

Is the stock market a zero-sum game?



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I sometimes hear people say the stock market is a zero-sum game, meaning that if someone makes a positive return, someone else must make a negative return on the other side.

This is simply false. If Google makes 2X its current profits in 5 years and the common stock trades for the same multiple of profits as it does today, your return will be 2X your money. This return is not caused by someone else's loss. It is caused by the creation of value by Google over those 5 years.

Stock markets have been going up and up for as long as we can look back. That means all (or most) boats are coming up. As economic value is created, no one needs to lose.

