

# [Introduction instead of the finance dominating the](https://assignbuster.com/introduction-instead-of-the-finance-dominating-the/)

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## Introduction

Watered stock gets the assumption of stock with completely paid-up status. The stock remains fictitiously remunerated but centrally, the real status indicates per value as unpaid. Such stock is meant to represent the company’s worth because stating of the company’s shares indicates existence of utmost good faith from the investor as he/she issues resources for investments to the company’s treasury in the intension of achieving dividends, but the fact remains that the money is never paid to treasury. In a close link to Mitchell (3), watered stock purports to represent the company’s economical worth but fails due to lack of sustentative evidence over existence of the real value. According to Mitchell (2), the stock market became the core unit of the economy through emergence of the modernized corporations and the security markets.

The stock markets now are a strong driving force of the economy. The birth of gigantic modernized firms, decades ago is an indication that the control has a long lifespan. At present, business transformation studies indicates that new companies are merging at an alarming rate and thus changing the financial, legal, social and economical status of firms. The big companies are thus in a position of controlling shares or stock by engaging huge manufactory and dumping into the markets. The firms are able to make huge profits from the financial and legally acceptable manipulations as opposed to the anticipated technological, managerial, marketing and distribution advancements.

The big manufactures end up as stock speculators as opposed to the economically viable bond or shares buyers/sellers. The situation causes a scenario where instead of the finance dominating the manufactory industries, the wide spread stock ownership dominates finance. Stock markets began as a tool to assist up-coming businesses, but today the empowered managers utilizes the stock markets as a precise tool for managing tasks within firms (Mitchell, 3).

It is the drive behind investments, decision making, planning and operating that causes a great effect to the overall economic development. Watered markets transform manufactory business institutions from the producers and suppliers they ought to be, to profit focused institutions. Today the drive behind creation of business stock markets is no longer the production and real supply, but rather modern stock markets are the key factors most businesses are merging and focusing upon. According to Mitchell (7), the development of watered stock market came about in various distinct stages for instance; the business mergers in the aim of enhancing direct production caused the watered stock. Business mergers were mainly as an injection of new investors into the market segments.

## Effects of the stock markets

The fine understanding of watered stock presented to potential investors today, is the inequitable ownership of an entity such as a company because the worth of a venture at any given time is not equitable to the real investment and for that reason, most investors understand watered stock as security fraud.

The security and exchange commission as an agency often regulates the securities and thus has the responsibility of protecting the investors. With he current trends the insecurity that lead to illegal or manipulative acts and fraudulent dealings world wide, the dealings patterns have widely changed the way investors view the protection and supervision accorded by the commission. Collapse of prominent companies causes the investors to be holders of the watered stock when the company closes its dealing and forces them to pay up for its value. The investors are keen and the trends seem to indicate the need to stay safe by purchasing only low per stock. The no par or low par stock prevents one from high liability of the stockownership, in cases of a collapse.

## Works Cited

Mitchell, Lawrence.

The Speculation Economy: How Finance Triumphed Over Industry. San Francisco: Berrett – Koehler, 2007