



The Consequences of the Mass Investment Platforms

By January 11 not as many people had heard about the American company Gamestop as they have today. As of January 11 Gamestop cost around 1.5 billion USD and was a network of computer games and electronics' stores situated in several states of the USA as well as in a number of other countries.

The recent years' financial data of Gamestop has not been very optimistic from the investors' point of view with many experts predicting a drop in the company's stock price.

Online shopping has had a significant impact on the company's revenue, especially in the times of COVID 19 pandemics. A number of major investment companies had even made a bet on the drop of the company's shares. Naturally, the bets in the financial market are made somewhat differently than the ordinary bets. When it is predicted by the investor that the price of a given stock is likely to fall in the near future, he will sell that very stock and enter into a commitment to buy it after a while, thus, in case if the prediction comes true and the price does go down, the investor makes a profit in the amount of the fallen price of each stock sold.

On January 11 the company made an announcement about several changes in its administration, under the influence of the optimistic moods of which the price of one share increased by 13% within one day. Afterwards it became impossible to control the process of the price growth. By January 28 Gamestop was the most talked about company in the world, with its shares being the most tradable in the world and with a market price of around 30 billion USD, namely 20 times more than it used to be merely 2 weeks ago.

The main reason of this rapid growth were the numerous users of the social media site Reddit, united within one of its groups called WallStreetBets. These people have discussions over the stock market, make predictions or, in this case, unite around one cause. The cause was the prevention of the fall of Gamestop, as well as harming the investment companies which made negative predictions about the company. To some extent, you might say, the group achieved its goal. At the times the stock

prices were going up, the investors, who had previously sold them and committed to buy them, were forced to buy the stocks at the higher price, which, in its turn contributed into the further rise of the stock prices. However, the innovation that gave the ordinary people the opportunity to unite against the professional Wall Street investors, at the same time acted as their deterrent. We mean Robinhood. The smartphone application named Robinhood allows the user to make a variety of transactions which were previously available only for investment companies. This application, that is currently very popular all over the US, allows you to buy and sell securities, carry out complex financial transactions with derivatives, and all this - completely tax free. Robinhood was the main weapon of the Reddit rebels and most of the buyers of Gamestop shares were using this very app. Referring to the recent unpredictable developments and the uncertainty around the company, Robinhood temporarily stopped the buy/sell process of Gamestop shares, but shortly after had to return that opportunity under the public pressure, yet with strict limitations. At the same time, there were no restrictions for the investment companies outside that borderline.

This type of price growth would be hard to control even without the Robinhood restrictions. It is, after all, a real company which has certain assets, real estate, a brand and other characteristics which define the price of the company and, accordingly, of one share of it. The stock price has somewhat stabilized around \$50 at present, which is approximately 150% more than it was at the beginning of this story. The majority of the buyers sold their shares because of the limitations and all the fuss around the company is seemingly slowing down.

Gamestop isn't necessarily the first 'bubble' in the financial world. The obsession over internet (dotcom bubble) and the real estate 'bubble' of the late 90s and the 2000s, which led to the global financial crisis of 2007-2009 are the most recent ones in our memory. Perhaps the most irrational mania named 'tulip mania' appeared in the 1630s in the Netherlands, when one leaf of tulip might be exchanged with huge parts of land and the leaves of some tulip types cost a price of several mansions. Many such cases, sometimes of global nature, have occurred in history, leading countries or even the whole world into a deep crisis.

The case of Gamestop is peculiar because of the attitude of the society. There are presumptions that this may be the beginning of an enormous uprising, a huge step towards the liberation and democratization the securities market. The final result, however, showed that for the

time being the above mentioned liberation and democratization are far from reality, perhaps their not taking place being more acceptable.

A 20 year old user of the above mentioned Robinhood application Alexander Kearns committed suicide in June last year seeing a debt of \$730 000 USD on his account, which was in reality temporary and would turn into the boy's profit of \$16 000 when the transfers of some of the transactions made by him would be completed over the next business day. In his death note the boy raised the question of the possibility of an unemployed 20-year-old having a debt of almost a million dollars on his account. After this incident Robinhood took numerous steps to avoid misunderstanding among the users. Therefore, it is possible that by putting limitations on Gamestop transactions, Robinhood has saved the lives of some young people like Alexander. After all, the stock prices of the company have fallen for over 90% from its highest point, and instability of this sort can be unusual for even the veterans of financial markets. In order to operate in the financial markets, as well as in any spheres of life, years of education and preparation are necessary. The occurrence of incompetent people in unfitting situations is full of danger for themselves as well as those around them, even, in extreme cases, for wider circles of the society. So the question is whether the risks and dangers of the liberation and democratization of these spheres may outweigh their possible benefits.

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