

For GameStop day traders, the moment they’ve dreamed about

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WASHINGTON — They’ve endured a financial crisis. Two deep recessions. Mounds of student debt. Stagnant pay. Costly health care. Dim job prospects. They’ve seen the uber-rich grow richer while a pandemic threw tens of millions of people out of work and left many more isolated and vulnerable at home.

Now, they feel, it’s pay-back time. Nearly a decade after the Occupy protest movement left Wall Street more or less unscathed, the citadel of financial might faces a new assault.

Day traders, mobilized on a subreddit page, have poured about all the money they can find into the stocks of a struggling video game retailer called GameStop and a few other beaten-down companies. Their buying has swollen those companies’ share prices beyond anyone’s imagination — and, not coincidentally, inflicted huge losses on the hedge funds of the super-rich, who had placed bets that the stocks would drop.

Their strategy, of course, is freighted with risk. The prices of the stocks they’ve bought are now multiples above any level justified by revenue, earnings or future prospects. The danger is that at any time, the stocks could collapse.

Maybe so. But as one Reddit user wrote Friday, Jan. 29, asserting that hedge fund financiers would drink Champagne as they looked down upon Occupy Wall Street protesters in 2011:

“I’d rather lose it all than give them what they need to destroy me ... I’ll burn it all down just to spite them.”

Their rage and hell-bent drive to pick on powerful Wall Street financiers have sent shivers through ordinary investors and heightened fears about the fragility of the markets in general after a prolonged period of stock gains fueled by ultra-low interest rates. Those fears just caused the S&P 500 index to suffer its worst week of losses since October.

GameStop shares? They rocketed nearly 70% on Friday. Over the past three weeks, they’ve delivered a stupefying 1,600% gain.

“They figured out how to play the way Wall Street has been playing for a long time,” said Robert Thompson, who has long tracked cultural trends as director of Syracuse University’s Bleier Center for Television and Popular Culture. “I’m amazed it didn’t happen earlier.”

Feeding the frenzy have been young traders like 27-year-old Zach Weir, who this week bought five shares of GameStop.

“I’m a college student, so that’s basically a month’s rent for me,” said Weir, who is pursuing a master’s degree in marketing.

He did it, he said, because he believes in the cause: Protecting a cherished game store, where he would hang out as a teenager on Friday nights, from financial tycoons who want the company to fail.

And if he loses his investment?

“If my account goes to zero, it goes to zero,” Weir said. “At this point, it’s not about the money. I think this is bigger than the money now.”

Frustration and rage over widening financial inequities in the American economy have been

mounting for years. The richest 1% of Americans collected about 19% of pre-tax income in 2019, up from less than 11% four decades earlier, according to the World Inequality Database, run by Emmanuel Saez and Gabriel Zucman, economists at the University of California, Berkeley, along with other researchers.

New York University economist Edward Wolff has found that the richest 10% of Americans own roughly 85% of stock wealth, a share that has grown steadily over time.

The financial crisis that ignited the Great Recession of 2007-2009 intensified resentment toward the bankers who had financed the dodgy loans behind the catastrophe and had ignored the obvious risks, only to receive bailouts from taxpayers and largely escape accountability. Rising outrage fueled the Occupy movement, in which protesters took over New York’s Zuccotti Park and other public spaces and demanded far-reaching financial reforms that mainly didn’t happen.

The coronavirus inflicted further pain, flattening the economy and causing more than 20 million Americans to lose jobs. This week, a report from the anti-poverty group Oxfam found that the world’s 10 richest men have swollen their collective wealth by \$500 billion since the pandemic erupted in March. In the meantime, nearly 10 million people who lost jobs to the pandemic remain unemployed.

The stock market, the chosen target of the Reddit day traders, has long stood as America’s premier symbol of entrenched wealth. But technology, including forums like Reddit, has made it ever easier, faster and simpler for the aggrieved to mobilize, swap information and collectively plot strategy. And e-trading apps, notably Robinhood, allow amateur traders to buy commission-free stocks with one click.

They spotted a vulnerability in the market: The so-called short squeeze.

When hedge funds and other investors want to bet that a stock price will fall, they arrange a short sale: They borrow shares of, say, GameStop. Then they sell those borrowed shares, planning to buy back the stock later at a lower price and pocket the gain.

But shorting can backfire disastrously if the stock surges instead of falling. Then the short sellers can be forced to bail out of their bets by buying the target stock. Their buying, in turn, can send the stock price ever higher and makes things even worse for the short sellers in an intensifying feedback loop.

GameStop, its future imperiled by e-commerce and a pandemic that has kept customers away, is among the most heavily shorted stocks. Some of the Reddit rebels are gamers who want to protect the retailer from the predations of Wall Street. Or just deliver a righteous blow to hedge funds and financiers who have lived large as others have suffered hardships.

Not all the day traders are flamed by anger. They just see an opportunity to make money and pay bills.

“A lot of people are having trouble paying rent,” said Alexis Goldstein,

a veteran of the Occupy movement. “A lot of people are at risk of eviction. A lot of people are very desperate, quite frankly, for new ways to make money.”

Yet Goldstein worries that the revolt will ultimately fail.

For one thing, some of the Wall Street firms that are targets of the Redditors actually profit from the very volatility that the Redditors’ assault has whipped up.

And the most sophisticated professional traders are no doubt calculating how to capitalize on the chaos. Normally, they have to work hard and invest heavily to determine what their competitors are doing and to profit from that information. By contrast, the Reddit day traders are announcing their intentions, brazenly and publicly.



Nam Y. Huh/AP Photo

A vehicle passes in front of a GameStop store in Vernon Hills, Ill., Thursday, Jan. 28, 2021. The online trading platform Robinhood moved to restrict trading in GameStop and other stocks that soared recently due to rabid buying by smaller investors. GameStop stock rocketed from below \$20 earlier this month to close around \$350 on Jan. 27 as a volunteer army of investors on social media challenged big institutions who had placed market bets that the stock would fall.

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