## Critical Thinking Questions

29.

If you owned a small firm that had become somewhat established, but you needed a surge of financial capital to carry out a major expansion, would you prefer to raise the funds through borrowing or by issuing stock? Explain your choice.

30.

Explain how a company can fail when the safeguards that should be in place fail.

31.

What are some reasons why the investment strategy of a 30-year-old might differ from the investment strategy of a 65-year-old?

32.

Explain why a financial investor in stocks cannot earn high capital gains simply by buying companies with a demonstrated record of high profits.

33.

Explain what happens in an economy when the financial markets limit access to capital. How does this affect economic growth and employment?

34.

You and your friend have opened an account on E-Trade and have each decided to select five similar companies in which to invest. You are diligent in monitoring your selections, tracking prices, current events, and actions the company has taken. Your friend chooses his companies randomly, pays no attention to the financial news, and spends his leisure time focused on everything besides his investments. Explain what might be the performance for each of your portfolios at the end of the year.

35.

How do bank failures cause the economy to go into recession?