

Retail Investors Keep Getting Burned in the Stock Market. They're Piling In Again Now.

The little guy tends to invest in stocks in bull markets and get crushed in bear markets.

Barrons, By [Kenneth G. Pringle](#), April 15, 2026

About This Summary

- Early U.S. industries, like railroads, relied on retail investors, whose participation often led to market exuberance and magnified risks.
- Retail investor participation has historically fluctuated, with direct ownership declining from 91% post-WWII to 32% by 2005.
- The SEC just moved to drop a rule that is expected to juice retail trading.



Wall Street's ambivalence toward retail investors was summed up by Joseph P. Kennedy Sr., explaining what convinced him to get out of the stock market before the Crash of 1929. It was, he said, unsolicited investing advice from the guy polishing his wingtips.

"When the shoeshine boys have tips, the stock market is too popular for its own good," said Kennedy, who sold short and made a fortune, giving rise to an American political dynasty.

The story seems too perfect to be true, but it underscores the basic tension between Wall Street and individual investors. Wall Street wants their money, it just doesn't want *them*. In the eyes of the pros, the "little guy" is easily sold on the latest racket, and prone to panic when things go wrong. Yet, from the time of the railroads, U.S. industry has needed the capital that mom-and-pop investors can provide.

Regulators go back and forth on how much leeway small investors should have. The Securities and Exchange Commission just moved to drop the "[pattern day trader](#)" rule that required frequent traders to keep at least \$25,000 equity in their margin account. The change is expected to juice retail trading.

Individual participation has waxed and waned, rising in good times and falling after crises like the 1929 crash and the 2007-09 recession of 2007. In 2025, 62% of Americans reported owning stocks, directly or indirectly, [according](#) to Gallup, close to pre-2007 highs. The increase was driven in part by a pandemic-era surge of retail investing on apps like [Robinhood](#), where the rise of “meme” stocks have roiled the market.

Still, it remains a game for the rich. The [wealthiest 10%](#) of Americans own 87% of all corporate equities and mutual fund shares, with the wealthiest 1% holding half and the top 0.1% almost a quarter. Not much different from how it was in 1792, when 24 brokers [established](#) the precursor to the New York Stock Exchange, selling shares of shipping and insurance concerns to the city’s leading citizens.

The earliest American industrial enterprises, like [Slater’s Mill](#) and the Boston Manufacturing Co., were financed by wealthy individuals or small groups. Their workforces counted in the hundreds or thousands.

The railroads, which started linking cities in the 1830s, employed tens of thousands. They were America’s first big businesses, and required more robust funding sources. European banks, particularly Baring Brothers, were eager buyers. The railroads also tapped into the wealth of retail investors, targeting merchants and farmers along the routes who stood to prosper. Soon “rail mania” had folks coming to them.

The Western Railroad of Massachusetts reported that 2,331 individuals owned shares in 1838, and the Pennsylvania topped 2,600, Robert Sobol writes in [The Big Board: A History of the New York Stock Market](#). It wasn’t just Mom and Pop’s money that the railroads liked.

“Promotors of the new railroads preferred to have many stockholders rather than a few large interests,” Sobol writes, “because they could easily manipulate a firm in which no one held more than a small fraction of the shares.”

All the money without the unsolicited advice that bothered Kennedy—the perfect shareholder.

Then came the crash of 1873.

“The Panic. A Financial Whirlwind. Failures all Over the Country,” read the Washington, D.C., Chronicle’s headline stack on Sept. 20, 1873. The trigger was the bankruptcy of Jay Cooke, the man who helped [finance](#) the Union’s Civil War victory. He was one of the first to realize the value of the retail investor, and now his failure scared Mom and Pop away for decades.

They came back for the Roaring '20s, as the so-called Second, or American, Industrial Revolution bloomed. Powered by the internal combustion engine and electricity, this revolution churned out consumer marvels like automobiles and refrigerators, and it promised boundless prosperity. The public wanted in.

Retail investors helped the Dow Jones Industrial Average balloon from 103.55 at the end of 1919 to a high a decade later of [381.17](#) on Sept. 3, 1929. This army of new investors was enabled by the stock ticker, which allowed brokers to set up shop anywhere across the country, and by the margin loan. A client could put down as little as 10% of a purchase and the broker would cover the rest, using the securities as collateral. This allowed people of limited means to enter the market.

It also magnified the risk. If their stocks declined below a certain level—the margin—the client had to ante up more money, or lose everything.

Despite Kennedy's disdain, these investors were better informed than those of earlier generations, thanks to a financial press that arose to serve them.

“[W]e submit to *those who read for profit* a new financial publication having for its motto ‘the application of money to practical ends,’” *Barron's* wrote in its first issue, May 9, 1921. *Barron's* hit newsstands already crowded with periodicals offering investment advice, including sister publication *The Wall Street Journal* (founded 1889), *Forbes* (1917), and others long gone, such as the *Magazine of Wall Street* (1907-1972).

The new information age didn't stop the market built on margin loans from crashing down in October 1929, six weeks after the Dow's high.

And while Kennedy got out in time, his bootblack-adviser, Gennaro Pasquale “Patrick” Bologna, lost everything—except his shoeshine stand.

Joseph P. Kennedy Sr. got out of the stock market before the 1929 Crash. (George Rinhart / Corbis / Getty Images)

After that debacle, Mom and Pop would remain on the sidelines until after World War II, when the American economy boomed once more.

To John C. Bogle, Vanguard founder and father of the mutual fund, this was the golden age of the individual investor, with American households directly owning 91% of the stock market. By 2005, the share of directly owned stocks was down to 32%, according to Bogle, with institutional investors controlling the rest indirectly through mutual funds and pension plans.

“Such participation lacks the traditional attributes of ownership such as selection of individual stocks and engagement in the process of corporate governance,” Bogle wrote in The Wall Street Journal on Oct. 3, 2005. “It is hard to imagine that our earlier society dominated by individual stock ownership will ever return.”

Indeed, money managers like BlackRock, State Street, and Vanguard are bigger than ever. But Bogle, who died in 2019, didn’t foresee the pandemic or lockdown, which trapped millions at home with spare cash and easy market access through no-fee online apps.

“It created a whole generation of investors,” one mobile brokerage executive [told](#) The Wall Street Journal in 2023.

And with these new investors piling into meme stocks like GameStop, or a bankrupt Hertz, all the time maintaining diamond hands and believing [apes together strong](#), Kennedy might think the market was too popular for its own good once more.