death do you part, or I can arrange to bury it with you if you want..."



The Shopping Mall. (Modern Day)

Pencil Pushers

LOCATED AT THE MALL, HERE IS THE PLACE TO PURCHASE YOUR OFFICE(S). Once you have put some money away, you can move up the real estate ladder and purchase plush. Impress your mother, influence clients. This emporium is also the spot to buy your international branch offices.

FOREIGN OFFICES

Congratulations! You have crossed the ocean and are ready to open offices overseas. These branches allow you to amass Japanese and British clients, react to events which you'd otherwise miss, and to buy and sell commodities during all hours. Each foreign office you operate allows you to work for another 8 hours until you are able to work round-the-clock. Nothing else says success quite so loud as working 24 hours a day.

Your foreign offices are very similar to your New York home base except that you may not hire lawyers, accountants or foreign spies.



Your Office Staff

YOU ARE THE BIG CHEESE. YOU MUST HIRE AN OFFICE STAFF AS THEY become necessary... in order to grow, and to impress your mother. Employees cost money, so you must have the cash on hand to pay their salaries. Everyone you employ earns a salary which is paid out once every two weeks. It will cost you about eight weeks of salary to hire each warm body. (Headhunters have to make a living too!) Once you've hired employees, click on their picture along the left edge of your screen to put them to work.

Employees are easy come, easy go. Each time you select an employee a *Fire* button will appear at the bottom of their square. You may consider firing an employee if you have done poorly in the market and need more cash. However, firing employees has an inverse affect on your client base, requires two weeks severance pay, and makes more work for other staff members who will think the big cheese suddenly stinks. Life is a drama... these are the positions you must fill:



SECRETARY

Everybody knows the secretary is the brains behind the big cheese. A good secretary can hold your calls, screen them or allow them all to go through to you. Be careful with whom you speak, too many calls from insiders can trigger an SEC investigation. Too much time on the phone with Ma can cause you to miss tips. Secretaries are also important for cultivating a large client base. Hire her first.



PIT RUNNER

The pit runner is one of the first employees a wise broker hires, since you cannot buy or sell anything without him. Remember, the more pit runners you employ, the faster you can move to trade. This is an important attribute when you have numerous competitors. Pit runners are also needed when you open branch offices.



APPRENTICE

Now that you've made it, you can consider hiring an apprentice. Besides having somebody to suck up to you, hiring an assistant allows you to get out of the office once in a while to eat lunch, catch some zzzz... hey, why not a trip to the mall? Your apprentice can watch the ticker while you're gone.

Once you acquire foreign offices, these eager beavers can also help you run those shops. The apprentice can be set to auto pilot, or allowed to make his own trade decisions with pre-set limits if you prefer. Although a newly-hired helper will tend to make errors and cost you stacks, under your patient and expert tutelage, he can also wind up to be very, very good and help you make pots of it.



LAWYER

Lawyers cannot be hired until you employ at least five secretaries. Lawyers are helpful in fighting off the SEC. Once the Commission gets you however, the lawyer can be of help in keeping fines and jail terms to a minimum. If the IRS comes after you, a lawyer can hold them off for a month, so you can hire an accountant.



ACCOUNTANT

Accountants are necessary if you wish to expand, and you must expand to make more money. Since you need more money to hire more accountants, this is a good thing. One accountant is necessary for each ten employees you hire. If the IRS is planning to audit your operation, an accountant is required.



INFORMANT

Sometimes a broker's prestige is measured by his stealth. Informants in your employ can be planted in competing firms to relay information of what they are buying and selling. These spies can also be sent to the IRS or the SEC in order to warn you when an audit or investigation is looming. But be very, very careful, for some reason the SEC frowns on informants, and they might come after you.



Your Japanese and British team of experts.

MENU OPTIONS

You can select game options from the following pull-down menus:

FILES

NEW GAME	Begin a new game
LOAD GAME	Load a saved game, current game is lost
SAVE GAME	Saves the current game
PAUSE GAME	Pauses the current game
RETIRE	Retire with current accumulated riches
MATERIAL ACQ.	Shows what you have purchased at the mall
HIGH SCORES	Open the high score board
EXIT TO DOS	Exit the game without saving or retiring

OPTIONS



TIME OPTIONS

GAME SPEED	Sets the pace of time in Rags to Riches™
ARRIVE/LEAVE TIME	When you go to your office and leave for home daily
HOURS TO SLEEP	Hours you sleep when you click sleep icon



CHARITY LEVELS

How much money is donated to Sister Mercy when you call



PURCHASE OPTIONS

SET BUY LEVELS	Automatically sets numbers of shares of each commodity you buy or sell when clicking the buy/sell buttons on the main screen. Can also be set to "ASK" so your pit runner will ask for an amount you wish to trade.
SAFETY NET	Sometimes prices will change between the time you approve a purchase and when your pit runner makes the purchase; the safety net will stop the purchase if the price changes drastically.



RANDOM EVENTS

On/Off (Daily events which can give or cost you some extra cash.)



SOUND OPTIONS

PHONE RINGS	On/Off
MUSIC	On/Off
SOUND EFFECTS	On/Off

Your goals in *Rags to Riches*[™] are:

≈ Make Money ≈

Buy Things With Your Money

Increase Your Client Base

How to Make Money

YOUR PARENTS HAVE GIVEN YOU \$200,000. USE THAT MONEY TO INVEST IN the commodities market; buying and selling stocks, bonds, oil and gold. *Rags to Riches*[™] is event driven. This means that every day certain events, some of them random, will take place causing price fluctuations in the market. If you keep your eyes wide open and learn to interpret these events correctly, and manage to move fast enough, you have the opportunity to make a great deal of money. If you catch only the tail end of these events you will not, much like real life, make as much moola.

There are several stages in which an event can be caught:

CATCH 'EM WHILE THEY'RE SIZZLING

Interpret the tip message that appears on one of the television channels.

Visit the International Newsstand and read an informative article.

CATCH 'EM WHEN THEY'RE STILL HOT

Get a tip from an insider who calls up, or you happen to call.

Hear from an informant.

CATCH 'EM WHILE THEY'RE WARM

Notice and correctly interpret a Telewrite message.

Watch for trends in the graphs.

CATCH IT COLD

Read yesterday's news.

BASIC RULES

SELLING SHORT

When you sell shares you do not have... You immediately receive cash from the sale, but remember, this is not real money because you will have to buy back the shares eventually. Strategically, you sell short with commodities that are going down in price. Thus you sell them for a high price and buy them back at a low price. If only real life was this simple.

THE ZERO RULE

Commodities that reach zero will be returned to their starting prices after players who own shares lose them and players who are short in shares have their total zeroed out.

THE DOUBLE RULE

If a commodity reaches its double value, as seen on the screen, you will immediately have to cover your short positions. At that time, a new doubling value will be set.

YOUR NET WORTH AND LOSING THE GAME

Your Net Worth can be viewed by looking at your accountant's statement. It keeps track of your current net worth by adding up your cash on hand and calculating your long and short positions by the current market value. If this value ever drops to zero or below, you lose the game. Keep this in mind when you purchase items from the stores and hire employees, because your net worth will drop quickly. This is NOT just your cash on hand.

HOW TO PLAY OUTSIDE THE RULES

Calling insiders to get information all the time. These insiders are: Lucy Lustre, Slippery Sam, Mr. Chips, and T. Bond in the modern game and Al Capone, Walter Chryslar, Richard Whitney, and Charles Mitchell in the 1929 scenario.

Buying/Selling in one focus commodity. The more consecutive buys and sells you make in one commodity, the higher the chance of getting investigated. This is called *cornering the market*.

Planting informants in your competitors offices or the IRS or SEC. Informants who get caught will almost always bring the SEC in.

How to Buy Things

BUYING THINGS IS AN ART IN *RAGS TO RICHES*SM. YOU MUST BUY A GREAT deal of them to come out a winner. To make your purchases and achieve your brightest yuppie dreams, you must go to the mall, naturally. To get there, click on the door in your office, bring up the mall icon (represented by a credit card), and press the mouse button. Once you've reached the mall, click on the store where you would like to shop. You will only be able to buy things during posted store hours.

When you enter a store for the first time you will see only the less expensive items, To be able to purchase, and ultimately collect, the finest things in life, you must progressively buy your way up, from low-end to top-of-the-line. Some items do not have a progression. When you reach the top-of -the-line goods, you are free to buy as many as you wish. This entitles you to be known as a *Collector* which carries substantial scoring weight at retirement time.

When you've selected the item you want, click on its price tag which will then read SOLD. You can change your mind about a purchase by clicking on its tag again. The SOLD tag will revert to showing the item's price. A running total of your purchases appears on the cash register; the amount of your total available cash will appear at the top of the screen, both for your shopping convenience.

When you are ready to leave the store, click on the cash register and all the items you have selected will be yours, all yours. If you don't see anything that tempts your checkbook, simply click on the exit button.

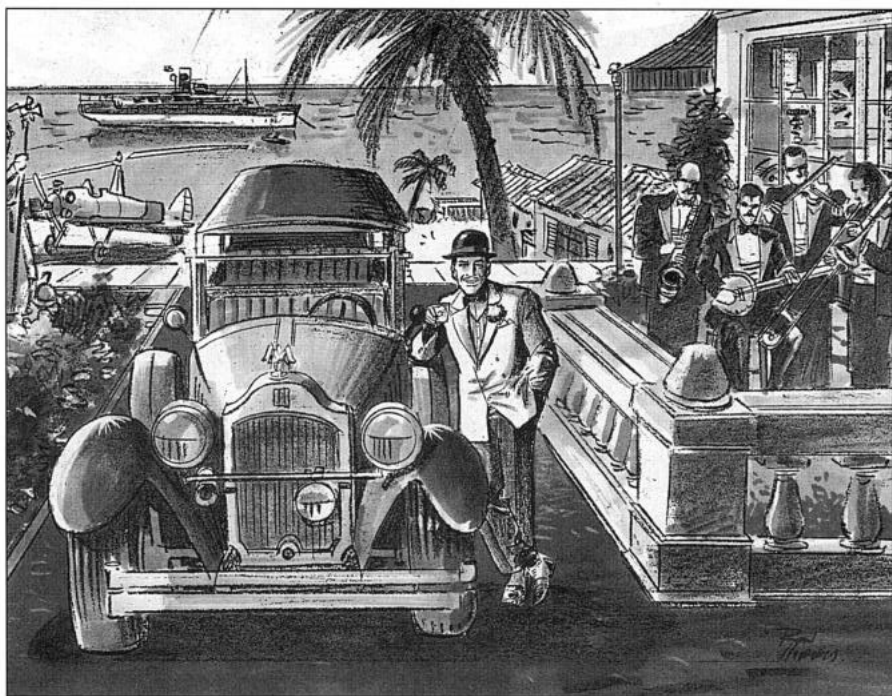
All purchases are final. Shop wisely.



Inside Crazy Teddy's (Modern Day)

How to Increase Your Client Base

ATTRACTING CLIENTS IS A GOOD THING. CLIENTS TRANSLATE TO AN increased net worth. You can increase your client base by making a lot of money quickly and honestly. If you build a good reputation, they will come. You can lose clients too, by suspicious behavior that garners negative attention from the SEC or the IRS, so be careful and remember your reputation is on the line. To see your client locations, go to the full-screen graphs page by clicking on the graph on the computer screen.



Some Sage Advice

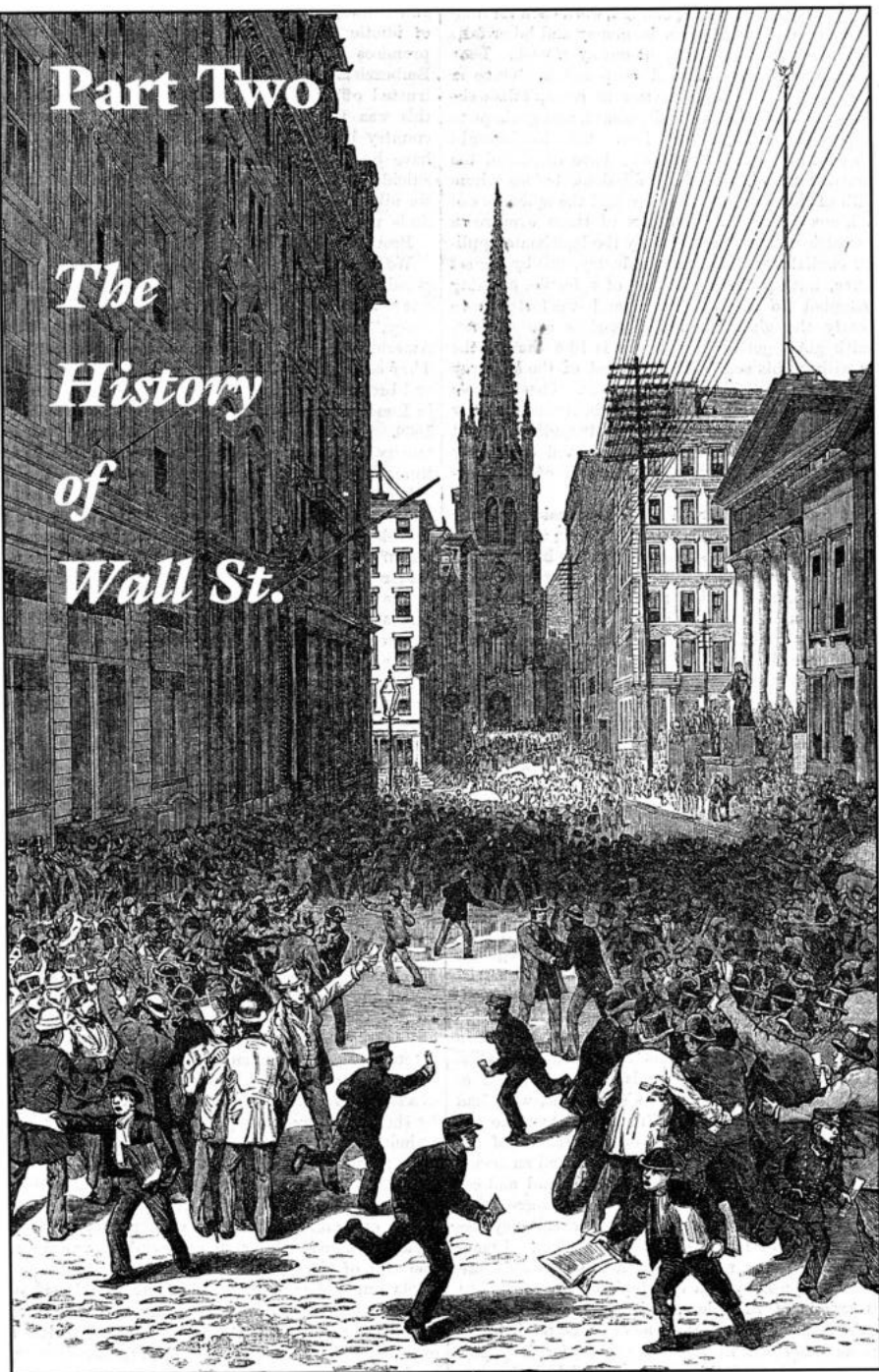
INVESTMENT DECISIONS MUST ALWAYS BE THOUGHT OF IN SUBJECTIVE TERMS; considering one's risk comfort level, financial position and overall goals. *Rags to Riches*™ may seem like a game at first, but the stakes are always high and the adrenaline surges are always real. Have fun, make stacks of cash and remember, what goes up must come down. Sometimes we all live up to our job titles.

“It’s all about making money, kid. The rest is conversation.”

— Gordon Gekko in *Wall Street*

Part Two

The History of Wall St.



Case History: Wall Street

THE HEART OF AMERICAN FINANCE IS A SURPRISINGLY NARROW STREET IN THE lower reaches of downtown Manhattan. Wall Street, now a synonym for the commerce of stocks and bonds, had an inauspicious beginning in 1644 in the Dutch settlement of New Amsterdam. The Governor of the colony, leery of attack by Indians, called on the colonists to build a stockade along the settlement's northern boundary. The gate they built of brush and branch was meant to be temporary. Nine years later the Dutch-English war broke out and the gate was fortified into a wall. For the next fifty years the wall stretched across Manhattan Island, useful for keeping the livestock from wandering too far afield. The dirt lane, eventually paved and finally genteel, became known as Wall Street.

WALL STREET BEGAN IN COLONIAL AMERICA

The business of trading securities, already established in Europe, began in the U.S. with speculative trading in issues of the new government. In 1766 there was no national treasury, no American banks, not even a unified currency. The Continental Congress temporarily solved the problem of under-financing by printing paper money backed by foreign loans, and the sale of government bonds to the more patriotic citizens. The government was unable to pay interest on these bonds, however, and they became as nearly worthless as Continental paper money. "Not worth a continental" was the bitter slang of the times. Alexander Hamilton, the first Secretary of the Treasury, was given the onerous duty of restoring life to the sluggish finances of a country bankrupted by the American Revolution. He proposed to consolidate the federal government's obligations and pay for them through taxes and import duties. This meant that holders of government bonds would turn them in for new bonds that paid three to six percent interest. The citizens were outraged at the solution however, for most of the bond owners had sold their holdings to speculators during the war for practically nothing. Southern states objected to the plan also, feeling the import duties would help only the Northerners. It took the diplomacy of Thomas Jefferson to implement successfully the funding of the debt.



To assuage the Southern states he proposed moving the nation's capital to Philadelphia, and Hamilton's budget proposal passed through Congress.

The country's first stock exchange was set up in the new capital in 1791. The next year, a stock exchange was organized in New York and began trading with 24 merchants and brokers near the wharves of downtown Manhattan. Trading was already well established on Wall Street, near the wide boulevard of Broad Street. Dating back to the heyday of the Dutch settlers in the 1600s, auctioneers had spread their wares along waterfront markets, offering everything from sugar to slaves. These men were traders by nature and inclination and it made no difference to them if they made their commissions on wheat, cotton or government bonds. They found ready customers for the bonds being issued by Hamilton's newly established Bank of New York. With so few banks, speculation was the only means by which the wealthy might invest their money. Business being competitive, animosity sprang up between the men who continued to sell durable goods and those who specialized in speculative trading. As a result the bond traders set up their own headquarters

farther down Wall Street under the branches of a buttonwood tree. Stocks were sold as a sideline and without commissions. Now physically separate as well as isolated by their specialized employ, the new stock jobbers were feeling especially clannish. They agreed to trade only with each other, and for a fixed commission. By organizing they drove the auctioneers out of the bond business.

The relationship between Wall Street and the government has always been close. Government securities formed the basis of the new brokers' earliest trades. As the city and the nation grew, stocks of newly established banks and insurance companies added to the volume of transactions. The building of the infrastructures of roads, rails and canals brought new energy to the Exchange. For a while, New York's narrow street was even the seat of American government, where Alexander Hamilton built a house not far from the buttonwood tree.

Wall Street grew up around the gentlemen who wore top-hats as they bought and sold banks, corporations and shipping lines. Eventually prosperous from the burgeoning market, the brokers moved their business in, out of the weather, first meeting in The Merchant's Coffeeshouse, and eventually to a room of their own at 40 Wall Street.

By the end of the eighteenth century Wall Street was already seen as a goose who could lay golden eggs, and one that might be manipulated, in certain unethical cases, to lay more for certain people.

THE NEW YORK STOCK EXCHANGE IS BORN

The first major securities speculator, William Duer, died in prison in 1799 for crimes against the Exchange. By the year 1817 the trade was complex and well-established enough that the brokers decided to organize the Exchange on a formal basis. They adopted a name, The New York Stock and Exchange Board, drew up a constitution and agreed to abide by membership rules. Burgeoning industrialization brought new business to the exchange, even though overall stock sales were still comparatively small. In 1830, the year the first American railroad was launched, a record book shows one dull day on which only 31 shares traded hands. In com-



parison, a few days before the outbreak of the Civil War in 1861, over 70,000 shares were bought and sold.

The changes in social and economic organization resulting from the replacement of hand tools by machine and power tools propelled the Exchange to mature and prosper far beyond what the original stock jobbers could have foreseen as they conducted business under the branches of the buttonwood tree. By 1863 the brokers were meeting in the spacious Merchant's Exchange Building at 55 Wall Street. The 75 members sat around long tables. Each member sat at a wooden chair he had purchased as a requirement of belonging, literally a "seat" on the exchange.

The price of a seat was \$20 in 1820. Today the price is in the millions, and the seat is no longer a chair, but a set of market privileges. Stocks and bonds were sold in two daily sessions, once at half-past ten in the morning, then again in the afternoon at half-past two. If a bid to sell was accepted, cash and certificates changed hands. There were no written contracts. An air of secrecy and import was consciously pur-

sued. Meeting behind locked doors, the public and rival brokers were barred from trading sessions.

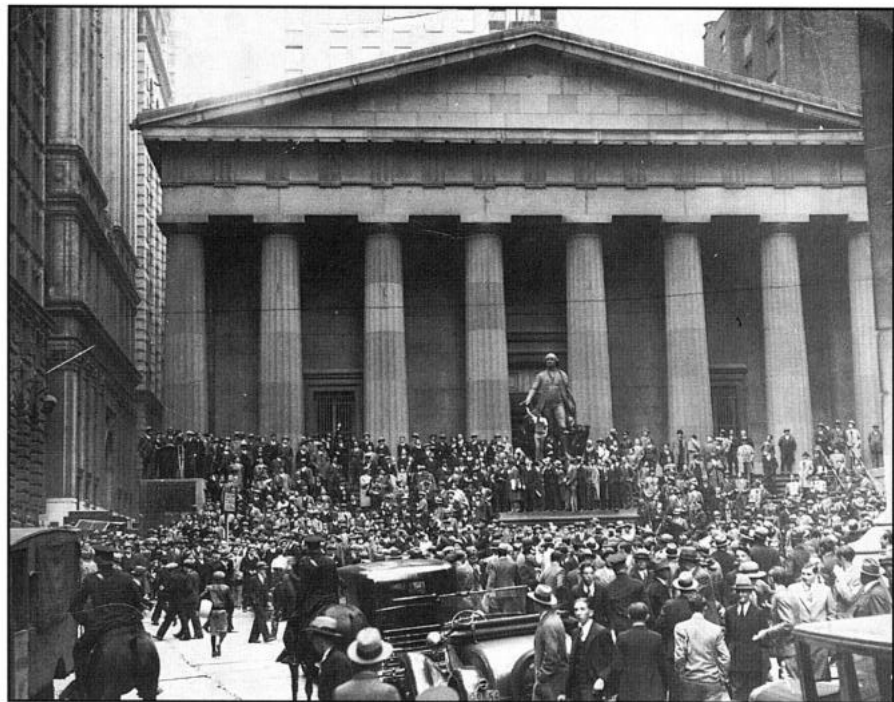
Land speculation, railroad booms, and the California gold rush sound like the stuff from board games. Fortunes were quickly made, and often lost just as quickly. The fortunes of commerce and the speculation fever that occurred before the outbreak of the Civil War in 1860 meant a great deal of money in commissions to the 75 members of the newly renamed New York Stock Exchange. Competing exchanges blossomed, some meeting in the streets, reflecting the humble origins of the established market. One of these rough and tumble street fairs would become the country's second largest securities market, the American Stock Exchange.

By 1869 the NYSE had a membership of 1,060 and a building of its own at the intersection of Wall and Broad Streets. At this time 145 stocks and 162 bonds were listed, with approximately 135,000 shares being traded daily, an incredible increase from only thirty years earlier.

Stockbroking became, at last, a respectable profession, much to the relief of the gentlemen in the top hats. Their behavior in the trading room was strictly regulated, and fines were levied for high-jinx. The Exchange's growth continued to mirror the nation's quicksilver expansion and by 1903 even the Broad Street building could not contain the needs of the powerful stock jobbers. The NYSE moved to its present home that year, a classical marble building, adorned with immense columns and a pediment whose figures represent American commerce and invention. The trading floor, famous for its elaborate gold-leaf ceiling, is one of the largest rooms in the world. With two expansions undertaken in 1923 and 1928, the NYSE today covers two thirds of a city block.

CURB MARKETS AND THE AMERICAN STOCK EXCHANGE

As the NYSE was acquiring the prestige and dignity earned only with age, the outdoor markets, which had existed in one form or another since the earliest days, were also continuing their growth. Street side trading, like its more respectful cousin, had begun with the funding of the government's obligations. During the especially bullish market brought on by the Civil War, the outside exchange was



nicknamed the “Curb Market.” Part of its allure was that anyone could become a Curb Broker as long as he was able to stand the inclement New York weather. Early in the twentieth century these typically brash American entrepreneurs formally organized themselves into the Curb Exchange, with their own membership rules and a list of traded securities. The brokers wore gaudy caps so their messenger boys could have a quick and clear way of finding them in the busy street. The broker communicated sell and buy orders by means of hand signals, whistles and basic shouting, and the messenger clerks then ran to near-by telephones. It took the prosperity of World War I to bring the Curb market inside. Moving to a building on nearby Trinity Place, they soon changed their name to the American Stock Exchange.

TRENDS GIVE BIRTH TO A NEW RICH CLASS

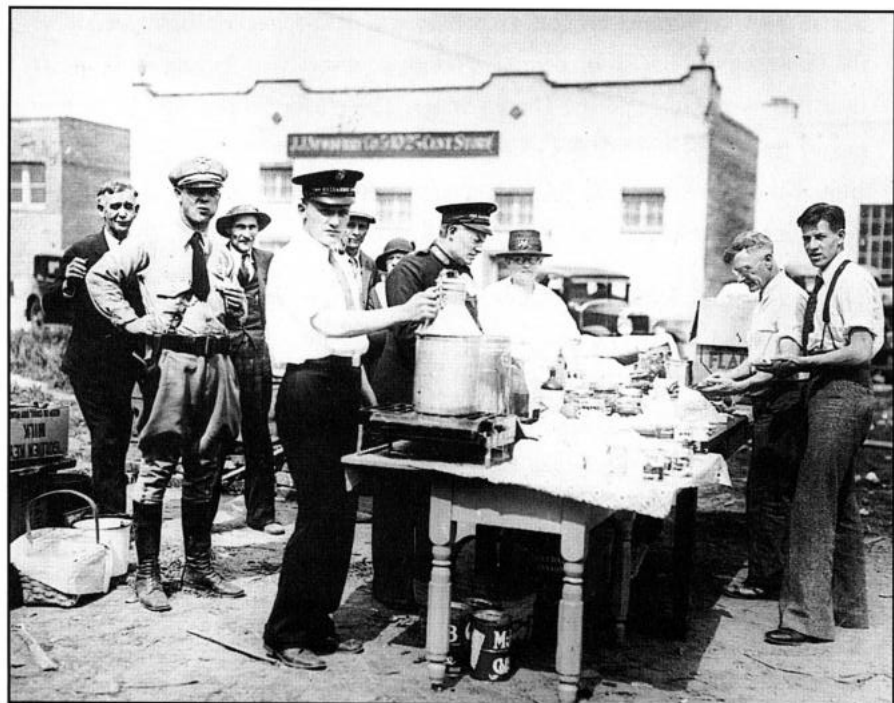
As time passed and speculators acquired enough history to “play,” instead of blindly investing in the market, the more astute student realized that the real money was made on the basis of trends, and not fluctuations on individual stocks. An overall

pattern became clear and the notion of market trends, germane to political and historical events, became the new angle of interest. This slant involved sizing up the main market movements associated with basic economic conditions, a shift from short to long term goals. One of the most accurate tools to evolve from this new outlook was averaging. The first widely distributed effort to compile averages was published by a firm still known as Dow Jones & Company, which printed a daily financial letter in the 1880s. These averages were based on the eleven stocks considered to be the most active and representative on the Exchange. More than an attempt at offering investment tips, averaging was developed as a measure of major economic shifts, foretelling periods of prosperity and depression. Armed with averages, a serious player could gain what has become known as "position." This did not help, however, when the signs began to point from a decade of prosperity to a great fall in the market.

DISSECTING THE CRASH

September 1929 was a month of extremely high volume trading within the main room of the NYSE. Around the perimeter of the floor were eighteen horseshoe-shaped trading posts, twelve in the main room and six in the smaller room next door. Each post handled about 75 stocks. Brokers stood at these posts and shouted his orders to buy or sell. This loud and complicated business became known as the auction. Eighteen hundred telephones and 75 Teletype machines lined the walls of the enormous trading room, where floor clerks took orders and relayed them to the brokers. Information on each sale was sent off the floor, via pneumatic tubes, and ended up in a room on the fifth floor. News of the transactions was sent out on the ticker tape and appeared in less than two minutes on tickers situated across the country giving current stock prices.

Sept. 3, 1929 was a scorchingly hot day. 4,438,910 shares were traded, about average for that year. With most New Yorkers on Coney Island or on beaches along the Long Island Shore, the seven blocks that made up the financial district were extremely still. There was no way to predict that the long decade of prosperity, started after World War I, would soon come to a sudden and violent end. The Jazz Age, with its overnight millionaires and daring dance of Flappers, was doomed. American business would never be quite the same.



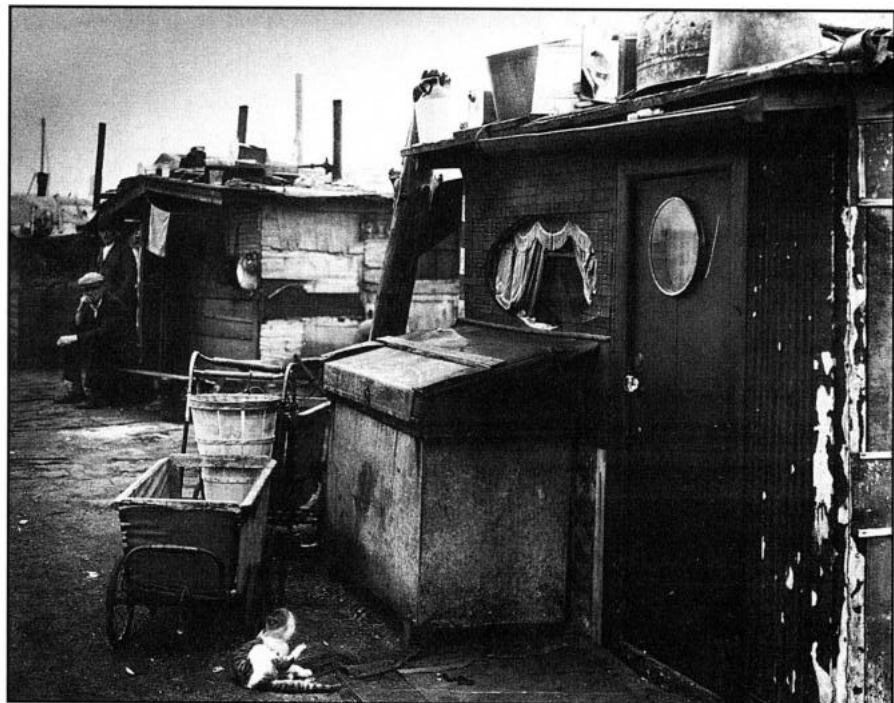
"Everybody ought to be rich," wrote Democratic National Chairman, John Raskob in the *Ladies Home Journal* in February 1929. Apparently the public agreed. That summer over a million people held stock on margin. Playing the market in 1929 was, along with baseball, America's favorite pastime. The plenitude of credit and the ease of buying on margin encouraged people to invest more than they could afford. If the money borrowed from a broker was still outstanding when a stock fell, the stock would be sold for whatever it was worth at the moment. This was a dangerous game, but only a few sober voices of warning could be heard. One respected banker, Paul Warburg, warily predicted that if the unrestrained speculation did not end, there would be a market collapse and a nation-wide depression. Most people, indeed most experts, did not heed his words. Stock prices were at an all-time high on that September day.

With so much money invested in speculation, few people were buying the durable goods that had begun to stockpile in the factories. When industrial production slowed down in response to the lack of demand, a decline in employment soon fol-

lowed. That fall another economic situation was developing which would add to the escalating conditions for disaster. Foreign countries were buying more goods than they were selling to the United States. These nations soon had to borrow money from the United States to repay their debts. Unstable political conditions around the world often led to governments defaulting on their loans. That year Peru alone had defaulted on a \$90 million debt.

Throughout the month of September stock prices rose and fell, but by month's end stocks had tumbled to their lowest marks for the year. "Unless we have a panic—which no one really believes will happen—stocks have hit bottom," wrote R.W. McNeel, head of a Boston-based financial service. Confidence, however, remained strong. The decade had been so prosperous no one could see an end to the party. Prices continued to rise and fall precipitously. Finally, in early October the American Bankers Association nervously asked the Federal Reserve Board, the economic policy making committee of the government, to investigate the practice of brokers' loans to speculators. The Reserve Board could either encourage or discourage the use of credit by raising or lowering the rediscount rate to the twelve Federal Reserve Banks. The Board declined to raise its rediscount rate immediately, but it did send out letters to the banks instructing them to curtail loans that would be used for the purposes of speculation. During the weekend of Oct. 19, 1929 with stock prices continuing their downward turn, brokers began to send out telegrams requesting extra margin to cover their mounting losses. Speculators had to empty their savings accounts to cover these demands, which resulted in a worrisome tax on bank reserves.

When the opening gong sounded on Monday, Oct. 21, 1929, there were 1375 members of the Exchange, up 25 percent from the start of the year. Each and every broker was on the floor that morning as prices tumbled in a wave of sell orders. The volume of sales was so high that the ticker tape was unable to keep up with transactions and fell dangerously behind in its report. Brokers from cities across the country soon joined in the selling melee. With this further increase in sales, the tape fell further and further behind. Speculators were confused as to current stock prices, which increased apprehension and further spurred sell orders. The tape only caught up one hour and forty-five minutes after that day's closing bell sounded.



6,091,870 shares had been traded, the third highest volume in history to that time. Prices recovered slightly in the days that followed, but the biggest bull market of the century had effectively ended. On Wednesday, Oct. 23, 1929, prices began to fall again, but this time they never recovered. That afternoon 2.6 million shares were traded and there was no final price rally. Paper losses totaled over 4 billion dollars. It was the first real major crash of the market.

Brokers gathered in hotels and speakeasies to discuss the day's events. They began to talk openly of the possibility of an even greater crash the next day. Rumors were rampant, of the collapse of banks and brokerage houses, of busted speculators who couldn't come up with more margin, even of suicides jumping from Manhattan's great skyscrapers. No matter how dire the talk, no one could imagine the extent of despair and damage the morning would bring. The next day was Oct. 24, 1929, Black Thursday.

Black Thursday started quietly, but by 10:30 the ticker was almost an hour behind trading and nobody could determine actual prices. Large blocks of stocks placed on

the market by pools began to amass faster than buyers could be found. Selling gained momentum and stop-loss sales were ordered. Phone lines into the Exchange were overwhelmed. There was no way to get through to the New York brokers. Western Union sent record-breaking numbers of cables that day. A nationwide panic was imminent. In order to bolster confidence and steady the market, prominent bankers joined forces and bought up large amounts of "blue chip" stocks like US Steel, Radio Corporation of America, AT&T. By day's end the stocks that made up the "average" had appeared to rally through the concerted efforts of the bankers. Although effective, it was only a show and countless other, less visible stocks fell through the floor. For many people the day of panic brought financial ruin and the end of hope. The days that followed offered no respite.

The morning of Tuesday, Oct. 29, 1929, was prophetically rainy and gloomy. As soon as the market's opening gong sounded, enormous blocks of stock were put up for sale at any price. The bankers who had united earlier didn't make public the fact that they sold the large volume of stock purchased just a few days earlier. Panic set in and prices spiraled downward. Although phone and telegraph lines were jammed, in the first half hour of the market day 3.3 million shares traded hands. Large corporations, which up to this time had been freely loaning money to brokers at high interest rates, sensed the panic and called in the loans. The crisis deepened. The bankers' consortium saw that without help the brokerage houses would become insolvent. The bankers reluctantly authorized a billion dollars in loans to brokerage firms. This was done with the full knowledge that the firms' collateral could very well be worthless by the end of that market day. When the Exchange finally closed that afternoon the 29th of October had earned the dubious distinction as the most devastating day in NYSE's history. Billions of dollars in market values had been wiped out. Sixteen million shares had been traded. The Dow Jones average fell 30.57 points. That night, the Board of Governors, who had administrative free-range over the market, met to consider closing the exchange entirely. Although Wall Street was in a state of collapse, the Governors decided to open the next day. It did not matter. The great bull market of the last decade was dead, dying with the loudest crash the world had ever heard. The next morning the banker, Richard Whitney, announced the market would close after all, for the rest of the week. It was time for rest, reflection and an attempt at mopping up.



“THE LAST DAY OF AN ERA”

Even after Black Tuesday prices fell, Wednesday, Nov. 13 was said to be the last day of an era. On this day, the lowest point in the crash was reached, but the market's lowest prices would not occur until July 8, 1932. In 1929 the average price of a stock had been cut in half. Stock prices fell steadily for the next two years and ushered in the Great Depression. When President Franklin Roosevelt took office in 1933 he took a number of steps to buoy the economy, and more importantly, to safeguard the nation from another market crisis. The Glass-Steagall Banking Act was quickly enacted, thus forever prohibiting banks from speculative investments using savers' money. Further legislative action was taken with the enactment of the Securities Act of 1933, which brought new controls over the market. The Securities and Exchange Act of 1934 established the Securities and Exchange Commission (SEC) to closely regulate the behaviors of Wall Street. These acts worked to limit the amount and sources of credit for speculative investing. Strict requirements were established for purchasing stocks on margin, pool operations were outlawed and

full disclosure of all stock and bond information became a requirement of law. Corporation insider speculation was also strictly regulated. Lessons were learned, but the exchange is still an unpredictable place, and history repeated itself as recently as Black Monday, October 1987.

BLACK OCTOBERS

Ironically the crash of 1987 took place in October, just as it had in 1929, but there, for the most part, the comparison ends. The most recent debacle was not centered on Wall Street. Highly evolved technology and interwoven international currencies have brought forward a tight intermarriage between the world's economies. The Street is only one highly visible strand of the world's stock market. A domino effect occurred between the exchanges of New York, London, Tokyo and Hong Kong. The Friday before Black Monday, October 19, the Dow Jones fell 100 points. Monday morning the market wobbled, fell 508 points and erased 500 billion dollars in market values, twice the decline of 1929. Worldwide computers, programmed to sell as prearranged lows were hit, exploded into an automatically piloted financial nuclear bomb, setting off the well-established prescription for panic without the balance of human minds to consider the effects. Once again the pendulum had swung from prosperity to depression, without experts heeding the warning signs. Some lessons are hard learned.

Even with growth, expansion and the introduction of the "thinking machine," Wall Street is still a place of tradition, of living history and the lure of unimagined riches. Widely accepted as an arena in which to prove intellectual prowess and financial acumen, the Exchange continues to attract the attention of the world. Still a circus of immense vanity and power, the Exchange proves the aptness of the French proverb, the more it changes, the more it stays the same. It was perhaps George Santayana who said it most succinctly. "Those who cannot remember the past are condemned to repeat it."

Ironically, the Street, now shadowed by steel-skinned skyscrapers and hemmed in by the 150,000 people who work in the world's most visible financial district, is still physically narrow. The blindingly fast computers and international connections have done much to change the lay of the land, but Wall Street still caresses the tip



of Manhattan's lowlands, from Trinity Church where Hamilton is buried, to the river's edge. It still follows the ghost of the wall the Dutch settlers built to protect themselves from dangers unknown and the loss of irreplaceable chattel.

The SEC: An Introduction

WITH AMERICA SUNK INTO THE MIRE OF THE WORST ECONOMIC DEPRESSION in its history, and the majority of the American public angry at Wall Street, Franklin Delano Roosevelt passed the Security Act of 1933 to investigate the causes of the crash and to insure that it never happened again. Thus Washington D.C. became not only the seat of governmental power, but also arbiter over the financial dealings of the nation. Wall Street was outraged at this federal interference and chose Richard Whitney as its spokesperson.

"You gentlemen are making a great mistake," he said. "The Exchange is a perfect institution!"

Nevertheless, the federal regulation acts and commissions remain a powerful watchdog over commodities trading. In the alphabet soup language that has become a lingering icon of the New Deal era, the SEC, or Securities Exchange Commission, is an outgrowth of the Security Act of 1933.

The SEC is a five-member body appointed by the President of the United States. The Commission was primarily established to protect the investing public from misrepresentation and various other abuses. Specifically, the SEC was granted unique power and authority requiring the publication of all relevant facts regarding any corporation issuing stock, or "full disclosure". The agency was also charged with the mission to prevent any clandestine type of manipulation of stock prices, limits the amount of borrowed monies that may be used to speculate and outlawed the idea of fixed commissions on stock sales. The Stock Exchange, for the first time, was accountable to the public, and open to official scrutiny.

The original commission comprised of two staunch new dealers, and two liberal republicans. The chairman of the committee was a famously successful speculator, Joseph P. Kennedy, who had managed to sell all of his personal holdings right before the crash and avoided any financial hardship. Kennedy had also proved himself knowledgeable of many of the market tricks he was installed to prevent.

Kennedy's fair and thorough execution of his job made the Exchange reform one of the most successful of the new deal era.

The IRS: An Introduction

THE INTERNAL REVENUE SERVICE IS AN ENFORCEMENT AGENCY, AN ARM OF the Department of the Treasury, charged with upholding the Internal Revenue Code of 1954. One of the IRS' tools of enforcement is the audit. Approximately 1.1 million tax returns are audited every year. Federal income tax returns are routinely checked for mathematical accuracy by computer.

Returns are screened by a computer program known as the Discriminant Function System. DIF is a mathematically based system involving the assignment of *weight* to each entry on the tax return, and the production of a score for each return. The higher the score in the light of possible errors such as might be indicated by each "questionable" entry, the higher the possibility of an audit. Returns spit out by DIF as "ostensibly improper deviations from the tax laws" to use IRS jargon, are then screened manually, and those that turn up confirming the highest error potential are selected for closer scrutiny.

Returns might also be selected for audit as part of the random samples under the Taxpayer Compliance Measurement Program (TCMP) designed by the IRS as a long-range program to evaluate taxpayer compliance characteristics.

Glossary

AIR POCKET STOCK

Stock that falls sharply, usually as a result of negative news such as unexpected poor earnings. As shareholders rush to sell, and few buyers can be found, prices fall dramatically like an airplane hitting an air pocket.

AMERICAN STOCK EXCHANGE (AMEX)

Stock exchange with the biggest volume of trading in the United States. Located at 86 Trinity Place in downtown Manhattan, the Amex was known until 1921 as the Curb Exchange, and is still referred to as the Curb, or the Kerb. The stocks and bonds traded on the AMEX tend to be small to medium size companies as opposed to the New York Stock Exchange.

AUDIT

Professional examination and verification of a company or individual's accounting documents and supporting data for the purpose of rendering an opinion as to their consistency and accuracy.

BANKRUPTCY

State of insolvency of an individual or an organization, or an inability to pay debts.

BEAR MARKET

Prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.

BIG BOARD

A popular name for the NYSE. Companies listed on the Big Board are, as a rule, larger and better established than firms listed on the American Stock Exchange.

BLOCK

Large quantity of stock or large dollar amount of bonds held or traded. As a general guide, 10,000 shares or more of stock and \$200,000 or more worth of bonds would be described as a block.

BLUE CHIP

Common stock of a nationally known company that has a long record of profit growth and dividend payment and a reputation for quality management, product and services. Blue Chip stocks are typically high priced and low yielding. IBM, Du Pont and General Electric are examples of blue chip stocks.

BOND

Any interest bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, at specified intervals, and to repay the principal amount of the loan at maturity. Bondholders have an IOU from the issuer, but no ownership privileges as the shareholder does with the exchange where the securities are traded.

BULL MARKET

Prolonged rise in the prices of stocks, bonds, or commodities. Bull markets usually last at least a few months and are characterized by high trading volume.

BUYING ON MARGIN

Buying securities with credit available through a relationship with a broker called a margin account. Arrangements of this kind are closely regulated by the Federal Reserve Board.

CLOSING PRICE

Price of the last transaction completed during a day's trading session on an organized securities exchange.

CORNERING THE MARKET

Purchasing a security or commodity in such volume that control over its price is achieved. Cornering has been illegal for many years.

COVER

To buy back contracts previously sold; said of an investor who has sold stock or commodities short.

DIP

Slight drop in securities prices after a sustained uptrend. Analysts often advise investors to buy on dips, meaning purchase when a price is momentarily down.

DISCOUNT RATE

Interest rate that the Federal Reserve charges member banks for loans, using government securities as collateral. This sets an interest floor since banks set their loan rates a notch above the discount rate.

FEDERAL RESERVE BOARD

Governing board of the Federal Reserve System. Its seven members are appointed by the President subject to Senate confirmation, to serve 14 year terms. The Board establishes the discount rate, and regulates the purchase of securities on margin.

FUTURES MARKET

Commodity exchange where futures contracts are traded. Different exchanges specialize in specific kinds of contracts. A futures contract is an agreement to buy or sell a specific amount of a commodity in a stipulated month. The price is established between buyer and seller on the floor of a commodity exchange.

GOVERNMENT SECURITIES

Securities issued by US government agencies, such as the Federal Home Loan Bank. These are also called agency securities.

INSIDE INFORMATION

Corporate affairs that have not been made public are considered inside information. Those intimately involved in the firms' workings who would know in advance, for example, if the company was a target for takeover, or there was a reason profits would suddenly fall, are called Insiders. Under the SEC rules and regulations, an Insider is not allowed to trade on the basis of this type of information.

INTERNAL REVENUE SERVICE

US governmental agency charged with collecting nearly all federal taxes, including personal and corporate income taxes, social security taxes, excise and gift taxes. The IRS administers the rules and regulations of the US Department of the Treasury and investigates and prosecutes tax illegalities.

JUNK BOND

Bond with a speculative credit rating given by Standard & Poor and Moody's rating system. Junk bonds are issued by companies without long trading histories or by those with questionable credit strengths. Junk bonds are more volatile and pay higher yields than investment grade bonds. Institutions with fiduciary duties are not supposed to trade in junk bonds.

MARGIN

Amount the customer deposits with a broker when borrowing from the broker to buy securities. Under Federal Reserve Board regulation, the initial margin required since 1945 has ranged from 50 to 100 percent of the security's purchase price. Since the mid-1980s the minimum was 50% of the purchase or short sale price, with a minimum of \$2000. Minimum maintenance requirements are imposed.

MOST ACTIVE LIST

Stocks that have the largest number of shares traded on a particular day. Heavy trading may be caused by an extraordinary event such as a takeover, or higher than expected earnings or heavy trading by institutions.

NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS

Owned and operated by the National Association of Securities Dealers; NASDAQ is a computerized system that provides brokers and dealers with price quotations for securities traded over the counter as well as many NYSE listed securities.

NEW YORK STOCK EXCHANGE

The oldest (1792) and largest stock exchange in the United States, located at 11 Wall Street in Manhattan, also known as the Big Board. The NYSE is an association governed by a board of directors headed by a salaried, full-time chairman. Voting membership is presently fixed at 1366 seats owned by individuals, usually officers of securities firms. Most members execute orders for the public, although a small percentage are Floor Traders, who deal exclusively for their firms' accounts. More than 1600 companies are listed on the Exchange, most are part of larger firms that are able to meet the Exchange's stringent listing requirements.

OVER THE COUNTER

A security that is not listed and traded on an organized exchange. Over the counter stocks are traditionally those of smaller companies that do not meet the listing requirements of the NYSE or the American Stock Exchange.

POOLING

Combining resources for an opportunity to share in a portfolio offering greater diversity and the chance of a better return of investment monies. Historically, investors pooled their resources in order to use their combined power to manipulate commodity prices to obtain control of a corporation. These pools are now outlawed.

POSITION

Investor's stake in a particular security or market. A long position equals the number of shares owned, a short position equals the number of shares owed by a dealer or individual.

QUOTATION

Highest bid and lowest offer price currently available on a security or commodity. An investor who asks for a quote on Acme, Inc., for example might be told 50 to 50.5 which translates as the best bid price (highest price any buyer wants to pay) is currently \$50 a share and that the best offer (lowest price any seller is willing to accept) is \$50.50 a share. These quotes assume a Round-Lot transaction, that is, 100 shares of stocks.

SEAT

Figurative term for a membership on a securities or commodities exchange. Seats are bought and sold at prices that are set by supply and demand. A seat on the NYSE, in the mid 1980s, sold for more than \$300,000.

SECURITY AND EXCHANGE COMMISSION

Federal agency created by the Securities Exchange Act of 1934 to administer that act and the Securities Act of 1933. The SEC is comprised of five commissioners serving a five year term. The statutes administered by the SEC are designed to promote full public disclosure of all entities issuing commodities and to protect the investing public against malpractice in the securities market.

SELLING SHORT

Sale of a security or commodity futures not owned by the seller. The technique is used to take advantage of an anticipated decline in the price or to protect a profit in a long position (see Position). An investor borrows stock certificates for delivery at the time of a short sale. If the seller can buy the stock later at a lower price to repay the debt, a profit results. If the stock prices rise instead, a loss results.

SPLIT

Increase in a corporation's number of outstanding shares of stock without any change in the shareholders' equity or the aggregate market value at the time of the split. In a split, the share price declines as the number of authorized shares doubles.

STOCK

Ownership of a corporation represented by shares that are a claim on the corporation's earnings and assets. Common stock usually confers voting rights and preferred stock, while it does not confer voting rights, does represent a higher claim on dividends and earnings.

TICKER TAPE

Relays the stock symbol and the latest price and volume on securities as they are traded to investors around the world. The name originates from the device's loud ticking sound that has been silenced by the use of a computer generated tape.

TIPS

Information passed by one person to another as a basis for buy or sell action in a security. This information is not readily available to the general public and is considered to be of material value. The SEC regulates the use of such information by insiders which translates as the best bid price (highest price).

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The Market Reporter

Causes Of The Depression

Economic gloom could have been forecasted well before 1929. Agriculture and industry had been plagued by overproduction. Wages and purchasing power lagged behind production as the middle class declined, creating a very poor distribution of wealth. There were many small bank failures as well as sharp declines in the railroad and textile industries. The European market had never fully recovered from the ruins of World War I. The restrictive Smoot-Hawley Tariff triggered economic isolation amongst most of the world's great trading partners.

Depression Legacy

As a result of the Depression, our economy ground to a halt, as did the economies of much of the rest of the world. Prices during this period plummeted. Production was met with a weak to non-existent demand, and consequently millions became unem-

ployed. Many people lost their life savings making starvation, homelessness and suicides commonplace.

The crash, however, was not without its silver lining. The manipulative practices of the banks, pools, and brokerage houses were reigned in by the Securities and Exchange Acts of 1933 and 1934. Even the man who presided over the stock exchange, Richard Whitney, was in jail for grand larceny by 1938.

Brighter Outlook

This brief article does not pretend to be a treatise on the economic consequences of the Great Crash and the causes of the Depression. However, we can safely say that after two and a half decades and a second world war, the stock market has reached a new high. Congratulations! Let us now hope that the lows of the past are forever behind us.

The Market Reporter

1928 In Review

With the new year upon us, we look back to 1928 with great satisfaction and forward to 1929 with confidence and anticipation. The year 1928 was one of unrivaled prosperity and expansion.

Radios and telephones continued to sweep the nation and find their way into each and every home. The great Mr. Henry Ford's Model A caught the imagination of our citizenry. Railroads, roadways and motion picture houses were constructed across the land. In short, Americans have never before been able to travel as freely, be entertained as readily, or communicate as easily as they do now.

The Dow Jones

There is no better reflection of our nation's health than the performance of the stock market. The Dow Jones Industrial Average began 1928 at 202.40 and closed the year at 300.00 for a

remarkable gain of almost 50 percent. Though marked by periods of unbridled speculation and margin liquidations, stocks proved to be resilient in the face of all adversity and confident in this country's future.

RCA Leads the Way

By way of example, The Radio Corporation of America (RCA) began 1928 at \$90.00 a share, traded to a high of \$420.00 on December 5, 1928 and closed the year at \$376.00 per share. This represents an amazing gain of 318 percent for the year! The General Electric Corporation began 1928 at \$136.00 and ended at \$222.00 per share for a yearly gain of 63 percent. We believe that 1929 will bring the same prosperity that was enjoyed throughout 1928.

Dow Jones Industrial Averages
Stock market hours
See page 2

The Market Reporter

Looking Forward to the Year Ahead

In the future, the healthiest businesses will continue to be the steel, telephone, radio, electric, and automobile industries. Though some contend that our nation's outlook is cloudy at best, newly-elected President Herbert Hoover is ready to take the reins of our economic powerhouse and move the country towards a new level of prosperity. We submit that BUSINESS WILL BE FINE IN 1929 and are prepared to take every advantage of this glorious bull market.

Starting Values as of January 2, 1929

Dow Jones Industrial Average (DJIA)	300.00
American Telephone & Telegraph (ATT)	195
General Electric Corporation (GE)	222
Radio Corporation of America (RCA)	376
United States Steel Co. (USS)	162

Market Trading Hours

Monday-Friday	10AM-3PM
Saturdays	10AM-1PM
Sundays	Closed
All Federal Holidays	Closed

The Market Reporter

Dow Milestone

Today marks an important milestone in the history of the stock market. Twenty-five years after the Great Crash, the market has closed above the high it made on September 3, 1929.

Some think the Stock Market Crash of 1929 only signified the end of an era. Others think that the Crash caused the Depression. As measured by the stock market, it is certain that the Crash began the economic decline that we have only now surpassed.

Economic Retrospect

In 1929, gross national product (GNP) stood at \$104 billion, the industrial production index at 119, and unemployment was hovering around 5%. By 1932, GNP had dropped to \$58.4 billion, industrial production to 64, and unemployment had risen to 37%. The great economic engine of the 1920's had been nearly halved in three short years.

The stock market average began 1929 at 300.00, reached a high of 381.17, and dropped to 248.48 by year's end. On July 8, 1932, stocks traded at 41.22 for a stunning decline of over 86%. Did the crash cause this economic disaster? _____

Bubble Bursts

Many experts at the time viewed the crash as a healing event, in which the bursting of the great speculative bubble would allow the economy to resume a steady, sustainable growth. However, the economy did not truly rebound for another ten years. The causes of the Depression go far beyond wild speculation and the eventual crash in the stock market.

**Causes of the
Depression-
see page 2**

Modern Times

GETTING STARTED

Rags to Riches™ requires an IBM or 100% compatible 286 machine or better. The game will take up about 15MB on your hard disk after installation. You will need about 575K of free RAM to play the game. If you turn off the music and/or sound effects, it will run using much less RAM.

LOADING INSTRUCTIONS

1. Boot your computer with DOS. If you have a mouse, make sure it is connected and the driver is installed.
2. Insert the disk marked DISK ONE into your disk drive.
3. Change the disk prompt to the drive that your DISK ONE is in by typing "A:<ENTER>" (or "B:<ENTER>") without the quotes.
4. To install Rags to Riches™ to your hard disk, type INSTALL<ENTER>.
5. Follow the instructions there to install Rags to Riches™.
6. When finished installing, you should be in the RAGS directory. (You can enter your RAGS directory by typing CD\RAGS.) Type RAGS<Enter> to begin play. You may want to check for a README.DOC file containing any last minute changes before playing.

QUICK START

We strongly suggest that you read the Rags to Riches™ Game Manual to fully understand the complexities of the game. However, if you have a strong desire to start the game right away without reading the manual, please note the following:

1. After you boot up Rags to Riches™, a title screen will appear as well as a series of options menus. If you just want a quick sampling of the game, press the <Enter> key until you arrive at the Scenario Selection. Your choices are to play a 1929 or a modern scenario. The 1929 Stock Market Crash Scenario is based upon actual historical documentation, while the modern scenario is based loosely upon how the present day stock market reacts to current events. No matter which scenario you choose, the game is played in the same general manner.
2. The game begins after your parents give you enough money to start your own business in a one room office on Manhattan's Lower East Side. The object of the game is to build up your business from a hole-in-the-wall operation to a financial giant in one year. You do this by buying and selling stocks and commodities. You will have

employees, industry insiders, and your own understanding of financial trends to help guide you.

3. In your office there are many items that need to be used in order for you to be a successful financier. At your disposal are items such as a phone, computer, newspaper, Rolodex™, television, and radio. You will need these items to gather data and chart patterns to enable you to act wisely when it comes to the buying and selling of certain stocks and commodities.

If you are using a mouse, move the mouse cursor to the item you want to use and then click the left mouse button. Click with the right mouse button if you want HELP about that item. If you are using the keyboard, refer to the section KEYBOARD COMMANDS. For further explanation of the uses of these items, please refer to your game manual.

4. You are also going to have to hire employees of various responsibilities. In order to hire employees, first phone Jivaro, a true Wall Street headhunter. Then, using the doors on the left side of the screen, click the position that you would like to fill. Jivaro will tell you how much it will cost to fill the position. You may hire and fire employees at will. NOTE: It is recommended that you start slow. The only true necessities at the beginning of the game are a secretary and pit runner. You will want an apprentice to build your client base, too.

5. While most of the game takes

place in your office, there are things that take place outside of the office that should be noted. The game works on a time table so it is important to know when the market opens and closes. You will also need to go home on a daily basis to get your beauty rest. In the modern scenario, the market is open in New York from 9 a.m. until 5 p.m.

The game also includes a variety of "insiders" who can help you make money. You may meet such people out at lunch. It is then recommended to get their phone numbers, so you can add them to your Rolodex, and then call them to see if they have a little advice that can be helpful to you. But beware, the SEC may get suspicious if you start hanging around too many shady characters!

Once you have some spare time, you may want to go shopping. During business hours, you can go shopping at the mall and show the world just how much money you are worth. If you click on the Credit Card icon beneath the door, the game will transport you to a mall. To go inside a store, press the number that is marked on each storefront. Each item in the store has an associated number. Click on the price tag or press the appropriate number to buy the item. Repeating this action puts it back up for sale. When you are happy with your purchases click on the cash register or press <Y>. Click on EXIT or press <N> to exit the store without buying anything.

MOVEMENT

USING A MOUSE: Rags to Riches™ is easiest to play if you use a mouse. Rags to Riches™ has an easy-to-use interface, in which all you need to do is to move the mouse cursor around, until you reach the object or option you want to use. Then click the left mouse button to select it. When the mouse cursor is on something that can be selected, it changes to a (\$) icon.

NOTE: For the Files and Options Menus, the words highlighted in green on the menu will be the selected option if you click the left mouse button.

USING THE KEYBOARD: Do not fret if there isn't an operational mouse around for you to use! Rags to Riches™ can also be easily played by using certain keys. Below is a list of the command keys and their functions:

Arrow keys...to move up or down or side to side in menus.

Esc cancels an option.

Enter selects an option.

Alt X is used to exit the game.

Alt T allows you to see the time in three time zones.

Alt F selects the Files Menu.

Alt O selects the Options Menu.

Alt L loads a previous game.

Alt S saves the current game.

Alt P pauses the game.

Numbers 1-6 are used to select your staff.

- 1.....Secretary
- 2.....Apprentice
- 3.....Lawyer
- 4.....Accountant
- 5.....Pit Runner
- 6.....Informant

The following keys will help you access objects in your office:

T.....allows you to change TV stations (Modern scenario only)

C.....allows you to view bonds, chips, gold, or oil on your computer

G.....shows full-screen graphs

R.....flips the cards in your Rolodex

P.....calls the person currently shown on your Rolodex

N.....shows the full-screen newspaper

D.....brings up the door icons of places to go outside your office

M.....allows you to change music stations on your radio

Z.....sends you straight to sleep at your desk

FILES MENU EXPLAINED

New Game: This option lets you start a new game at any time. If the game you are playing is looking too grim, you can give up on it and start over with this option. This option is especially useful if your business is ready to go bankrupt.

Load Game: If you have saved a game before, this option recalls the game and picks up where you left off. After selecting Load Game, the Load Window will appear displaying a list of your saved games (if any). Select the game you wish by pressing the <Enter> key or clicking on it with the left mouse button. Note that you will lose the game you are currently playing.

Save Game: Choose this option if you want to save a game to disk while the game is still in progress. Once this option is selected, choose

a slot where you want to save the game in the window and then type in a name to save the game under. Press <Enter> when finished.

Pause: This is a particularly useful option if you need a temporary break from Rags to Riches™, since time is of the utmost importance in the game.

Retire: Terminates the game before the year's end, but moves you through an end game sequence and makes you eligible for the Hall of Fame top scores.

Material Acquisition: This option shows you what beautiful items you have purchased with your hard earned money.

High Scores: Lists the top financial wizards who have dared to play Rags to Riches™.

Exit to DOS: When you have finally had enough excitement for one day and it is time to get back to a real world scenario, this is the option for you.

OPTIONS MENU

Time Options: Allows you to change the game speed, your arrival time at work, the time you regularly leave for home, and the number of hours sleep that you want when you decide to sleep in the office. You can also turn off the "home" screen which appears when you go home.

Charity Options: The object of the game is to make money. However, if you feel it somewhere in

your heart to donate money to souls who are less fortunate than yourself, call the nun in your Rolodex. This option lets you set how much money you want to donate to the charitable organization, Sister Mercy.

If you are not a charitable person, this option can still be very useful if you are operating illegally. If you happen to be a big contributor to Sister Mercy, it will help you to be viewed as a highly respectable member of society instead of the crook you really are.

Purchase Options: Allows you to alter the number of shares of each commodity you buy or sell at a time. ASK will have the pit runner ask you how many shares each time you buy or sell a commodity. There is also a safety net feature. If the safety net is on, your pit runner will not buy a commodity if the price fluctuates by more than 5% (or the amount you choose) in the direction that you did not want it to go.

Random Events: This option lets you choose if you want random events to enter your daily life.

Sound Options: This choice gives you the ability to toggle on and off the phone ringer, music and sound effects.