There are thousands of stocks, but investors have limited time and resources to use in researching stocks. The economic concept that refers to this problem is scarcity.

The primary function of the economy's financial institutions is to bring borrowers and lenders together. Financial institutions include, among others, banks, credit unions, and insurance companies. In today's global financial market, savers and investors from around the world can be brought together.

A major disadvantage of organizing a business enterprise as a sole proprietorship is the difficulty of raising funds.

Market capitalization measures the size of a company based on the dollar value of the company.

Prices will probably rise for the shares of a particular corporation when buyers get new information that the company's profits will increase. Conversely, prices will probably fall for the shares of a particular corporation when sellers get new information that the company's profits will decrease.

If the demand for the shares of a particular corporation decreases, the price will probably fall. Likewise, if the demand for the shares of a particular corporation increases, the price will probably rise. An equilibrium price exists when the quantity of shares demanded at a given price equals the quantity of shares supplied.

A recognized function of the Securities and Exchange Commission is to require accurate disclosures of companies' financial information.

In a Ponzi scheme, the money to pay off early investors comes from money paid into the scheme by later investors.

 

Well-informed investors losing money after buying the stock of a legitimate but disappointing high-tech startup company would be evidence of neither a government failure nor a market failure. Mutual fund managers who meet legal requirements for disclosure but still take more risks than shareholders expected would be evidence of a market failure. Federal housing policy requiring lenders to make risky loans to less qualified customers who then were unable to make their mortgage payments would be evidence of a government failure.

The peak and trough of a business cycle are similar because they are both economic turning points. Average weekly hours, manufacturing; the vendor performance diffusion index; and the money supply, M2 are among the ten leading economic indicators. Some leading economic indicators go up while others go down.

Economists have found that stock prices tend to rise before overall GDP rises. When stock prices go down, this usually results in decreased consumption and decreased investment in the economy.

The stock market crash of 1929 was followed by an economic depression. The crash of 1987 saw the worst one-day fall in stock prices in the twentieth century. The crash of 2007 was followed by an economic recession. The primary cause of the recession of 2007-2009 most likely was the collapse in the housing market followed by widespread weakness in the financial markets. After the 1987 crash, the Fed acted quickly to ease monetary policy, provided money to increase bank reserves, and reassured banks—all of which helped to prevent a recession.

The purpose of insurance is to spread risk out over a large number of people.

Market-price risk is risk related to the up and down fluctuation in the prices of an asset.

The exchange rate between the U.S. dollar and the yen was 80 yen per one dollar. Now it changes to 70 yen per dollar. In this example the dollar weakened with respect to the yen. If the exchange rate changes to 90 yen per dollar, the dollar strengthens with respect to the yen. A strong dollar is not always good for the U.S. economy.