FINAL WORD ⊶ BY TIM ROWLAND

Gamestopped

The democratization of the stock market is a good thing—I guess. Just as discount airlines, in the words of Homer Simpson, opened air travel to a generation of hicks, no-fee stock trading apps like Robinhood have opened the world of securities to anyone with a smartphone and a mom willing to lend out 200 clams.

I confess that I got a bit goo-goo-eyed myself in the 1990s, amidst the madcap dot.com days, over the prospects of effortless wealth. But my mom was far too smart to stoke my oven of ignorance with her hard-earned cash. And executing a trade still had a fee of something like $15, so there was a cost associated with acting frivolously. It was much like the days of film cameras, when you had to think about the relative value of each frame.

Back then, we would-be Wall Street wizards were motivated by greed, it's true, but that's in line with traditional capitalism. Although we turned out to be wrong, we assumed the executives at companies like Flooz and Pets.com knew how to make money.

So what to make of "meme stocks"—buying shares of failing firms for no reason other than to mess with professional traders looking to profit from those firms' demise? Earlier this year, thousands of video gamers and their ilk conceived of a plan to strike against hedge fund managers by running up the price of GameStop. The hedge funds were shorting the game retailer because they knew its model is going the way of Blockbuster's. In a move intended not so much to save the chain as to "stick it to Wall Street," the gamers scarfed up GameStop shares at an amazing rate, sending the stock soaring. While the hedge funds were not ruined, they were stung, and the meme kids simply shrugged off their own losses.

That got me wondering: what to make of revenge as a market force? In trying to sort out WWMD (What Would Milton Do?), I remembered that all sorts of seemingly sinister market behaviors—from high-volume trading to sketchy hedge fund bets—are justified because they "add liquidity to the market." Liquidity's a good thing, to be sure—lowering spreads and what not—though no one's ever stopped me on the street and thanked me for my own contributions to market liquidity. Besides, one of its benefits is supposed to be bringing information to the market, and GameStop shares soaring past $400 seems about as informative as scanning Arizona ballots with UV lights. On the other hand, the meme buyers have added some entertainment to the market, and I'm totally fine with that.

Regardless of what you think of hedge funds or the practice of shorting, the hedge fund managers had done their homework on GameStop and were doing what the market wants them to do: pick at the carcass of a business that's past its time. It's doubtful the same can be said of the Lilliputians who rebelled; fair to assume they wouldn't know a P/E ratio from a Pekinese.

Or maybe not. The other big meme stock of the last year was Hertz Car Rental, which filed Chapter 11. The Lilliputians scarfed up its shares. Now Hertz is revving its engines as it emerges from bankruptcy at the same time that travel is increasing because—get this—COVID is waning. Whatever their motivation, the meme buyers did their job in the marketplace.

And really, what mischief are they guilty of? They're just indulging in a little consumption—whether from taking pleasure in having a piece of a soon-to-disappear retailer they had loved (speaking of which, I should check on my Sears shares) or from making hedge fund managers sweat. They're hardly the first market participants to see a consumption good where others see an investment opportunity: think of Green Bay Packers stock or commodities. (Or—should I say this?—legacy airlines and automakers…)

Quite naturally, the hedge funds, who just yesterday were justifying their oft-maligned behavior as adding helpful liquidity to the market, began saying that something needs to be done to rein in those who would "gamify" stock exchanges. This had a sort of *Animal House* vibe: "They can't do that to our pledges; only we can do that to our pledges!" Criticizing Robinhood for being a conduit for *sans culotte* mischief is like criticizing a jaywalker for diminishing Las Vegas' reputation for discipline.

Besides, if meme buyers really are a threat to keep investing—and losing—in irredeemably failing firms, wouldn't any hedge fund worth its salt find a way to seize on that information and vacuum up all that liquidity? R

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