Edward J. Dodson

THE STOCK MARKET AS CASINO: COULD IT BE TAMED?

Investing in the stock market involves significant risk with the promise of significant reward. One can reap huge gains or experience huge loses of invested funds in a matter of days or even hours.

While investment managers and analysts describe the market dynamics in terms of certain fundamentals, the reality is that so long as only a small minority of existing shareholders entertain selling shares, a sellers' market prevails.

One bit of troubling news -- or even an unsubstantiated rumor of troubling news -- and the reverse occurs and the number of interested buyers is greatly reduced. Those convinced prices might fall even more take steps to unload their shares in an effort to shift assets to the shares of other firms, to indexed mutual funds, to bonds, to real "hard assets" (such as real estate, land, precious metals or collectibles).

A fair argument to be made is that the market for shares of stock diverts a huge percentage of financial reserves that would better serve humanity if directed to important societal goods and services.

If this assertion is accepted, when, then, might be done to tame the casino character of how shares of stock are issued and exchanged?

I have given some thought to the problem and have come up with one idea worth sharing. I invite readers to respond with your own idea or ideas (or constructive criticism of what I propose).

What if corporations could be required by law to distribute as dividends all profits above retained earnings necessary for operation of the firm. Investors would then consider income generation from ownership of shares rather than the potential for gain from sale of the asset.

Would this not result in share values being established by market capitalization of actual (and, to some extent, forecasted) distributed income?