

Pros and Cons of Investing in Wall Street

In a capitalistic economy, most corporations are not controlled by public interest organizations, but by private interest groups. This neoliberal approach to ownership enables corporations to sell their shares in Wall Street to finance their activities. Corporations, and especially big corporations, pay fees to investment banks like Goldman Sachs to place their shares on Wall Street and sell them to investors.

In Wall Street, investors can trade shares of big corporations. These shares are an investment opportunity for individuals that do not want or have money to start a business themselves. These individuals can finance big corporations with their savings, and share the risks of Wall Street CEOs' activities as well as the gains. Wall Street financial advisors ask investors to pay fees in exchange for the promise of maximizing the gains from investments.

Below is a non-exhaustive list of the pros and cons of investing in stocks.

1. Wall Street stocks: advantages

Wall Street stocks have a number of advantages which make them a desirable investment:

- Wall Street stocks have the potential for delivering very large gains.
- The potential loss from stock purchased with cash is limited to the total amount of the initial investment.
- Most Wall Street stocks are very liquid: they can be bought and sold quickly at the market price prevailing at each point in time.
- Although past performance is not a guarantee of future performance, stocks have historically offered very high returns in relation to other investments.

2. Wall Street stocks: disadvantages

Wall Street stocks have some distinct disadvantages, of which individual investors should be aware:

- Stock prices are risky and volatile. Prices can be erratic, rising and declining quickly, often in relation to managerial decisions of the CEOs of big corporations, which individual investors cannot control.
- Stocks represent ownership of a business, and hence investors are the last to get paid, like all other owners. A corporation must first pay its employees, suppliers, creditors, maintain its facilities and pay its taxes. Any money left can then be distributed among its owners.
- While investors are owners of small fraction of big corporations, they do not enjoy all of the rights and privileges that the owners of a private business do.
- Investors in a big corporation may not have access to all information about the corporation. This limited information can sometimes cause wrong financial investment decisions.