Stocks, Memes, and Desperation Capitalism:
An Ethnographic Case Study of r/WallStreetBets

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Abstract

Increased availability of digital technologies, such as consumer-level investing platforms, have democratised the financial services industry. Similarly, social media has provided a new forum for retail investors, individuals who are investing without institutional support, to find and share financial advice. Against the backdrop of institutional distrust spurred by the 2008 economic crisis and the COVID-19 cost-of-living crisis, retail investors increasingly turn to investment communities on social media, viewing the stock market as an escape from financial uncertainty. Though prior research has demonstrated that investments made based on information provided from social media largely results in losses, online investing communities, most notably r/wallstreetbets, have continued to attract new users. In this thesis, I demonstrate how social media influences the behavior of retail investors and explain why they are drawn to social media investing communities despite the high likelihood of incurring losses. To conduct this research, I undergo an ethnographic case study of r/wallstreetbets, an online investing community hosted on Reddit known for anti-institutional meme culture and high-risk investment advice. The results demonstrate that users prone to economic biases have their vulnerabilities amplified by social media. Anti-institutional sentiment spurred by lingering resentment for institutions and their role in creating economic crises causes users to trust unregulated information on social media over the regulated advice provided by banks. The investment advice on social media incentivizes users to pursue unnecessarily high-risk trades, exemplified by 'YOLO trading' commonly seen on r/wallstreetbets. This culminates in a theory of desperation capitalism, describing why young people feel forced to adopt high-risk money-making strategies to escape financial precarity. The findings of this thesis can help policy-makers, institutions, and academics understand what draws retail investors to social media for advice, resulting in better strategies to mitigate the impacts of dubious online investment advice.

Highlights

- Millennial and Gen-Z retail investors are attracted to social media for investment advice after observing institutional dishonesty during the 2008 and COVID-19 financial crises.
- Online communities such as r/wallstreetbets create countercultural environments where users trust one another more than institutions as the former's participation is perceived as more authentic.
- Social media creates conditions where users are made more vulnerable to economic biases due to the increased influence of anti-institutional social dynamics.
- These actions culminate in a theory of desperation capitalism, describing the circumstances where young people believe they have no way to escape financial precarity other than to pursue high-risk trades.

Keywords

Retail Investing, Social Media, r/wallstreetbets, Memes, Stocks, Desperation Capitalism

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There are way too many people to thank on this journey to fit in one page, but let's give it a shot.

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Whatever comes next, let's all make it memorable.

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1. Introduction

1.1. "My life is over, here is my final advice"

Most individuals familiar with investing accept that losses are a virtually inevitable part of the process; markets are unpredictable, and even the expectation of long-term market growth will be counteracted with occasional— though temporary— dips. This did not stop me from being bewildered by the following Reddit post by 'Benjamin' on my screen (**Figure 1**).[1]

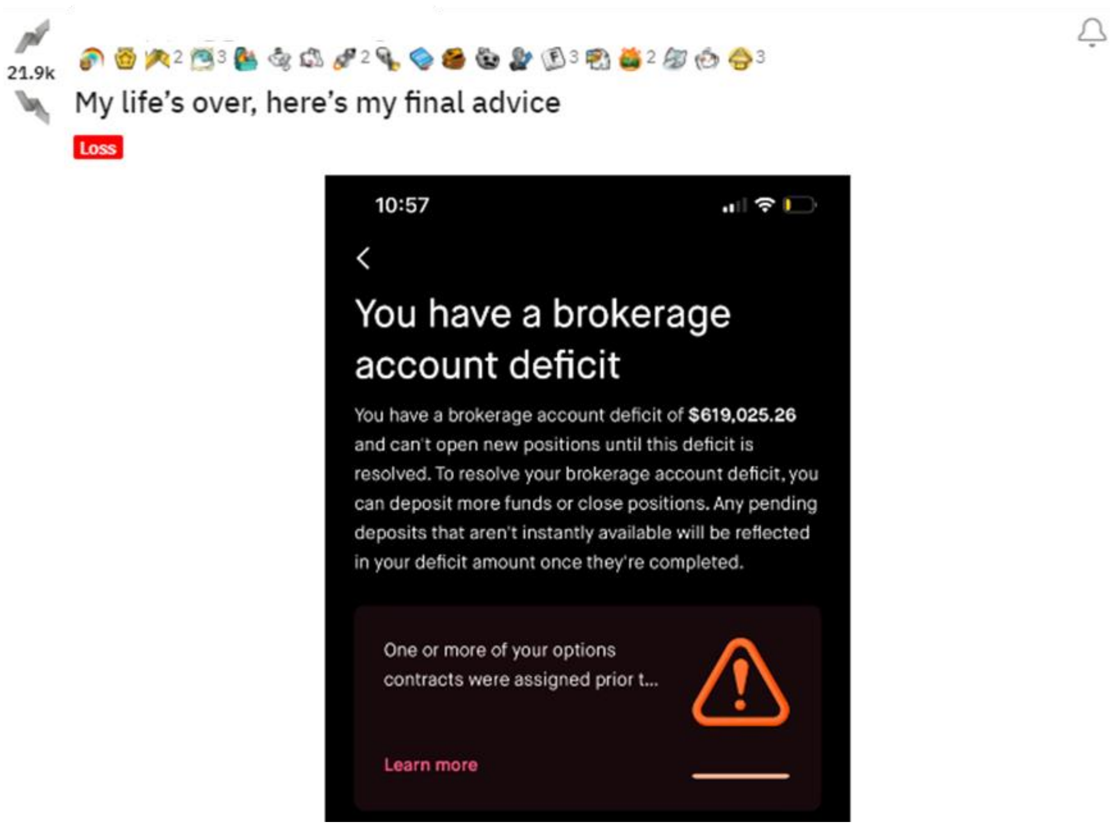

Figure 1 - 'My life is over' post

I had to pause to ensure I had read the statement correctly. I, like many individuals, could not fathom holding upwards of $600,000, never mind losing at least that amount of money. I continued to read the post (**Figure 2**).

[1] All names attributed to quotes and posts in this paper were randomly-generated to anonymize the original respondents. Any similarity to real-life individuals is coincidental.

Quit now, options is rigged and ultimately controlled by market makers and hedge funds. 6 Green Day's in a row and then a pull back, like what happened that is so significant in these past 7 days for a bull run to occur. If you don't want to quit options, at least stay away from selling options and a margin account, if I could go back I wouldn't have done it this way but it's too late for me.

TLDR: save yourself, from one man to another less

4.6k Comments Award Share Save ···

Figure 2 - 'My life is over' post comments

While Benjamin's deficit was the largest I had seen, his statement echoed thoughts that were typical on r/wallstreetbets (WSB). The forum, hosted on the widely-used social media site Reddit, is probably best-recognized for its disdain for banks and governments, and its proclivity for encouraging high-risk trading, or 'YOLOs', as WSB members would say. Consider the following assortment of quips from various posts and comments:

> *"This is my best-case scenario for FRC and I have 7,870 FRC stock, average about at $14.60. Either I will retire or get retired."*
>
> - *Omar*
>
> *"All I do is lose, lose, lose no matter what. Got money on my mind, I can never get that stuff."*
>
> - *Richard*
>
> *"Nancy [Pelosi] is a b***-a** insider and can't invest for s*** if she had to do her own DD."*
>
> - *Henry*

These represent the quotidian discourse on WSB: a melange of vitriol directed at institutional corruption, excessively risky investing positions, and the sharing of losing plays In posts named *loss porn* among WSB users.

But despite the constant financial losses experienced by its users, WSB continues to thrive as a community, with 14.1 million members as of July 2023. Undeterred by high-risk trades that repeatedly leave users worse-off, WSB continues to see an influx of users looking to 'get rich quick' on the stock market. But why? Despite the evidence that using the advice posted on WSB would result in substantial losses, why do users continue to do so? It is this question that launched my inquiry into WSB and the wider intersection of retail investment and social media.

1.2. Overview

The 2008 financial crisis shattered much of the trust between banks and their clients, prompting the latter to find alternative sources of financial advice (McWaters, 2020). In the 15 years after the crisis, the economic situation has not improved for young people; the COVID-19 pandemic spurred another financial crisis, which was then followed by a cost-of-living crisis that disproportionately impacted individuals already in financial precarity (Nau & Soener, 2019). In a term coined by Hurst (2022) as 'desperation capitalism', there exists a prevailing thought among young people that there is no way to escape economic precarity, and thus resort to increasingly high-risk methods to ‘escape’ the economic trap. This resulted in young people becoming disenfranchised with banks, expressed through explicit acts of protest such as Occupy Wall Street (Tremayne, 2014), or eschewing the services of banks in favor of more self-driven services (Fisch, 2022).

The digitization of several banking offerings has democratized access to financial services, with clients now able to bank more independently through their devices (Kitsios et al., 2021). Retail investing, defined as investing done at the individual level that removes banks as an intermediary, has been enabled by the emergence of several digital brokerages offering trading platforms (e.g. Robinhood, Schwab, etc.) for client use (Tan, 2020). By removing the need to consult advisors before making investments, retail trading platforms allow retail investors to act more independently (Tan, 2021). However, these digital services and increased investor independence did little to repair the faith lost in banks and political institutions (Macklem, 2020).

Some individuals disenfranchised with the economy and the institutions in power turned to social media, either to voice their frustrations or to seek investment advice from their peers. This fostered the growth of several online investing communities, most notably WSB, which gained notoriety in 2021 for unifying its users to create a **financial bubble** on several **meme stocks** (Hasso et al., 2022; Mancini et al., 2022)**,** including GameStop (GME) which bankrupted several hedge funds (Kelly & Goldstein, 2021). But despite WSB’s growing significance, there has been little effort from academics to understand the influence of social media on retail investing behavior. Therefore, this thesis explores the question: *how does social media impact the behavior of retail investors?*

To answer this research question, I conducted an ethnographic case study of WSB. The results of this thesis make two contributions. First, it provides a new understanding of how social media makes retail investors more vulnerable to the economic biases of herding effects and the hot hand fallacy through the anti-institutional social dynamics of counterculture and structured antagonism. Second, these concepts coalesce uniquely on social media to substantiate a theory of *desperation capitalism*.

The thesis proceeds as follows. Chapter two reviews the relevant literature. Chapter three summarizes the ethnographic case study method and why it was suitable for this project. Chapter four introduces the case of WSB through a brief history of the sub-Reddit. Chapter five outlines the relevant results, with YOLO trading and anti-institutional sentiment representing the most important findings. Chapter six discusses the results by building a theory of desperation capitalism. Finally, chapter seven concludes the thesis and introduces possibilities for future research.

Given that this thesis contains jargon used in the financial services industry that may be unfamiliar to the reader, a glossary of financial terms (bolded in the text) is provided in **Appendix A**.

2. Theory and Literature Review

This thesis project combines several fields of theory whose overlap remain relatively unexplored, and thus it is prudent to outline why each topic area requires review. First, an overview of social media's impacts on communication and culture provides a base to assess how social media influences retail investing behavior. Second, a summary of relevant economic biases provides a framework to understand the mechanisms of suboptimal investing decisions, and how they exist on social media. Third, a review of applicable social dynamics provides explanations as to how social behavior can influence economic behavior. Fourth, a recounting of recent financial crises and their impact on the financial services industry contextualizes the thesis' case site. These concepts are then summarized in an initial theoretical model.

2.1. Social Media, Memes, and Reddit

Social media represents one of the more transformative applications of the internet (Carr & Hayes, 2015), with sites such as Facebook, YouTube, and Instagram becoming widely used communication media. There is no consensus definition for social media (Aichner et al., 2021), though some key characteristics are the users' ability to consume and disseminate information (Ariel & Avidar, 2015), and the capacity for users to form ad-hoc groups online through capabilities of mass personalization (Carr & Hayes, 2015). Given that social media platforms are social networks (Kane et al., 2014), they take advantage of *network effects*, meaning that a particular network provides more value as it acquires more users (Qiu et al., 2015). These network effects have made it easier for masses of individuals to gain access to information (Havakhor et al., 2018), though the quality of the information disseminated can be questionable in environments with low content moderation (Morrow et al., 2022).

Related to the concept of network effects and virality is the popularity of internet memes, which have become widely distributed over social media (Shifman, 2013a). Defined by Shifman (2013b: 41), memes are "digital objects sharing common characteristics… created with awareness of each other… and were circulated, imitated, and transformed via the internet by many users". Some popular memes include 'Doge', 'Drake Hotline Bling', 'Uno Draw 25 Cards', and 'Is This A Pigeon' (**Figure 3**). Their potential to rapidly spread across networks enables a diaspora of users to relate over the same content (Dang et al., 2019). Overall, the visual content of memes has become an integral component of communication on social media (Highfield & Leaver, 2016).

Figure 3 - Examples of memes

One popular social media platform, and the one analysed in this project, is Reddit. Described as a public-facing forum where users publish content in posts and comments, Reddit's affordances enable the creation of rich communities called *sub-Reddits*, (Proferes et al., 2021), smaller communities within the larger Reddit site to which users can subscribe with a narrower topic focus (Datta & Adar, 2019). Among Reddit's unique features is its karma system; Reddit allows users to upvote or downvotes posts and content, and karma represents the aggregate upvotes across all a users' content minus the aggregate downvotes (Kilgo et al., 2016). Reddit users are conscientious of their karma score as it is an indicator of reputation (Kilgo et al., 2016). If a Reddit user's karma score drops too low, their content may be hidden or removed from Reddit (Bergstrom, 2011).

2.2. Economic Theories

2.2.1. Herding Effects

The connective potential of social media makes it possible for *herding effects* to impact the behavior of users. Herding occurs when individuals mimic the behavior of others even if it contradicts the optimal course of action determined by their own information (Scharfstein & Stein, 1990: 465-466). In financial markets, herding occurs when an individual invests in an asset because other individuals have also invested in that asset, even if their own analysis suggests that it is a poor investment (Bikhchandani & Sharma, 2000: 280). Individuals are particularly vulnerable to herding when there is market uncertainty (Avery & Zemsky, 1998: 740); when interpreting mixed signals, an investor undertakes less risk to their reputation by acting similarly to other investors (Scharfstein & Stein, 1990: 466).

While herding effects existed before social media became a predominant medium of communication, social media offer opportunities to amplify herding effects by promoting 'liked' content to members of a social network (Mattke et al., 2020: 10). Li et al. (2023) demonstrate that social media discussion among retail investors can prompt irrational herding behavior up to a certain threshold, while Choi (2016) argues that the rapid dissemination of information can lead to high-frequency trading, which lends itself to herding effects. For a social media community such as WSB, there is a high possibility that herding effects will emerge as information is rapidly disseminated through online discussion.

2.2.2. Hot Hand Fallacy

While herding effects are enhanced by social media, there are other personal biases that are reinforced in the online environment, particularly the *hot hand fallacy*.[2] This fallacy stems from the act of momentum investing: investing in an asset that has recently performed well, believing that it will continue to do well because of its positive momentum (Carhart, 1997: 81). It is the belief that the past performance of a stock is absolute evidence of its future performance (Huber et al., 2010: 446-447).

The hot hand fallacy is more likely to occur in environments where there is too much information for an individual to process (Barber et al., 2005), which is a common trait in social media environments (Zhang et al., 2022). Market uncertainty is also a common condition that makes investors vulnerable to the hot hand fallacy (Rabin & Vayanos, 2010), which is important to consider given the element of economic crisis involved in this thesis' analysis. Investors are more likely to discover and trade assets that are highly marketed— which are typically high-performing— giving the false belief that investor has the 'hot hand'. Interestingly, group environments do little to mitigate the hot hand fallacy, as investing in teams actually encourages more momentum-based trading (Stöckl et al., 2015: 338). This does not bode well for an investors' success if they invest using signals from social media, although the literature discussing the hot hand fallacy on social media appears to be lacking.

2.3. Social Dynamics

2.3.1. Structured Antagonism

Structured antagonism, which emerges from Edwards' theory of conflict (1986: 10), is a potential theory that might explain organized retail investing against institutions. Edwards argues that there is an inherent conflict between capitalists and laborers (1986: 55), where both sides attempt to claim their share of surplus capital (1986: 77) by cooperating with other players on their side to undertake unified action (1986: 134). This is especially important for laborers, who would otherwise be competing against one another for higher wages (Lehdonvirta, 2022: 159).

Structured antagonism has been used to explain labor market dynamics on platforms; for instance, Lehdonvirta & Wood (2019) argue that the power structures of digital labor platforms encourage freelancers to act as a collective even when they work in competition with other freelancers.

[2] While there are some differences between the hot hand and gambler's fallacy, I assume them to be interchangeable for the purposes of this thesis.

However, structured antagonism can offer a pragmatic approach to understanding class struggles outside the realm of labor markets, and there is a call to broaden structured antagonism's applications where there are "wider structures of ownership and control" (Edwards & Hodder, 2022: 232).

2.3.2. Counterculture

The notion of *counterculture* was initially developed as a way to understand the emergence of anti-establishment movements that emerged in America in the 1960s-1980s (Fox, 1987). The original countercultures were often associated with left-leaning 'hippies' and their resistance of corporate and corrupt American society (Miller, 2011: xiii-xiv), though the introduction of the internet has broadened the scope of countercultural movements to include virtual communities promoting free expression against perceived threats to open communication (Matei, 2005). The most important factor separating counterculture from general disruptive behavior is that "cultural opposition was not… merely a nay-saying… it was a rebellion with a vision" (Miller, 2011: 88).

Translated to cyberspace, counterculture manifested in digital communes that "offer alternatives to the hierarchical bureaucracies of a heavily institutionalized material world" (Turner, 2006: 247). Expressions of digital counterculture are varied, but one that has become recently popular are internet memes, whose virality facilitate the construction of collective identity (Gal et al., 2016). Consequently, memes can act as statements of affiliations to their respective cultures and movements (Nissenbaum & Shifman, 2017: 498).

Resistance against the financial elite is rooted in the origins of American countercultural movements; Woodstock in 1969 was meant to be an escape from a society run by money (Miller, 2011: 94), while more recent movements such as Occupy Wall Street in 2011 were directly campaigning against societal disparities in wealth (Tremayne, 2014). This will be important to consider given WSB's history of conflict against financial institutions. Though there is some prior evidence to suggest that participation in countercultures against institutions can influence investing strategies— as demonstrated in the trading of the **cryptocurrency** Dogecoin (Nani, 2022)—there is no current research that analyses this possibility more broadly.

2.4. Economic Crises and Retail Investing with Social Media

The sub-prime mortgage crisis of 2008 fractured much of the trust that banks had previously built with their clientele (McWaters, 2020). Poor banking regulation and irresponsible investing from banks led to a collapse of the American housing market, which subsequently crippled the global economy (Acharya & Richardson, 2009). Where individuals were previously comfortable using banks for advisory services (Stolper & Walter, 2017), the 2008 crisis motivated clients to look for alternative sources of financial advice. This was particularly the case for millennials, who were among the worst impacted by the crisis (Worth, 2019), and later Gen-Z, who recall their parents under stress from the 2008 crisis (Jakab, 2022: 145).

Social media became one popular alternative for investment advice, allowing users to join communities built around an interest in investing, exchanging investment ideas with one another rather than an authoritative firm (Chen et al., 2014). Several of these communities emerged online either through influencers on platforms such as YouTube, or through collective community forums such as Reddit (Jakab, 2022: 157-159).

The usage of social media to obtain investment advice has produced mixed results. Social media provides a lower barrier of entry to investing for users by making financial information more accessible (Rickett, 2016: 36). However, the lack of regulation on many social media platforms facilitates the posting of erroneous information that can lead to a poor investments by a reader (Chen et al., 2014: 1370). Moreover, content creators are further incentivized to post dubious advice if that content earns them more popularity (Chen et al., 2019: 415). This content often features investments underrepresented in mainstream content such as penny stocks (Lo & Chau, 2019), and more recently cryptocurrencies (Kyriazis et al., 2020) and meme stocks (Aloosh et al., 2022). Generally summarized, the quality of investment information found online promotes unnecessarily high-risk strategies as opposed to the regulated strategies promoted by mainstream institutions.

The popularity of retail investing spiked during the COVID-19 pandemic, with millennials and Gen-Z particularly having felt the financial impacts of the accompanying recession (Jakab, 2022: 143). But unlike 2008, social media was well-established in 2020, prompting these younger investors to use **day-trading** as a method of attempting to relieve financial distress (Chiah & Zhong, 2020). Though day-trading is facilitated for retail investors through retail investing platforms and social media, it is a high-risk strategy for individuals that often results in losses (Ryu, 2012). This was best exemplified in the GME short-squeeze, where retail investors produced a financial bubble for GME, eventually leading to over half of GME holders losing their funds, as opposed to only 24% of non-GME investors in that time (Hasso et al., 2022). This set of socio-economic conditions is described as ‘desperation capitalism’ in journalistic coverage (Hurst, 2022), where young individuals turn to increasingly high-risk money-making strategies to alleviate the financial pressures of increasingly common economic crises.

2.5. Summary and Gaps

The literature discussed above is summarized in **Table 1**. Three key propositions emerge from the literature review to form a model of retail investment decision-making based on information obtained from social media (**Figure 4**). First, (1) there are economic biases and social dynamics present that influence how retail investors make investment decisions. Second, (2) social media offers abundant opportunity for economic biases to impact the investment decisions of users. Third, (3) the onset of economic crises has made investors more willing to listen to alternative sources of investment advice over traditional institutions, creating social dynamics that impact how individuals make investments.

The concepts have been understood in an offline context, but the prevalence of social media has brought them together in novel combinations that remain unexplored. Though this literature review has introduced works that explore the impact of economic biases over social media, they have not considered these biases in the context of social movements conducted online, nor in the backdrop of economic crisis.

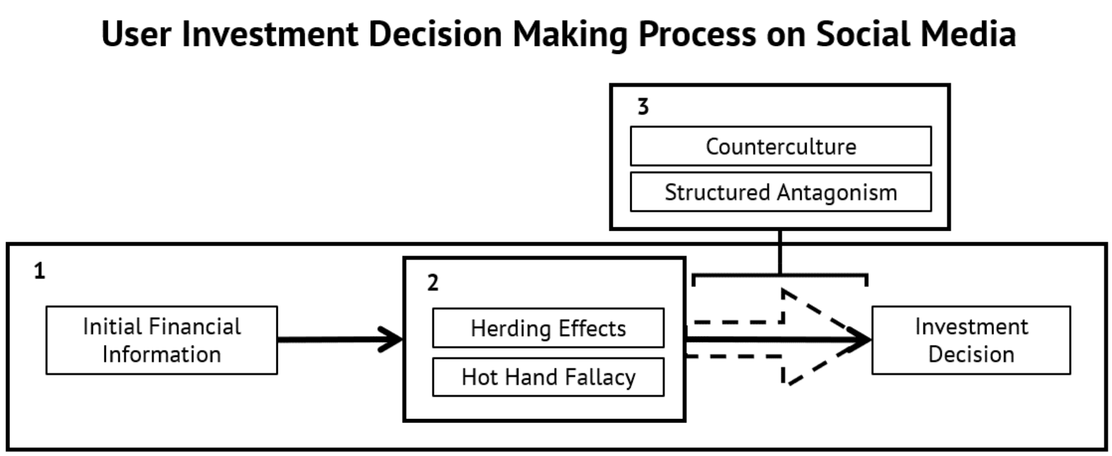

Figure 4 - Initial conceptual model

Table 1 - Summary of literature review

Theory	Key Supporting Literature	Key Points
Social Media and Communication	(Havakhor et al., 2018; Proferes et al., 2021; Shifman, 2013b)	- Social media has transformed digital communication through network effects by making information more accessible - Memes are among the most popular forms of communication over social media and help bring communities together - Reddit is a popular social media site that fosters strong communities based around content of shared interest
Herding Effects	(Li et al., 2023; Mattke et al., 2020; Scharfstein & Stein, 1990)	- Individuals may follow the behavior of a herd over other rational options - Herding is more likely to take place in uncertain conditions such as the stock market - Social media can promote herding effects through promoting preferred content and the rapid dissemination of information
Hot Hand Fallacy	(Barber et al., 2005; Huber et al., 2010; Stöckl et al., 2015)	- Individuals will cite past success as a reason for future success even when there is no association between past and future performance - Group environments tend to promote the hot hand fallacy, but has not been analysed in the context of social media
Structured Antagonism	(Edwards & Hodder, 2022; Edwards, 1986; Wood & Lehdonvirta, 2019)	- In labor markets, the working class unites against the upper class as it provides the best opportunity for collective action - Though originally a labor market theory, structured antagonism can be used to explain other inter-class dynamics
Counterculture	(Miller, 2011; Tremayne, 2014; Turner, 2006)	- Counterculture describes collective anti-establishment acts of rebellion, particularly against powerful institutions deemed to be corrupt - Free expression is a key component of countercultural movements - Traditional financial institutions have previously been the target of countercultural movements
Impact of Financial Crises	(McWaters, 2020; Rickett, 2016; Ryu, 2012)	- The 2008 financial crisis fractured trust between the public and major financial institutions - Individuals began looking for alternative sources of financial services beyond banks, with some selecting social media as their preferred source of information - The investment advice available on social media can be dubious and promotes unnecessarily high-risk behavior

3. Methods

3.1. On the Lack of Qualitative Research in Economics

Prior studies on WSB share a common deployment of quantitative methods in their analyses; Nobanee & Ellili's (2023) summary of the literature reveal that of 16 the 22 relevant journal articles written on WSB were quantitative studies. While this is not inherently an issue, it does mean that much of the existing research is limited by the common pitfall of quantitative methods producing primarily descriptive data (Richards, 2021: 17). Quantitative studies are adept at communicating *what* occurred but provide very limited explanations as to *why* or *how* the events transpired.

This has historically been the status quo for economics and finance research, where the field has become dominated by mathematical formulae, pushing non-quantitative studies out of the field (Blinder, 1999: 143). While the 21st century has seen economics research attempt to diversify its methods (Davis, 2006), qualitative studies have not yet been popularized. The rejection of qualitative methods in economics stems from an antiquated critique of qualitative research being too ambiguous and lacking standardization (Lenger, 2019: 958), but these comments forgo a nuanced perspective of how the field of economics is evolving.

Conducting a qualitative study, particularly an ethnography or case study, contributes to the growing movement to reinstate the study of economics as a *social* science (Blinder, 1999). In the context of WSB, where the behavioral biases influencing users are spurred by community-based factors, qualitative research is not only desired, but necessary to understand the complex social dynamics impacting users (Grigoropoulou & Small, 2022). Given that the research question concerns the deeper motivations behind investing strategies, a qualitative research method would be best-suited to providing relevant findings (Gerson & Damaske, 2020: 4-5). Therefore, I engaged in an ethnographic case study of WSB.

3.2. Case Study

3.2.1. Validity of the Case Study Method

The case study method is best-used when the phenomenon being analyzed is contemporary and occurring in a real-world context, and when the distinction between phenomenon and context is unclear (Yin, 1981: 98). Several features make the case study unique, including (1) having more variables of interest than data points, (2) requiring multiple sources of evidence, and (3) relies on prior theories to guide data collection and analysis (Yin, 2013a: 17). Case studies are most-appreciated for their realist orientation to research, as the method is grounded in live events (Tsang, 2014).

3.2.2. Case Study Selection: r/wallstreetbets

The research site of WSB was selected for three primary reasons. First, though financial advice is offered on several social media platforms, WSB represents the most prominent community as demonstrated by the extensive media coverage it received during and after the GME **short-squeeze** (Gladstone & Schwartzel, 2021; Hurst, 2022; Kelly & Goldstein, 2021). Second, the affordances of

Reddit give the content on WSB more depth to analyse, as there is a larger volume of content per post than other platforms like Twitter, which have character limits on posts. Third, the public nature of Reddit made research data much more accessible than a platform reliant on private messaging to assess user engagement and impact.

The unit of analysis—the actual object being analysed (2013a: 31)—consists of the WSB sub-Reddit and Discord channel from the period of March to June 2023.[3] Both platforms provide substantial opportunities for document analysis through posts, comments, and messages published by users.

In considering how to link data to the proposition, I utilize an *explanation building model*, which finds causal links in the data by creating narratives within a selected case (Yin, 2013a: 147). This approach works best given that the proposition juggles several theories that compete to explain the investing behaviors seen on WSB; any new emerging theory is based from the process of obtaining the data itself (Eisenhardt & Graebner, 2007). For the explanation building model to be effective, the interpretation criteria for the case will need to include rival and alternative explanations in the analysis (2013a: 168). In the context of this case study, it is crucial to consider not just individuals who had their investing behavior influenced by WSB, but also individuals who were not influenced, and understand why that is the case.

Lastly, there is the matter of the external validity. Though analytic generalization can help contribute to wider theory (Yin, 2013b: 326), WSB is unique in that it is recognized for its anti-institutional flavor (Mendoza-Denton, 2021); if other social media forums do not share the same sentiments, then the use of structured antagonism and counterculture may not be generalizable. While analysing the results, it will be important to consider the unique circumstances of WSB as a case that are not replicated generally, and the impact that has on the external validity of the findings.

3.3. Ethnography

To enhance the case study, I underwent an ethnography of WSB. Ethnographies provide 'thick descriptions' of communities (Geertz, 1973), which aligns with depth approach taken by effective case studies (Yin, 2013b: 325). My ethnography lasted a duration of five months, from March 2023 to July 2023.

3.3.1. Field Site and Integration into WSB

The field site reflects the case selection, as I became a member of the WSB Reddit community, and later a member of their Discord channel.[4] Using Reddit and Discord required opening accounts and digital identities on each platform. While absolute transparency of identity is ideal from an ethics perspective (Eynon et al., 2017), directly stating I was a researcher from the University of Oxford would have made it difficult for me to establish rapport in a community known to hold anti-

[3] I joined the WSB Discord channel later in the project to facilitate interview recruitment, but Discord also produced ethnographic findings, making it part of the case.

[4] A portion of the ethnographic data was gathered during 1068205's ethnography course with the necessary CUREC approval for thesis use (OII_C1A_23_003 and OII_C1A_23_037). The outputs are original to this thesis.

institutional attitudes. Taking inspiration from Bluteau (2021), I settled on a portmanteau username that denoted my dual identity as a research and community participant: StudyStonks-OII **(Figure 5)**.[5]

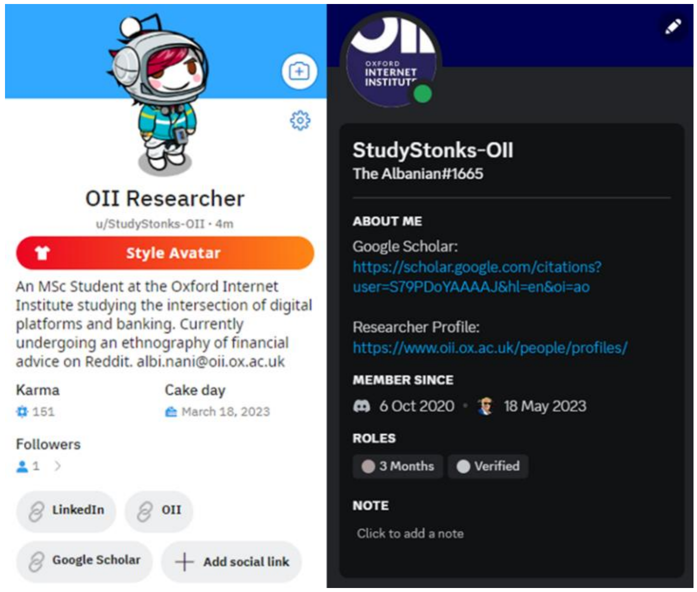

Figure 5 - Researcher profiles for Reddit (left) and Discord (right)

Integrating myself into the community was crucial for building trust with respondents and gaining entrée. I established a presence in the community through posting and commenting on the relevant platforms (McCall, 2006: 4). This was not without difficulty; on Reddit, the karma system makes it vital to contribute likeable content quickly, as an early negative karma score self-reinforces to even lower karma scores later (Squirrell, 2019: 1922). To minimize the risk of ostracizing myself from WSB early in the ethnography, I first commented on posts with lower visibility, allowing me to gradually build up my karma before posting content that was more visible.

3.3.2. Participant Observation Through the Stock Market

Authentic participant observation requires immersion into a community's norms by engaging in their behaviours rather than assessing their results (Bluteau, 2021: 272). The best approach to an ethnography of WSB is to directly subject myself to the social influences experienced by investors, which requires that I stake real funds in the stock market. There are two methodological reasons for this. First, it is the only way to directly experience the implicit motivations and feelings present during decision-making processes (Grigoropoulou & Small, 2022: 904). Second, engaging in the same behaviors as other members in my field site facilitates entrée into the community (McCall, 2006: 4). As discussed later, popular content on WSB includes posting exorbitant portfolio gains and losses, and general discussion of portfolio performance. Substantive participation in WSB requires that shared experience; it is easier to empathize about losses on a particular stock if I too had experienced those losses. Therefore, I invested $500 CAD into the stock market to invest according to advice found on WSB.

[5] The term 'stonks' is a meme of the word 'stocks'.

Nevertheless, investing research funds into highly speculative assets raises ethical concerns involving researcher safety. While unlimited participation is ideal for gathering rich ethnographic data, there are boundaries to responsible research. The high-risk nature of investments recommended on WSB puts me at substantial risk of financial loss, especially given the popularity of **margins** and **options trading**.[6] Given the possibility of incurring debt throughout this study, I limited myself to only trading stocks and ETFs, as these assets do not debt. While this restricted the types of trades and content I produced on WSB, options trading exposes me to a level of financial risk that I am unable to take.

3.4. Interviews

As part of the ethnographic case, interviewing members of WSB gives insight into the decision-making processes and motivations of WSB members (Gerson & Damaske, 2020).

3.4.1. Recruitment and Sampling

Recruiting interviewees proved more difficult than initially anticipated. At first, I cold-messaged WSB users on Reddit. However, Reddit is a impersonal platform that deemphasizes user relationships in favor of featuring user content in a forum-style format (Medvedev et al., 2019), making it more difficult to build deep rapport with users in a community; a lack of interest should have been expected. Moreover, money is considered a taboo interview topic, which may have dissuaded individuals from responding (Alsemgeest, 2016)

I later attempted to recruit interviewees on the WSB Discord server. Discord is a communications platform that hosts servers where communities can message one another and host group calls (Jiang et al., 2019), making it ideal for individuals actively seeking connections. The more social nature of the Discord server made it easier to recruit interviewees. My sampling strategy resembled snowball sampling as I requested referral from interviewees. While this brings the risk of the sample representing a specific social network rather than the wider WSB community (Illenberger & Flötteröd, 2012), this was necessary to build the requisite rapport to gain insightful data (Browne, 2005).

[6] Though the exact definitions for these terms are in the glossary, the key point is that both these types of trades hold the potential for traders to lose more money than they started with.

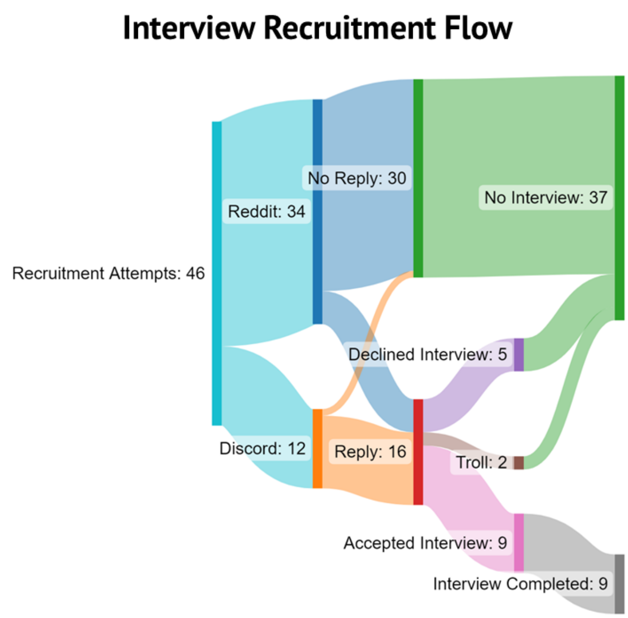

Figure 6 - Sankey chart of interview recruitment flow

Overall, I contacted 46 potential respondents for an interview, 34 on Reddit and 12 on Discord, with a 0% and 75% success rate in obtaining interviews respectively, leading to a total of 9 completed interviews (**Figure 6**).

3.4.2. Interview Schedule

The interview schedule can be found in **Appendix B**. I deployed a semi-structured interview strategy, enabling a balance between gathering vital information and allowing the interviewee to provide unanticipated insights (Salmons, 2014b: 6). Interviews conducted on a call typically lasted between 30-45 minutes in length.

Interviews opened with the more structured portion, allowing me to build rapport with the respondent while also ensuring that certain data was collected. For instance, my opening question would often be: 'How did you join WSB?', which was essential for understanding the impact of the GME short-squeeze on the membership of WSB.

The less structured portion of the interview occurred towards the end once the respondent was more comfortable providing more depth in their answers (Salmons, 2014a: 11). Asking respondents about their opinions on political institutions can be a sensitive topic prone to social desirability bias (Small & Cook, 2021), and thus trust is essential in obtaining quality data from these questions. Furthermore, flexibility is crucial for enabling the respondent to contribute their own original insights; questions such as 'Have you built relationships with people on WSB?' were borne from discussion in earlier interviews that were added to the schedule later. The interview schedule was not guided by theory, as it was more important to take an inductive approach and allow the respondents to speak for themselves; imposing theoretical frameworks on the interviews is deductive in nature and would have restricted the potential for gathering new insights (Magee, 1985: 30-31).

3.5. Data and Qualitative Content Analysis

The ethnographic case data can contribute a great deal to theory because the constructs measured as part of the analysis emerge directly from the data (Eisenhardt, 1989). The direct and reflexive involvement of the researcher over extended periods of time uncovers power structures and social dynamics that are not otherwise observable (Burawoy, 1998). While there is no standard method of structuring theory emerging from case data, the theories are still foundationally sound if their propositions are well supported by case evidence (Eisenhardt & Graebner, 2007). *Analytic generalization* contributes to the construction of a working hypotheses (Yin, 2013a: 40-41); existing theories are modified and new theories are created as the case is composed and studied (2013a: 41). In the context of this thesis, case data bodes well for building an emergent theory on retail investing over social media.

The final collection of qualitative data is summarized in **Table 2**. A single coding scheme was developed and applied to all the data, allowing for *triangulation*, the practice of using different data or methods to arrive at similar findings to mitigate the potential of rival explanations of a phenomenon (Patton, 1999). This indicates that the results are robust and reliable (Yin, 2013a: 121).

Table 2 - Summary of data sources

Method	Empirical Data	Quantity/Duration
Case Study	Public Reddit Posts/Comments	5 months on WSB
	Public Discord Channel Chatlogs	3 months on WSB
	Secondary Stock Market Data	-
	News and Journalism	1 book + various cited articles
Ethnography	Stock Portfolio	5 months on Wealthsimple
	Personal Reddit Posts/Comments	6 posts + 19 comments
	Private Discord Channel Chatlogs	-
	Jottings	5 months of journal entries
Interviews	Digital Call Interview Transcripts	5 transcripts
	Digital Written Interview Transcripts	4 transcripts

Top-level codes were based on either practical data categories or relevant theories, while bottom-level codes constituted descriptive or in vivo codes. At the top level, this allows the data to be considered in the lens of relevant theories, thus focusing the analysis and findings into relevant themes (Saldaña, 2013: 83). At the bottom level, the use of in-vivo codes particularly provides strong evidence for the theories in which they support, as these represent the direct words of the interviewee without researcher interference (2013: 91). For instance, the 'Herding' parent code, representing instances or descriptions of herding effects, contained the child codes for 'FOMO', which is a phrase spoken by interviewees or posters that denote herding-like behavior. A codebook can be found in **Appendix C**.

Next, the coded data was clustered by hand into relevant themes in a second-cycle coding process (Miles & Huberman, 1994: 248). Ethnographic data particularly provides better insights when entirely qualitatively assessed due to the role of human interpretation of the data (Burawoy, 1998). This resulted in three primary themes being found: YOLO trading, anti-institutional sentiment, and opposition strategies.

The following sections will involve a case introduction, which constitutes a brief historical overview of WSB to understand how the community reached its state of affairs in 2023, followed by an overview of the results based on the themes identified in the qualitative data.

4. Case Introduction

4.1. "Like 4chan found a Bloomberg terminal"

WSB was founded in 2012 by Jaime Rogozinski, an IT consultant at a bank who wanted to build a community that explored high-risk trades that the financial advisors he worked with would not recommend (Otani, 2021). When created, WSB was a niche community; according to the Internet Archive's Wayback Machine, the WSB landing page was only archived twice the entire year, compared to over 17,330 archive records between 2022 and 2023.[7] WSB was not a sensation upon its inception, with only marginally above 1,700 subscribers.

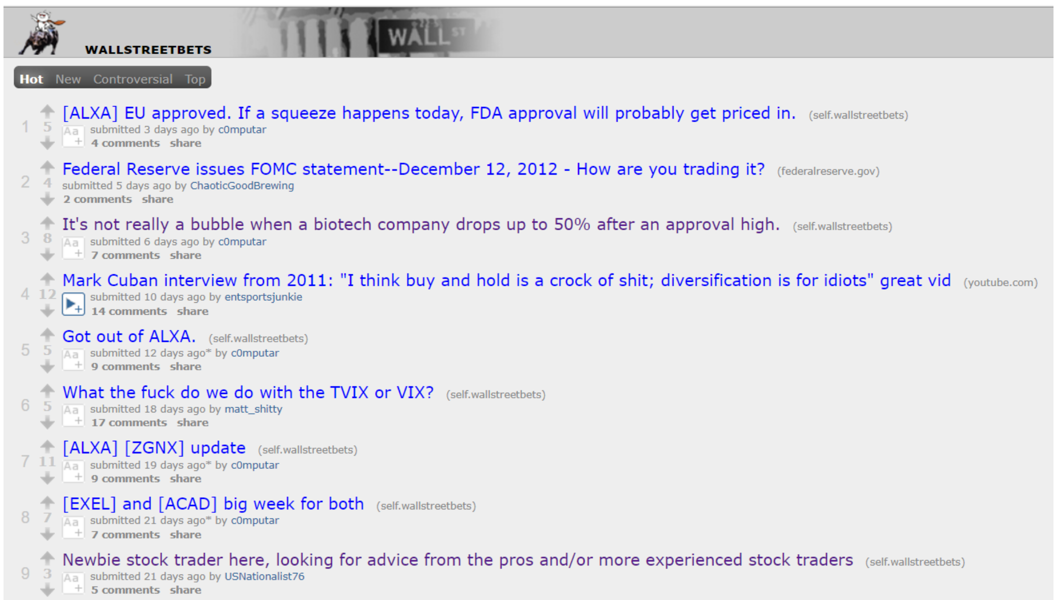

Figure 7 - WSB landing page on December 18, 2012

Despite the smaller community, some of the conversation resembled what would be discussed on WSB today (**Figure 7**). Post content included technical analysis of stocks such as Apple and Hewlitt-Packard. These longer-form write-ups discussing stocks are termed as 'DD' or *due diligence* posts by WSB users. More interesting though was what was lacking; older WSB members described a forum with virtually no memes or other entertainment-intended posts:

> *"It was a place you went to read a lot more DD, and there weren't as many memes. There wasn't as much s***posting. It was more serious and also the culture was a bit more offensive."*

- *Oscar*

But when WSB did lean into its 'sh*t-posting' side, the content featured would be typical of deviant online communities such as 4Chan. One of the most popular 'sh*tposts' in pre-GME WSB history

[7] The link to the archived WSB landing page in 2012: https://web.archive.org/web/20121218025312/https://www.reddit.com/r/wallstreetbets/.

includes a member following up on their promise to drink their own urine if the SPY **ETF** finished 'green' on a particular day (**Figure 8**).[8]

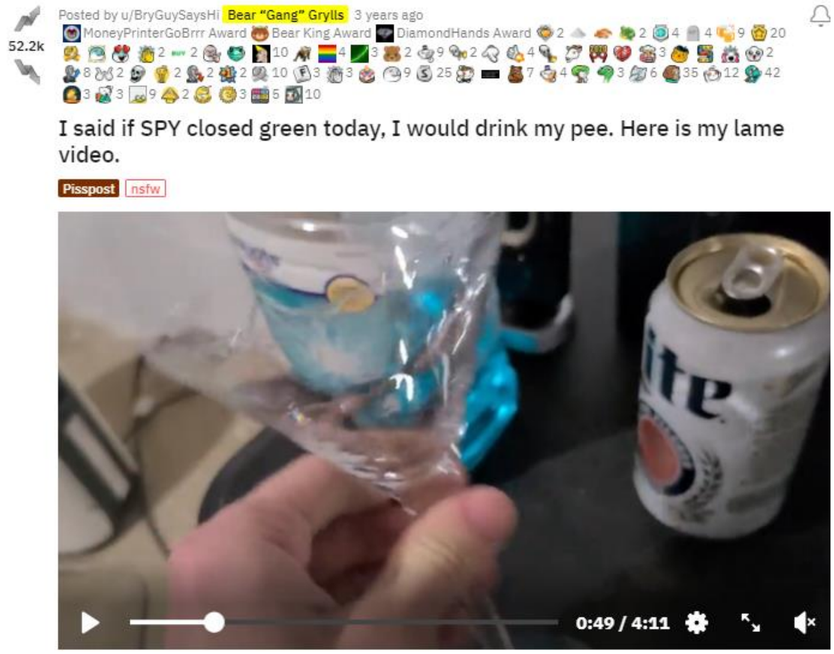

Figure 8 - The 'drinking urine' Reddit post

Another legendary WSB post is the 'GUH' meme, where a user named 'UH' had found a glitch on the Robinhood trading application, granting him virtually unlimited leverage to margin trade (Kochkodin, 2019), which he then used to purchase options. UH proceeded to lose all the funds, prompting him to post a link to a YouTube video of him observing his newfound debt (**Figure 9**).[9]

[8] 'In the green' is a metaphor for a particular asset generating profit over a specified period of time.
[9] The original YouTube video can be found here: https://www.youtube.com/watch?v=d80ahvRSV8E.

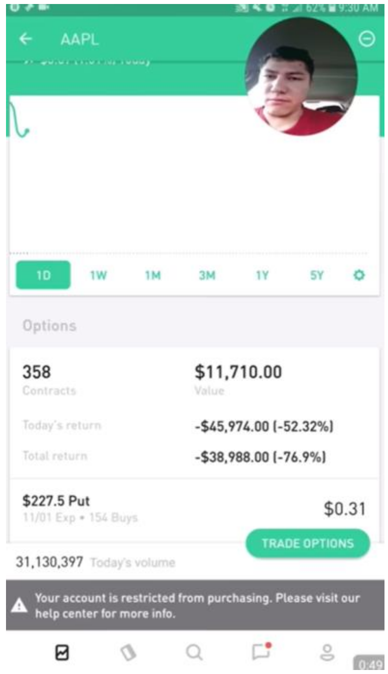

Figure 9 - A screenshot from the GUH YouTube video

The combination of meme and money drew enough interest for WSB to organically grow into a community of over 750,000 subscribers by 2019.[10] However, this growth was not without conflict; in 2020, Rogozinski lost his position as a WSB moderator after proof emerged that he had been leveraging WSB and several alternate Reddit accounts to monetize the community for his personal benefit, including the promotion of his own book (Rogozinski, 2020), and market manipulation (Picchi, 2023).

4.2. “I Am Become Meme, Destroyer of Shorts”

While WSB was already fairly popular leading up to 2021, the GME short-squeeze made the community a recognizable name among non-users of Reddit. Several members of WSB who held anti-institutional sentiment discovered that several hedge funds had shorted the video-game retailer GameStop (GME). While the ability to **short** stocks is a key element of a healthy market (Miller, 1977; Ofek & Richardson, 2003), there also exists the perception that shorting companies is predatory, as it constitutes profiting off another entity’s failure (Kelly & Goldstein, 2021). For the anti-institutional investors of WSB, this served as further motivation to treat Wall Street institutions as villains in their narrative (Jakab, 2022: 75).

The GME short-squeeze began when WSB member Kaith Gill, known by his Reddit handle u/DeepF**kingValue (DFV), posted a position in September 2019 of roughly $53,000 in **call options**, advocating to buy into GME with an associated DD on his YouTube channel (**Figure 10**).[11] DFV believed that GME was underpriced during the COVID-19 pandemic (**Figure 11**), arguing that the pessimism of the stock was overstated. Despite conducting fundamentally sound DD, DFV was

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[10] See footnote 13.
[11] DFV’s DD on GME can be found here: https://www.youtube.com/watch?v=GZTr1-Gp74U.

originally criticized by the WSB community for his position, with many claiming he would lose the funds in a week (**Figure 12**). Mainstream media also believed DFV was wrong, stating that GME was on the brink of bankruptcy, leading several hedge funds to short the stock (Kelly & Goldstein, 2021).

GME bull thesis primary points – the 3 Overs

- **Digital risks overblown**
  - Transition to digital is slower than many are pricing in
  - Physical discs remain a good-sized chunk of the market in 2020
  - In-game purchases may be skewing commonly shared figures
  - Why discs? Preference, console storage, trade value, download speed, sharing
- **Negative sentiment overdone**
  - Negative commentary abounds
    - "I haven't shopped there in years."
    - "You can already download everything."
    - "Digital is the future."
    - "GameStop is the next Blockbuster."
    - "The terminal value is zero!"
    - "Poor managerial decisions have made the company obsolete."
    - "Brick & mortar is dead."
    - "Amazon."
    - "Fewer people will shop at GameStop because of the pandemic."
  - GameStop bears:
    - Seem to falsely impute behaviors to others
    - Do not seem to be security analysts
- **Value is overlooked**
  - New board of directors – seemingly more competent
  - New management team – seemingly more competent
  - Cutting costs – COGS, de-densifying stores, working capital mgmt
  - Better capital allocation – asset sales, actively testing stores, no acquisitions
  - Improved flexibility via refinancing – extended maturities, rid of covenants
  - Adequate liquidity through console refresh and potential turnaround
  - GameStop remains highly relevant – $6B in revenues, $1B during Q1 2020
  - Significant operating leverage – trades at 4% of end-of-console-cycle revenues
  - Historically successful at generating FCF despite bloated costs
  - $260M mkt cap < fair NAV (~$400M) + conservative est of future FCFs (~$100M)

Figure 10 - DFV's DD on GME

1.4k

r/wallstreetbets · Posted by u/DeepFuckingValue gamecock 4 years ago

Hey Burry thanks a lot for jacking up my cost basis

YOLO

Symbol		Actions	Qty #	Price Paid $	Last Price $	Bid	Ask	Day's Gain %	Day's Gain $	Total Gain %	Total Gain $	Total Cost	Value $
GME Jan 15 '21 $8 Call	Trade		1,000	0.53	0.85	0.75	1.25	14.29%	12,500.00	86.69%	46,433.96	53,566.04	100,000.00
06/07/2019	Close Roll		50	0.60	0.85	0.75	1.25	14.29%	625.00	64.97%	1,969.20	3,030.81	5,000.00
06/20/2019	Close Roll		50	0.75	0.85	0.75	1.25	14.29%	625.00	32.25%	1,219.20	3,780.81	5,000.00
07/17/2019	Close Roll		50	0.55	0.85	0.75	1.25	14.29%	625.00	79.80%	2,219.20	2,780.81	5,000.00
07/18/2019	Close Roll		50	0.50	0.85	0.75	1.25	14.29%	625.00	97.57%	2,469.20	2,530.80	5,000.00
08/14/2019	Close Roll		200	0.30	0.85	0.75	1.25	14.29%	2,500.00	227.43%	13,891.77	6,108.23	20,000.00
08/20/2019	Close Roll		100	0.30	0.85	0.75	1.25	14.29%	1,250.00	227.16%	6,943.41	3,056.59	10,000.00
08/22/2019	Close Roll		100	0.55	0.85	0.75	1.25	14.29%	1,250.00	79.97%	4,443.41	5,556.59	10,000.00
08/22/2019	Close Roll		200	0.65	0.85	0.75	1.25	14.29%	2,500.00	52.58%	6,891.77	13,108.23	20,000.00
08/27/2019	Close Roll		100	0.60	0.85	0.75	1.25	14.29%	1,250.00	65.11%	3,943.41	6,056.59	10,000.00
09/03/2019	Close Roll		100	0.75	0.85	0.75	1.25	14.29%	1,250.00	32.33%	2,443.41	7,556.59	10,000.00
Cash													$13,962.21
Total				$53,566.04				14.29%	$12,500.00	86.69%	$46,433.96		$113,962.21

410 Comments Award Share Save ...

Figure 11 - DFV's first GME update post

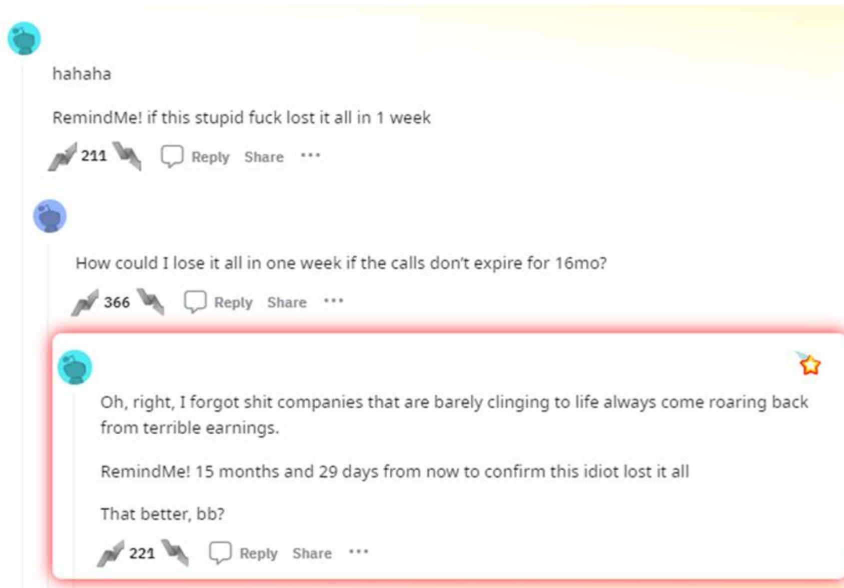
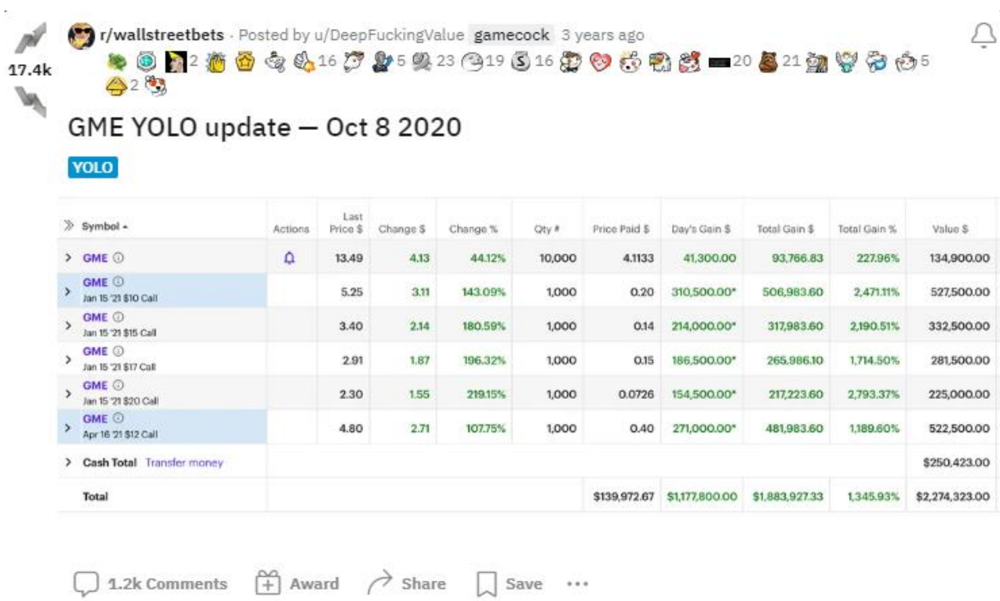


Figure 12 - Comments on DFV's initial GME post

This remained the case until nearly a year later in October 2020, when DFV posted his first gains from his GME options, totalling over $2 million USD (**Figure 13**). Suddenly, the same community that had mocked DFV made him an icon (**Figure 14**). These gains inspired many other WSB users to purchase GME calls and shares, believing they too would profit from DFV's strategy (Jakab, 2022: 94-95).



Symbol	Actions	Last Price $	Change $	Change %	Qty #	Price Paid $	Day's Gain $	Total Gain $	Total Gain %	Value $
GME		13.49	4.13	44.12%	10,000	4.1133	41,300.00	93,766.83	227.96%	134,900.00
GME Jan 15 '21 $10 Call		5.25	3.11	143.09%	1,000	0.20	310,500.00*	506,983.60	2,471.11%	527,500.00
GME Jan 15 '21 $15 Call		3.40	2.14	180.59%	1,000	0.14	214,000.00*	317,983.60	2,190.51%	332,500.00
GME Jan 15 '21 $17 Call		2.91	1.87	196.32%	1,000	0.15	186,500.00*	265,986.10	1,714.50%	281,500.00
GME Jan 15 '21 $20 Call		2.30	1.55	219.15%	1,000	0.0726	154,500.00*	217,223.60	2,793.37%	225,000.00
GME Apr 16 '21 $12 Call		4.80	2.71	107.75%	1,000	0.40	271,000.00*	481,983.60	1,189.60%	522,500.00
Cash Total Transfer money										$250,423.00
Total						$139,972.67	$1,177,800.00	$1,883,927.33	1,345.93%	$2,274,323.00

Figure 13 - DFV's first gains on GME posted on WSB

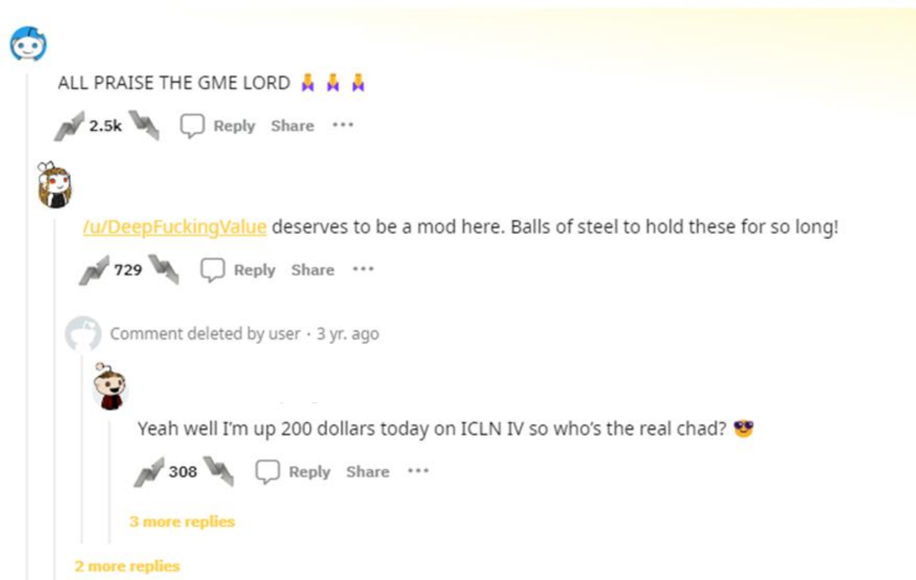


Figure 14 - Comments on DFV's first GME gain post

Still, many hedge funds mocked the move, namely Melvin Capital and Citron Research (Thorbecke, 2021), believing that WSB investors were engaging in herd behavior rather than making a fundamentally sound trade. These were also firms that took short positions against GME (Kumar, 2021). However, Gill's post inspired enough WSB members to purchase GME that the market was forced to respond by raising the share price. Moreover, the vitriol from the hedge funds only further motivated the WSB community to move against them. Determined to win against the Wall Street elite that underestimated the retail investors, WSB members raised the price of GME from around $4 USD in the autumn of 2020 to nearly $483 USD per share in January 2021 (**Figure 15**).[12]

[12] GME underwent a 4-to-1 stock split on the 22nd of July, 2022; the stock price on any charts would retroactively reflects the price of a single current share.

Figure 15 - Stock price of GME over time

However, the GME bubble eventually burst. While many politically-motivated investors insisted on holding their GME stock to make hedge funds lose more money, more users opted to realize their profits (Jakab, 2022: 228). The dilution of politically-motivated investing was also aided by the influx of new WSB members during the short-squeeze (Hasso et al., 2022); these new members were more motivated by profit rather than a political vendetta against the Wall Street elite. Conversations on the sub-Reddit began to revolve around GME's price rather than the broader discussions that transpired prior (Mancini et al., 2022). As more WSB members sold their GME stock, the price of GME fell to reflect the market's pessimism, ending the short-squeeze.

Though the peak of the GME short-squeeze only lasted a week— from the 22nd to the 29th of January 2021— the movement had several major implications for the financial system. First, the hedge funds that WSB members had targeted with the short-squeeze had lost their battle against the Redditors; Melvin Capital lost roughly $6 billion as a result of their short position (Aliaj et al., 2021), leading to their eventual shutdown, while Citron Research, previously known for their reports on stocks to short, stopped publishing those reports entirely (Stewart, 2021). The losses incurred by these hedge funds prompted Elon Musk, the celebrity tech mogul, to tweet the infamous Oppenheimer-inspired meme (**Figure 16**).

Figure 16 - Elon Musk's GME Oppenheimer tweet

While two hedge funds do not represent the entire institutional elite that WSB wanted to undermine, in this particular case, the 'little guys' demonstrated they could win. This suggests that gaming the stock market for socio-political purposes was possible if done by a large enough group of investors with adequate collective cash resources.

4.3. A New WSB

The GME short-squeeze brought unprecedented popularity to WSB, with the sub-Reddit growing from 1.7 million subscribers pre-short squeeze to over 10 million afterwards **(Figure 17)**.[13]

Figure 17 - WSB subscriber count over time

Many current users of WSB attribute their interest in the community to the GME short-squeeze, as the sudden coverage of the sub-Reddit made them aware of the investing community online:

> *"I had been aware of the sub prior to 2021 before the GameStop short squeeze, but it was because of that event that I started paying more attention to what was going on."*

- *Roy*

> *"I've been trading stocks since freshman year of high school, but I've never really heard of WSB until the whole GameStop debacle in early 2021."*

- *Scott*

[13] Subscriber statistics found at: https://subredditstats.com/r/wallstreetbets.

However, with the new members outnumbering the old, the essence of WSB changed. More meme content was posted, but in a less vulgar fashion than prior to the short-squeeze. In 2023, some of the more popular memes involved Jim Cramer's inverse projections of the stock market, a user attempting to sue Robinhood over unexecuted options, and most notably, a story of a user planning a trip to France who ultimately failed (**Figure 18**).

Figure 18 - 'Trip to Paris' post and comments

The increase in meme content also meant there were less DD posts garnering attention. Where WSB was once a forum for high-risk financial advice with a flair for spectacle, the rise in entertainment-based content blurred the boundary between real advice and parody, as stated by a long-time WSB member:

> *"You can filter by DD and you can read stuff, but you have to look for it, it's not in your face like it used to be in the old days... right now it's just a lot of memes and people talking about the market casually."*

- *Oscar*

In 2023, the landing page of WSB resembles a feed of memes more than a collection of financial advice, representing an evolution from its initial form in 2012. Much of the antagonism for institutions from the GME short-squeeze lingered in meme content, and was being freshly renewed in 2023's cost of living crisis (Hamill-Stewart & Chainey, 2023). As I explore In the results, this made for the ideal set of conditions for users to take investment advice from WSB.

5. Results

The results presented below reflect the most significant clusters found in the coded data, which are then further subdivided into smaller clusters of codes that appeared frequently together. They are presented in their thematic categories, beginning with the foundational role of YOLO trading, proceeding with the significance of anti-institutional sentiment, and finishing with a consideration of dissenting opinions on WSB.

5.1. The Lifecycle of a YOLO

5.1.1. What is a YOLO?

YOLO[14] trading is one of WSB's self-proclaimed trading strategies and regarded by many community members as an essential component of real participation in the community. YOLO trades are ingrained in the fabric of WSB; the community guidelines as of July 2023 refer to them explicitly in the fifth rule as 'wall whacky'— implying high-risk— trades involving at least $10,000 in options or $25,000 in shares (**Figure 19**).


5. YOLOs Must Be Above $10K or $25K (Options, Shares)

We're here to see off the wall wacky trades and small $100 trades just don't cut it.

YOLO posts must be a minimum of $10,000 of options or $25,000 of shares.

Please make sure to include the actual position or trade in the screenshot.

Figure 19 - YOLO rules on WSB

In practice, there is no consensus definition of a YOLO on WSB; I witnessed several debates between WSB users on whether a particular member's trade counted as a YOLO, such as the one portrayed in the post and comments of **Figure 20**.

[14] YOLO is a colloquial acronym for "You Only Live Once".

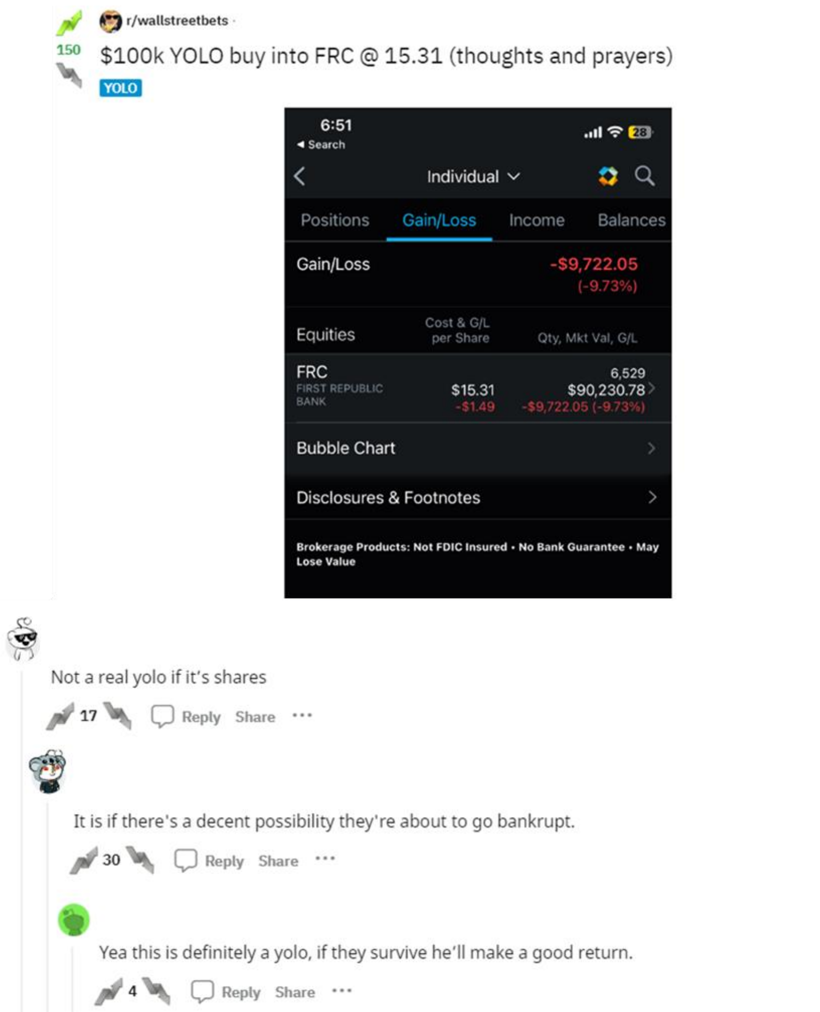


Figure 20 - FRC YOLO post

Diverging definitions of YOLOs also came out during interviews. Scott inferred YOLO trading was more about impulse investing, while Oscar added nuance suggesting there was a high-risk element of losing money:

> *"You only live once. You just do it. And then if you f**k it up, you'll f**k it up... It's looking at the risk and saying, "you know what, if it works, it works. If it doesn't, it doesn't. But if I never do it, I'll never know."*

- *Scott*

> *"The definition of YOLO to me would be putting a huge amount of money, as compared to your net worth, into either a stock or an option, and not do any research ahead of time on what the outcome of that trade could be... basically just saying "alright, I only live once, I'm just going to f**king throw money into this and if I lose my money, that's it... I'd say it's gambling."*

- *Oscar*

Though the exact characteristics of a YOLO remain under debate, there are a few commonalities that emerge in the above evidence. A YOLO trade is (1) of significantly high-risk to the investor, with a real possibility of losing the entire **principal** amount of the investment, (2) requires investing a substantial portion of one's savings, which is usually at least a few thousand dollars, and (3) if successful, will generate jackpot-like returns for the investor. By nature, they are highly speculative investments that, as alluded to by the interviewees, resemble a form of gambling. While this often means the majority of YOLO trades occur in the form of options trading given their risky nature, highly volatile stocks can still qualify as YOLO trades as they embody the spirit of 'throwing money into it', as described by Oscar.

The YOLO trading phenomenon is built into the ethos of WSB, as it represents the most explicit method of users making substantial money on the sub-Reddit. During this project, I witnessed a full YOLO trade cycle with the stock of First Republic Bank (FRC).

5.1.2. Not So Due Diligence

FRC was a regional bank operating in the United States that failed during the global inflation crisis of 2023 (Masters et al., 2023). In short, another regional bank, Silicon Valley Bank (SVB), had collapsed in March 2023 due to a **bank run** caused by clients who were uncomfortable with how much risk SVB was undertaking in the midst of the inflation crisis (Yerushalmy, 2023). This created a **contagion** that led to deposits being withdrawn at other banks, including FRC, leaving the bank with no cash to operate (Barr, 2023). Within the span of three months from March 2023 to May 2023, FRC's stock price plummeted from over $120 USD to $0.58 USD per share when they were delisted off the stock exchange, representing a 99.52% loss of value (**Figure 21**).[15]

Figure 21 - FRC stock price over time

[15] Data acquired from Google Finance at: https://www.google.com/finance/quote/FRCB:OTCMKTS

The decline of FRC was not linear. During the month of April, there was hope that FRC had already bottomed-out and would recover (Ahmed, 2023). This was also the prevailing opinion on WSB, insofar as it was featured on the posts that gained the most traction. Several DD posts outlined how FRC was an opportunity for profit as it hovered around $15 USD per share, arguing the bank was well-positioned for a recovery with prior cash reserves borrowed from the US federal reserve that would keep it afloat (**Figure 22**).

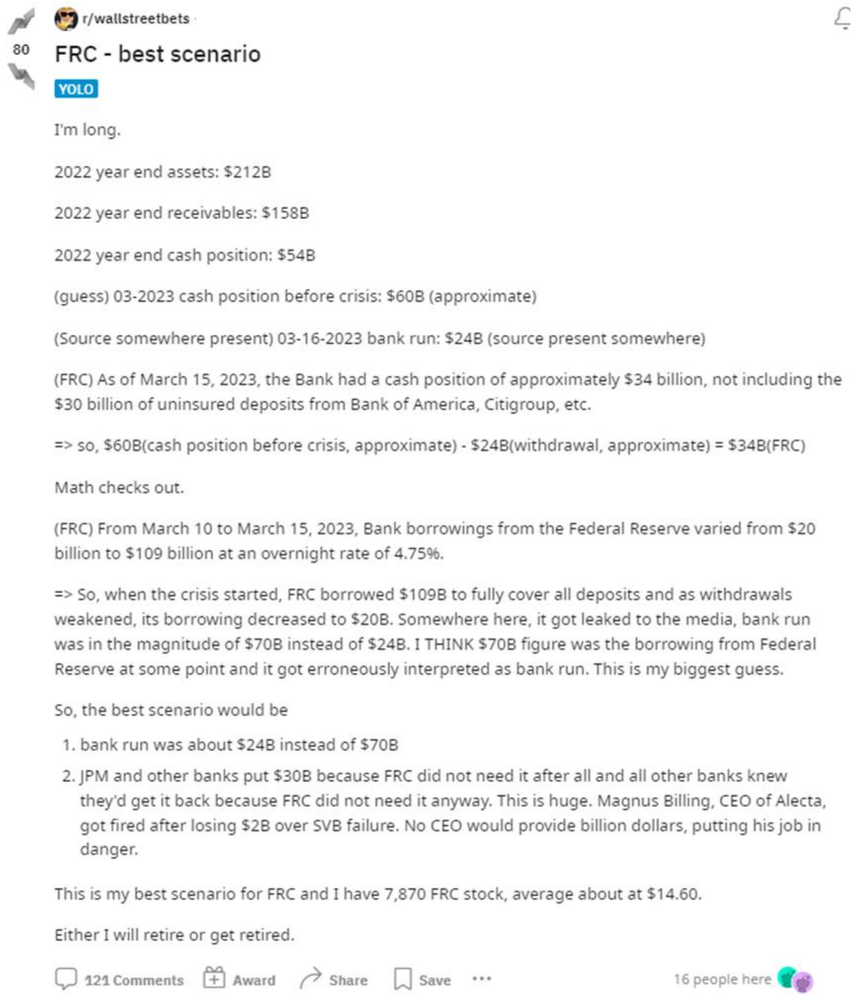


Figure 22 - FRC DD post

To the average WSB member, the post appears well-reasoned, supposedly referencing accurate financial information concerning FRC and making a case for why the stock was undervalued. Many users rely on DD content to make their investment decisions under the impression that the writers are offering high-quality analysis, even surpassing industry professionals:

> *"Here in WSB, you have skin in the game. You know you have something to lose... So it's in your best interest to do a thorough DD, rather than the guys over in Wall Street."*

- *Jackson*

"I figured it was some like-minded individuals that understand the market more than I did, so I came for some knowledge."

- *Silas*

Comments under DD posts for FRC often stated how they were persuaded by the content of the post, which often led to a continuous stream of approval ultimately leading to more users making the recommended investment (**Figure 23**).

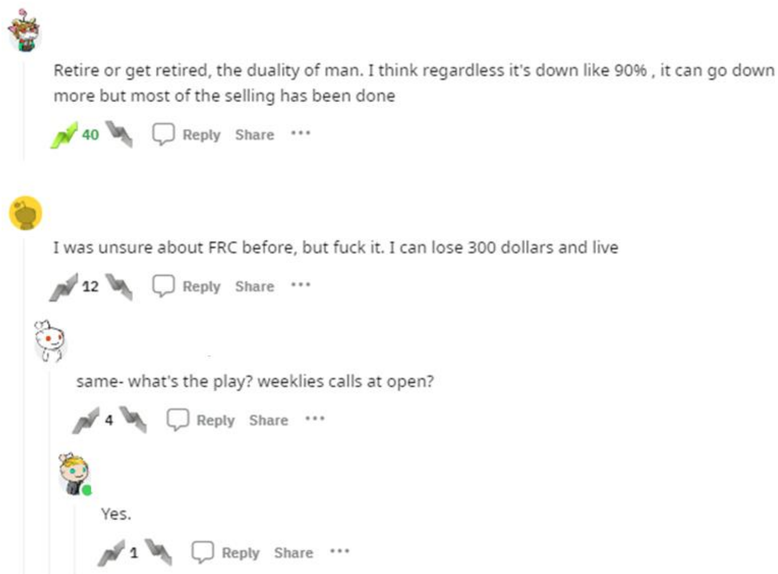


Figure 23 - Comments under FRC DD post

DD posts become an opportunity for groupthink indicative of herding effects; the analysis provided acts as support to make a particular a YOLO trade and is then widely disseminated on WSB. But aside from offering a source of rationale for making a high-risk investment, there is an affective element of 'getting rich together' and that harkens back to the original ethos of WSB as described by Jay and Selina:

"I did [trade GME]. I made a good amount of money. It was a fun time. I was bored. It was during a period of time where I think a lot of people were also not really going anywhere or doing anything. It was a way for us to make money and have fun."

- *Jay*

"For me [WSB] is more like a social thing at this point. But with a common goal of all making money in the stock market."

- *Selina*

Consequently, the effectiveness of DD posts is not driven by the quality of advice given but rather its ability to validate the desire of other WSB members to generate substantial gains in high-risk trades. Should WSB members refuse to buy into these trades, then they suffer from a commonly shared fear of missing out (FOMO) on profits:

> *"They're not doing something because it's smart, they're doing it because of fear of missing out on the profits. With GameStop, for example, it was going up and everyone was piling into it because they wanted to make money."*

- *Scott*

In more extreme cases, some WSB users would not consider their peers as real community members unless they were invested in YOLO trades, as was demonstrated in **Figure 24**:

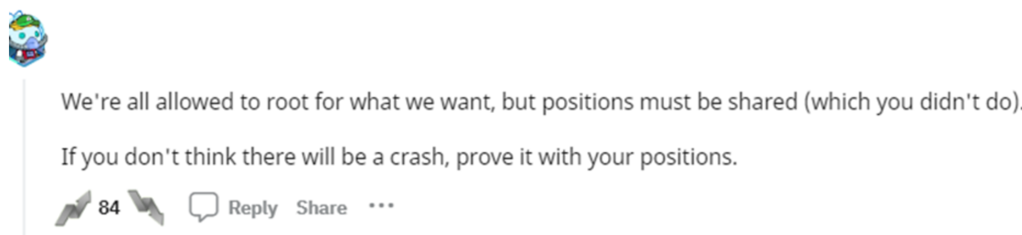


Figure 24 - Comment on sharing positions

The emphasis on community groupthink over information quality means that the investment advice given in DD posts is not necessarily accurate and can lead to mixed outcomes.

5.1.3. Loss Porn

Swayed by other community members investing in FRC, I also invested in the failing bank to both earn my spot in the community and attempt a YOLO trade with the potential for a high-percentage return. The latter did not come to pass, as illustrated by the purchase and sell orders in **Figure 25**.

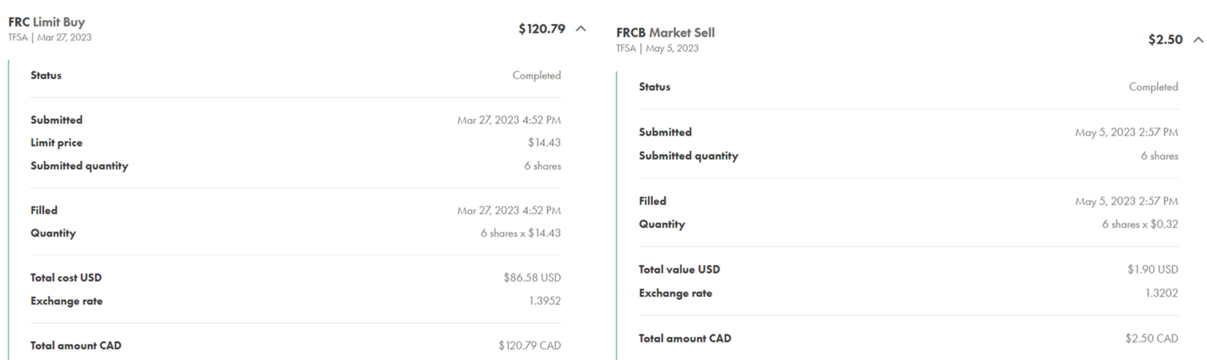


Figure 25 - Summary of FRC purchase and sale

I lost $118.29 CAD from the FRC collapse, a return of -97.93%. In retrospect, investing in a failing bank, especially when another US bank, SVB, had collapsed weeks earlier (Helmore, 2023), was unwise investing. However, this does again indicate the presence and impact of herding effects in online investing communities, as participating in this trade was essential in earning entrée and respect within WSB.

This became more apparent in the aftermath of my FRC loss, as I decided to contribute to WSB culture by making a meme commemorating my loss (**Figure 26**). Though I had made other posts in the forum, this post was my best performing, and was featured on the front page of the sub-Reddit for a few days. Unlike my other posts, which constituted of regurgitated news and memes about the economic crisis, this post was a direct mockery of my own losses, though not technically loss porn as I did not post a losing position.[16] The strong performance of the meme reinforces that meme content is popular in the current paradigm of WSB, but also that losses become a communal experience on the sub-Reddit that promotes engagement between users.

Figure 26 - Loss meme on WSB

[16] Given the $500 CAD limit on my investment, it was not possible for me to post any YOLOs or loss porn based on the WSB community guidelines. However, the content posted still remained conceptually similar to these types of posts, meaning their effects were still similar, though muted in comparison.

The term 'bagholder' on WSB and in the post refers to investors who are holding failing stocks with the unlikely hope that their price will rebound to be profitable. The comments on my post drew other bagholders who were searching for absurd reasons to believe FRC would recover, even against other commenters who were criticizing the trade and encouraging them to cut their losses (**Figure 27**).

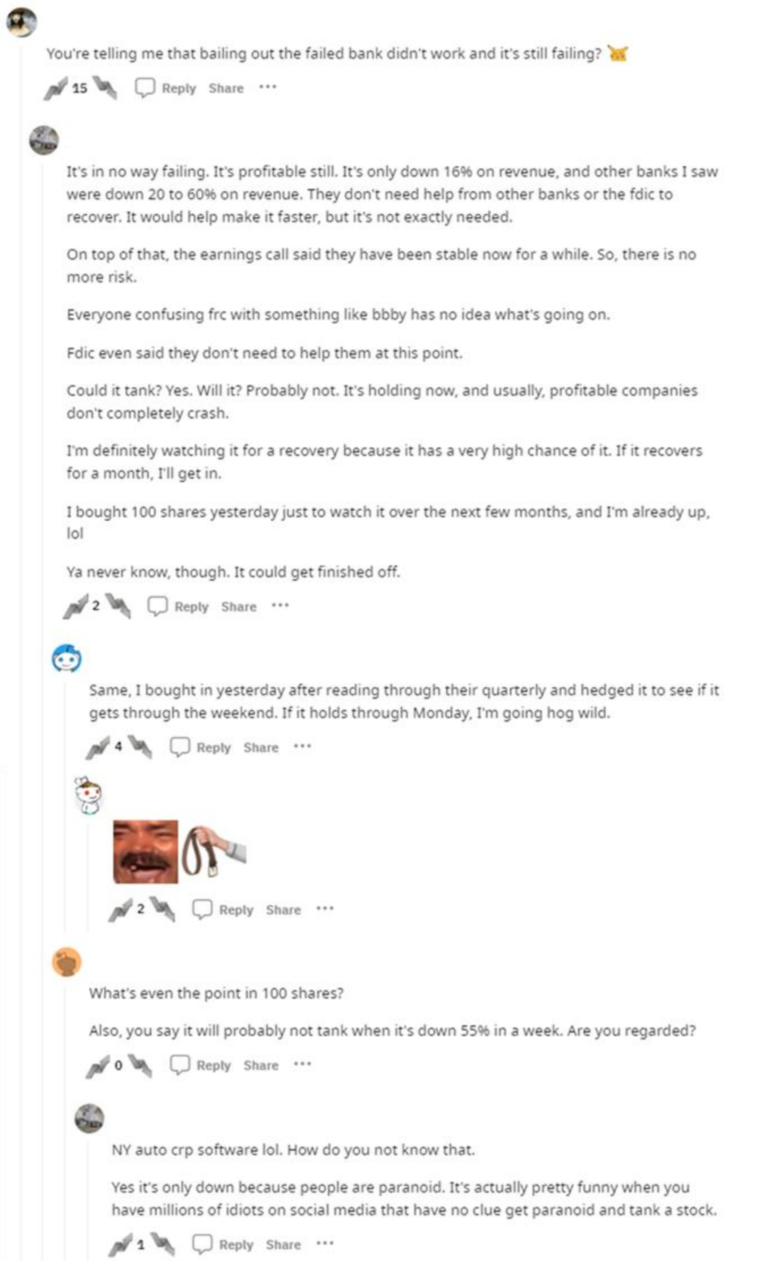


Figure 27 - Comments under FRC loss meme

Even when confronted with rational market information from users with dissenting opinions, the visibility of other losing investors on WSB gives bagholders the impression that their investment is still viable. This is one way that users on WSB cope with their losses.

The other coping mechanism involves the phenomenon of *loss porn*, which involves users posting their losses for other members to witness. Larger losses tend to be more popular, though it is unclear if this is because they are simply more sensational, or if other WSB members simply respect the honesty of sharing positions.

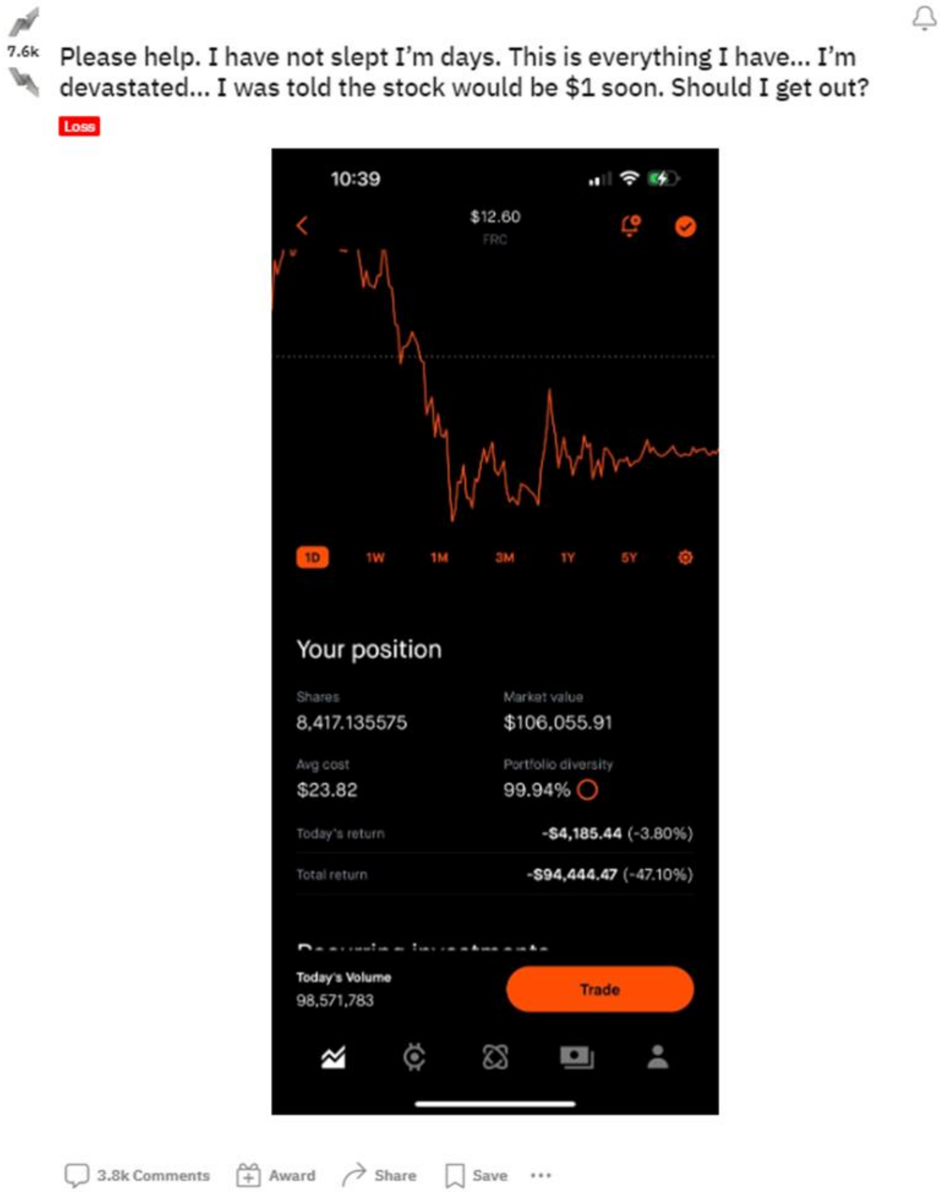


Figure 28 - 'Please help' loss porn post

Figure 28, which pictures a loss of nearly $100,000 USD, represents the destructive potential of YOLO trading on WSB. These trades are high-risk, and thus they end poorly more often than they end well for the user. The post title 'Please help, I have not slept [in] days' is revealing; these posts might entertain the community through the sheer absurdity of such losses, but these individuals are destroying their livelihoods by losing their life savings in an instant. Selina's comments summarize this duality:

"They're [loss porn] is kind of funny. It's funny to watch people stress out about money. And sometimes the chat gets a little heated, but then I think about, 'oh it's like everyone, it's a red day'. And maybe people are stressed out and taking it out on each other."

- *Selina*

It remains unclear why individuals post loss porn. The comments underneath the 'Please help' post were questioning the poster's ability to trade (**Figure 29**):

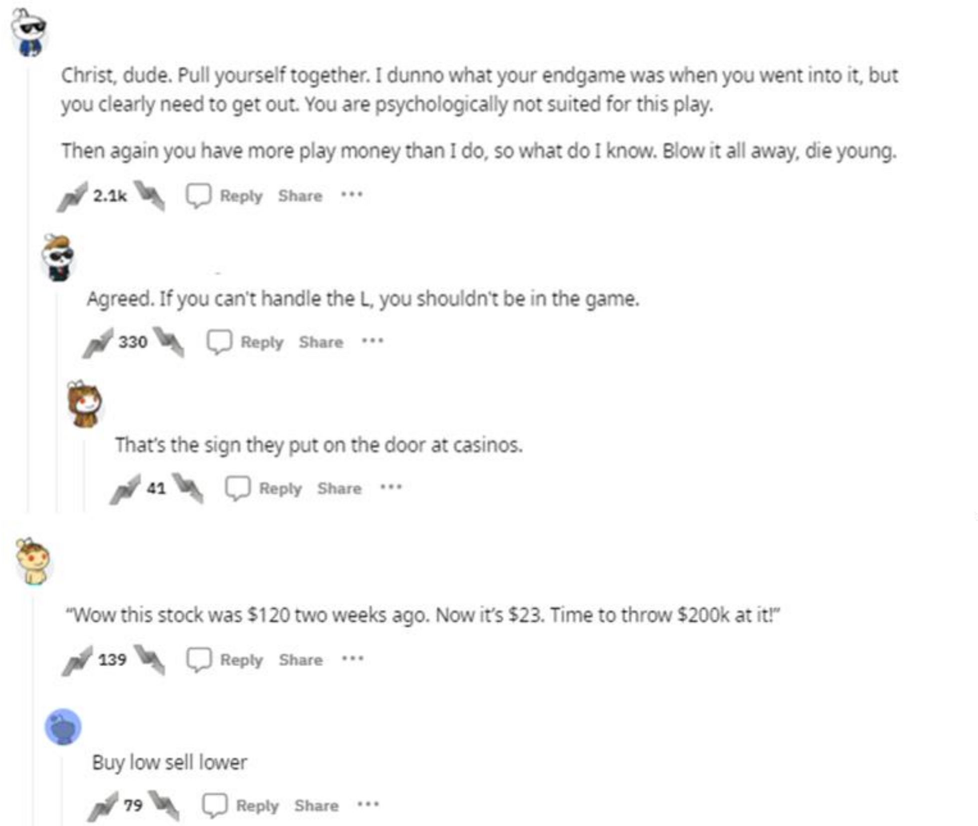


Figure 29 - Comments underneath the 'Please help' post

Some WSB users theorized it was a method of coping with the loss, as WSB provided a social outlet to share portfolio performance with individuals who would be interested in the outcome of the trade:

"Sometimes it feels good to communicate this stuff to other people rather than internalise it... I think it's fun sometimes to post online and be like "look at this money I lost"... it's really to have that social aspect, because trading or investing is a solitary thing, so it's fun to have that social aspect."

- *Oscar*

The same WSB herd that encouraged the user to make a high-risk trade in the first place also becomes a source of comfort in the case of large losses. While this deepens the users' connection the community, it also makes them more vulnerable to following the behavior of the herd as they become emotionally reliant the community.

On a methodological note, it was difficult to gain direct data on loss porn. It is unethical to interview financially struggling individuals as they might be considered a type of vulnerable person (Silverio et al., 2022). While these represent some initial findings on loss porn, there yet may still be some data that requires more care and focus to directly access.

5.1.4. Win Until You Don't

On the occasions that YOLO trades do work out, members on WSB may also post their gains to exhibit their profits, as seen in **Figure 30** featuring a $33,093 USD gain.

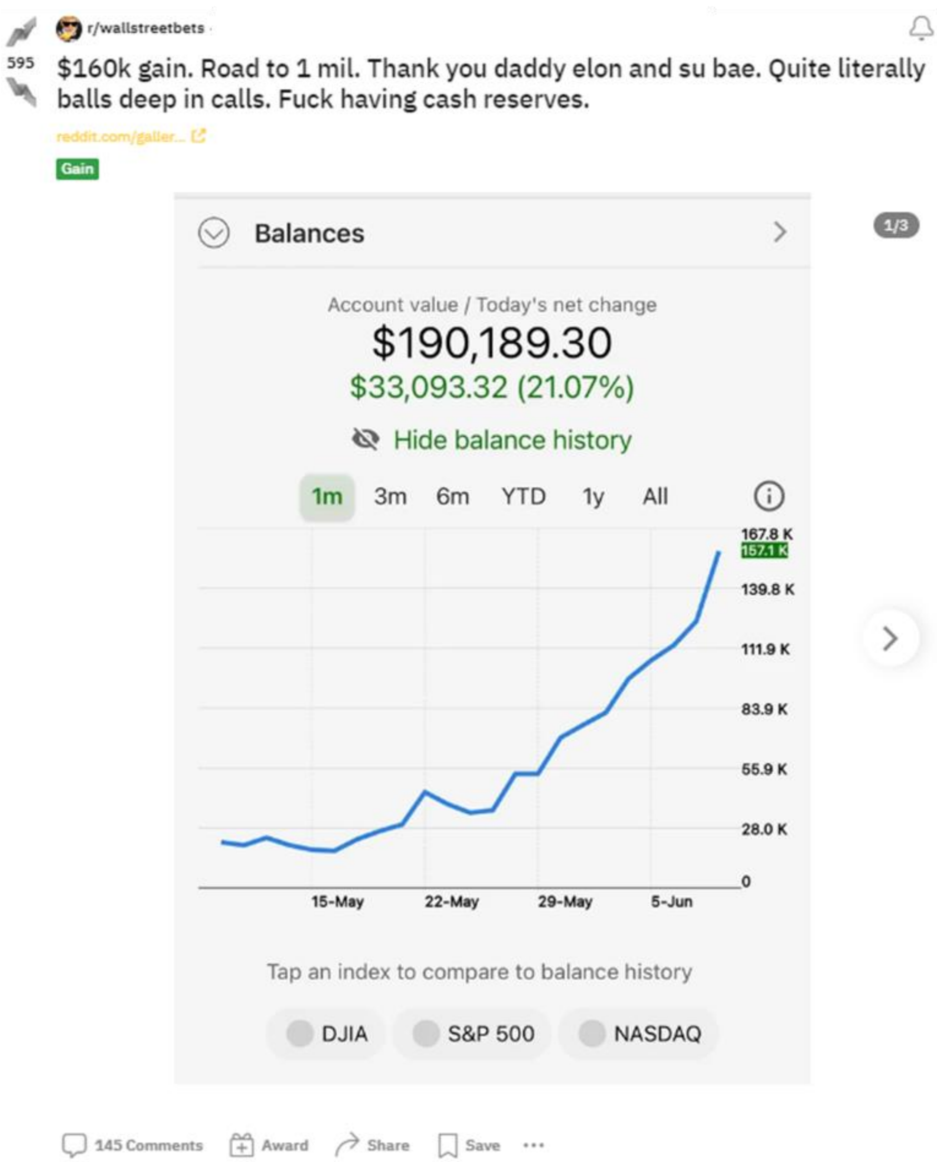


Figure 30 - Gain post

While the investors will certainly enjoy their gains, they ignore the long-term danger of such successes; though the result of the YOLO trade was positive, that does not eliminate the risks involved with future YOLO trading. The user stating “f**k cash reserves” in the title of the gain post highlights a dangerously cavalier attitude towards risk.

Instead of realizing several thousand dollars worth of gains and moving them into savings accounts or lower-risk investments, many users will prefer to attempt another YOLO trade with their newfound gains, risking all their funds yet again. As YOLO traders like Jay state, they are encouraged by their past success, making them confident in their prospects for future success without consideration for the very large risk of losses.

> *“It was very much a— I don't want to say an addiction— but it was more... the high you get from making a winning trade that absolutely explodes upwards... after I sold GameStop, I was looking for the next big trade... Rocket Lab was one. I played Bed, Bath and Beyond... A lot of SPY YOLO trades where I would make a trade and then like a day later it was up 400%.”*

- *Jay*

Adopting a speculative investing strategy is not inherently bad, but such investors must acknowledge that they are undertaking copious levels of uncontrollable risk. Posting gains incurs the opposite effect, enabling both the poster and readers to believe they know better than the market, giving them misplaced confidence to pursue more ill-advised YOLO trading.

This is best elucidated in the following explanation Jackson— a self-described speculation trader— gives outlining the difference between speculation and gambling, with the former representing certain market conditions, and the latter representing a market without any data:

> *“I think the scenario of just going to Las Vegas when it comes to gambling... You don't know the probabilities of winning and losing for each game... Gambling is making uninformed decisions- same thing with speculating, uninformed decisions- but the difference is for gambling you don't care about the probabilities, you just hope... Speculating, you're basing it on past performance and you assume that the future performance is going to behave the same.”*

- *Jackson*

This explanation is incorrect, as the inverse of what Jackson suggested is true. The probabilities of success at casino games can be calculated and known while gambling (Chau et al., 2000), whereas the chance of success on a speculative stock market play are unknown (Karemera et al., 1999). This misplaced confidence and the tendency to keep entering YOLO trades is indicative of WSB users falling victim to the hot hand fallacy.

However, the effect of the hot hand is not limited to the investor; by posting gains, users encourage other WSB members to incur more risk as they provide only the positive outcomes of a trade, and not the negative outcomes that may have also occurred, as explained by Oscar:

"They're looking to make money quickly, they want to become wealthy tomorrow. That's why it's so attractive when you see those posts on Reddit that are, 'I turned $10K into $90K in a week'. But for everybody who's trying to do that, there's nine people who lost the $10K."

- *Oscar*

This is indicative of herding effects worsening the impact of the hot hand fallacy; rather than limiting bias exposure to the individual investor, the sharing of positions over social media spreads the threat of that bias across other users.

In short, YOLO trading supports the theories of herding and the hot hand fallacy being present on social media. But while these results indicate economic biases at play, there are further results that demonstrate how the social dynamics of WSB impact vulnerability to these biases.

5.2. We're All Alone in this Together

5.2.1. *Memes Against the Institution*

One of WSB's most prominent cultural elements is the generation and dissemination of memes, many of which exhibit an anti-institutional flavor. Three such memes are illustrated in **Figure 31**.

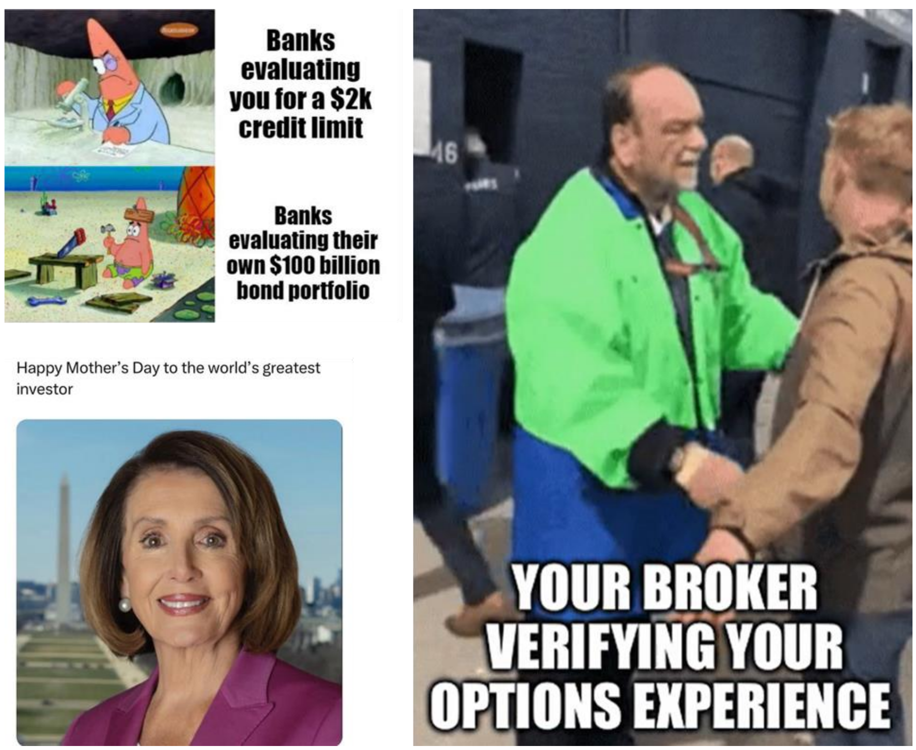


Figure 31 - Selection of anti-institutional memes on WSB

The 'institution' is a vague concept on WSB as its exact reference can differ depending on the context, ranging from banks, the government, individual government officials, billionaires, and brokerage companies, among others. The common thread between these entities is the disproportionate amount of power they yield compared to the average person.

The memes on WSB are cited as creating unity within the community, especially when they express institutional criticisms, as described by Imogen:

> *"I love the memes about corporations losing money, billionaire CEO's getting exposed or losing money, and ESPECIALLY the meme "INVERSE CRAMER". Memes have the power of unity. It has the ability to bring the community together."*

- *Imogen*

The comments sections of the memes (**Figure 32)** reinforce the point on unity, as WSB members willingly voice their displeasure with entities in power. The most popular comments described banks as 'stupid' and mentions their predatory behavior with credit card limits. The one dissenting opinion defending Nancy Pelosi and the source of her wealth receives a negative karma score, indicating that any defence of institutions is discouraged.

Figure 32 - Comments under the memes in Figure 31

While investing is not necessarily a zero-sum activity (Hill, 2006), it is typically perceived as an endeavor of solitude without much intrinsic incentive to pursue cooperation or teamwork, a sentiment echoed by WSB users:

> *"What I noticed was that trading is not a team sport and I have to look after my money over anybody else's. Nobody's going to trade for you."*

- *Jay*

It is interesting that WSB tends to draw investors together, with anti-institutional memes acting as a unifying force. This suggests some level of structural antagonism present; a shared disdain for institutional powers unifying retail investors who would otherwise act alone.

Consider the following post and subsequent comments that patronizes the various politicians and public figures who prematurely declared the end of the 2023 economic recession (**Figure 33** and **Figure 34**).

Figure 33 - 'Now the crisis is over' meme

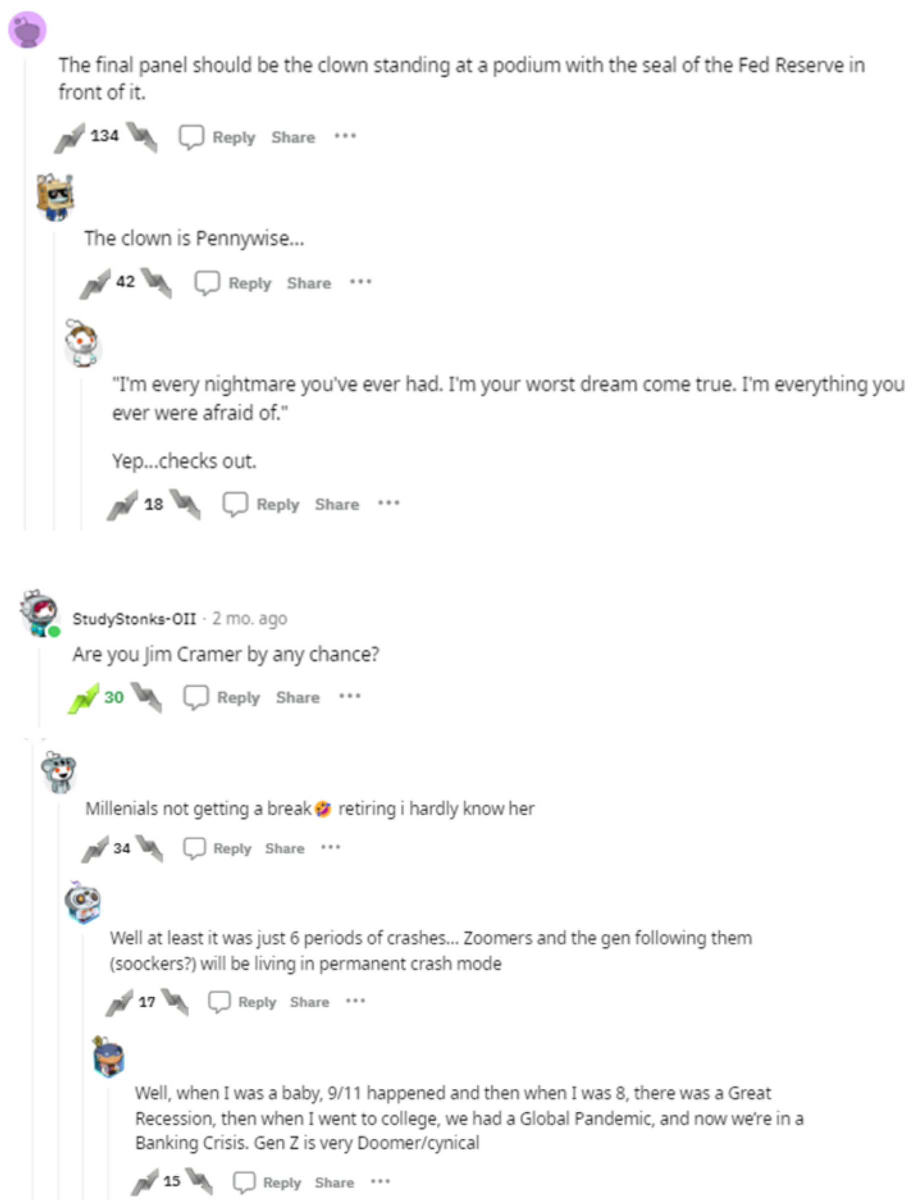


Figure 34 - Comments under 'Now the crisis is over' meme

The more popular comments included an insinuation that the federal reserve was run by clowns, and my own invocation of the 'inverse Cramer' meme. Critique of powerful entities is welcomed and encouraged through post engagement and upvotes, making it a somewhat reliable method of rallying the WSB crowd. Of significance is that my comment in the 'Now the crisis is over' post was my best-performing comment on WSB, outperforming other comments I made focused on gains or losses, reinforcing the notion that WSB is more appreciative of meme content than substantive investment content. However, a more interesting development in this thread is the connection between anti-institutional thoughts and the difficult economic circumstances faced by younger generations.

5.2.2. Generation Desperate

A substantial contextual factor in this project was that it was conducted during a period of economic struggle where many individuals were struggling financially (Derby, 2023). Millennials, and to a lesser extent Gen-Z, have been particularly impacted due to their relative financial precarity (Hoffower, 2022). On WSB, it is common for millennials and Gen-Z to express their feelings concerning economic crises, typically in the form of cynicism, apathy, or anger, as seen in users' comments claiming that they were 'bleeding' or 'set on fire' (**Figure 35**). Users also blame institutions for overstimulating the economy during the COVID-19 crisis, leading to the 2023 inflation crisis, demonstrated by the 'money printing' comments'.

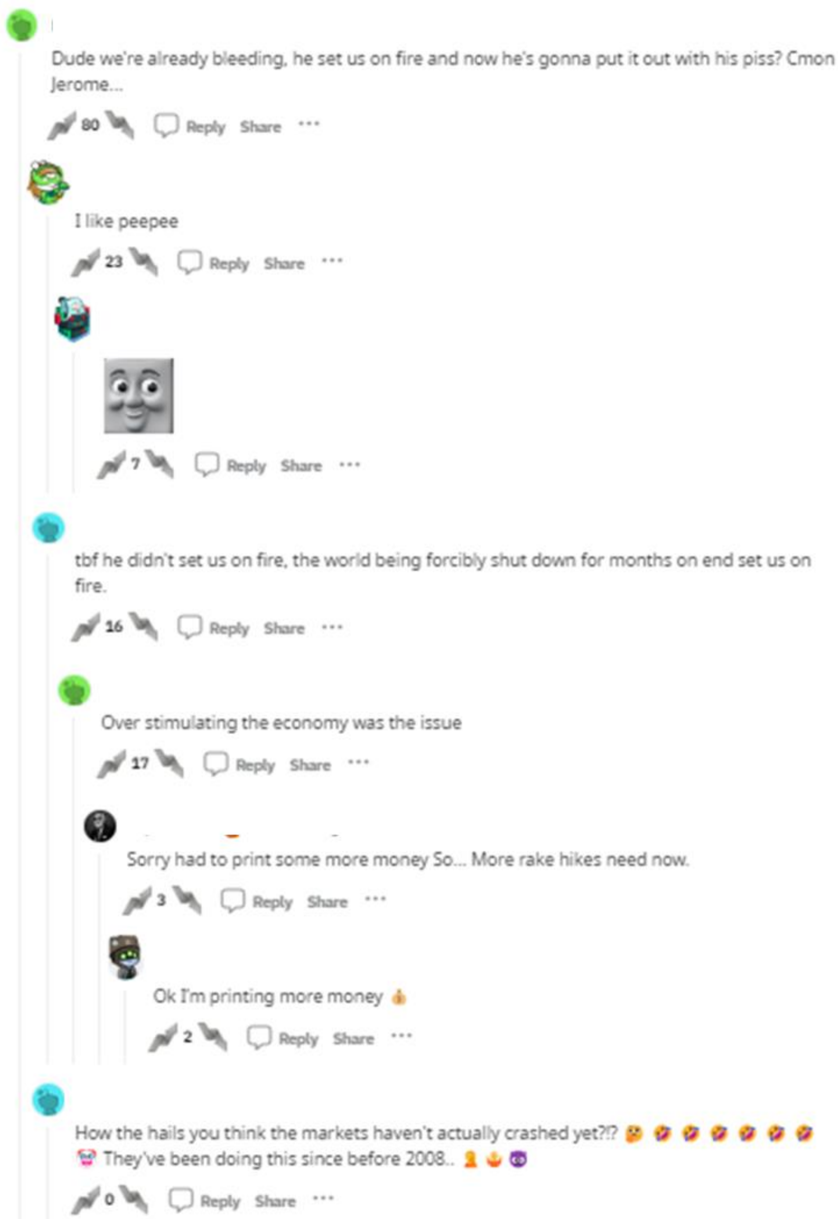


Figure 35 - Comments expressing cynicism with economic crises

Economic hardship being experienced at a personal level fosters a dislike for wealthy and powerful institutions that are seen as either causing or benefitting off the struggles of the less fortunate, contributing to the anti-institutional attitudes that permeate WSB. This is indicative of countercultural formation on WSB, with community members representing a critique of, in their perspective, corrupt institutions.

Wealth inequality as a contributing factor to WSB counterculture was also present during interviews, with users indicating that either themselves or their WSB peers were not financially healthy:

> *"I'm with people who are about my age, or older. It's a lot of people who are maybe poorer than most participating on WSB. You know, it's definitely a younger group of people."*

- *Scott*

> *"My risk tolerance is fairly low as I don't have much disposable income. I play the market very safe, unlike many on WSB."*

- *Silas*

What is less clear is whether wealth inequality and anti-institutional sentiment influences these users' investing strategies. While this was the case during the GME short-squeeze, much had changed in WSB in the two years between the short-squeeze and when this project was started.

Many WSB users denied that their current investing strategy involved any political motivations, stating that economic hardship was an inevitably of life:

> *"Sticking it to the man... I don't really believe in that... there's going to be a lot of things in life that hold you back. A lot of hardships. There's a lot of things that are going to manipulate the markets that you can't control."*

- *Jackson*

> *"I honestly don't think about them too much. At the end of the day it is all the same variable influencing these institutions, money, and I am in the same hunt as them, how am I going to secure my bag?"*

- *Wesley*

There is an apathetic approach to institutions adopted by these WSB members, acknowledging that none of their actions on an individual scale would have an impact on an organization as large as a charter bank. Therefore, it is inaccurate to state that anti-institutional sentiment directly impacts how users on WSB invest, weakening the theory that structured antagonism impacts investing behavior over social media.

However, this still leaves a gap in explaining why YOLO trades are prominent in WSB when compared to other investing communities.

5.2.3. Cult or Culture?

One unanticipated finding that emerged during the interviews was the classification of some WSB sub-communities as part of a cult, particularly with popular stocks within the community such as TSLA and GME:

> *"It turned people into maniacs. You look at Tesla, the self-driving car, that was huge, when Tesla started going mainstream, right? And so now you've got these bunch of people who are just cults... And if you don't have one [share], you're not part of the in-crowd."*

- *Scott*

> *"At that point, it [GME] felt it was less like a movement and it was more zealous, almost like a like a religion or cult. I think it still is very much like that when it comes to meme stocks."*

- *Jay*

Despite the claim that the community claims their ethos is about making money together, there is tension that exists where some investing strategies are too extreme for others to follow.

Upon the recommendation of some members on the WSB Discord, I purchased the meme stock Mullen Automotive Inc. (MULN) fairly late in the project with the little remaining cash available to me, which was possible given MULN is a **penny stock**. In total, the transaction had only cost me $15.24 CAD for 15 shares (**Figure 36**).

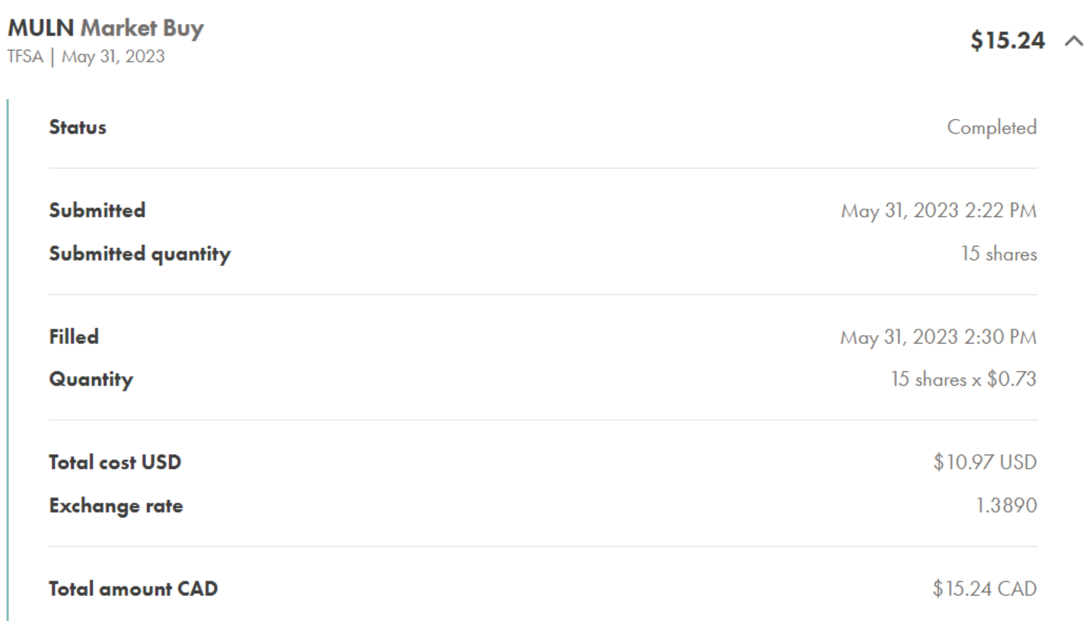


Figure 36 - MULN purchase summary

Despite the low level of capital commitment, I was mocked for my purchase on the WSB Discord channel (**Figure 37**).

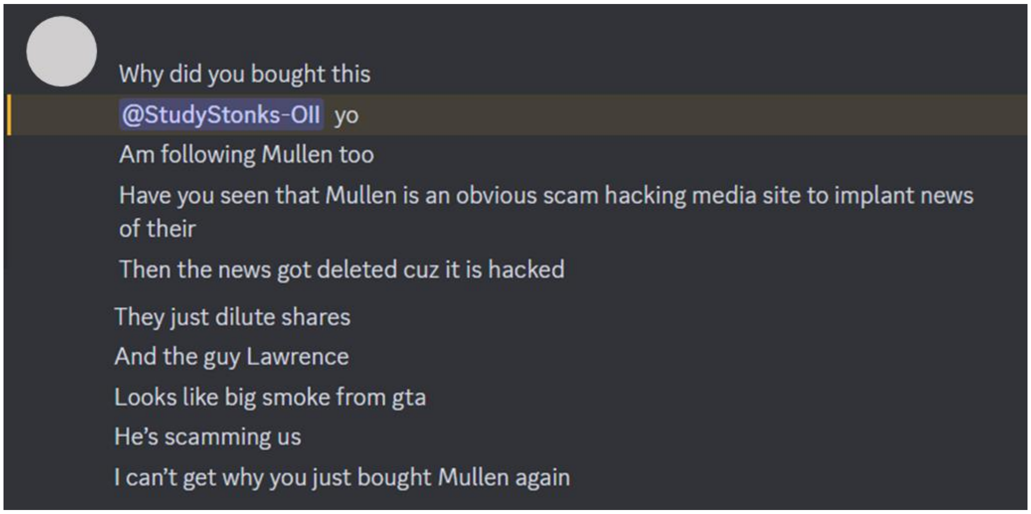


Figure 37 - WSB Discord conversation on MULN purchase

While MULN was mired in controversy at the time (Rainey, 2023), it was notable that there was such a vehement critique of the purchase when I had invested only a miniscule amount of money compared to YOLO trades that involve thousands of dollars.

This demonstrates that while YOLO trades are extremely high-risk, there is still a semblance of rationale or justification that goes into making a 'good' YOLO trade. Blind YOLO trading for the simple reasoning that a stock is popular may be met with disapproval from other community members. This is where DD posts become important community artefacts, offering rationale for trades that would otherwise be critiqued in the WSB community.

5.2.4. Memes Over Money

The strongest anti-institutional narrative that emerged during the project was not direct resistance, but rather a distrust of the financial information provided by banks or mainstream news outlets for promoting their own agendas rather than offering 'true' financial information:

> *"All of these analysts, they have a cookie cutter financial analysis and DCF model. And they apply it on every company without really taking a position on it. They're just being told what to push through."*

- *Jackson*

> *"They [institutions] are a bunch of puppet clowns. I used to feel indifferent, however, after learning that institutions manipulate headlines, only care about profits not people, and push political agenda, I have to agree they are all a joke."*

- *Imogen*

The anti-institutional sentiment on WSB moves beyond simple critiques of these institutions and manifests in a distrust towards the information they provide to the public. This distrust is echoed beyond the privacy of interviews and in the comments sections of Reddit as well (**Figure 38**). The comments fixate on how mainstream media, represented in this case by CNBC television personality

Jim Cramer, were incorrect about FRC and SVB rebounding, feeding into the narrative that the mainstream media is untrustworthy and attempting to support the banks by providing only an optimistic perspective.

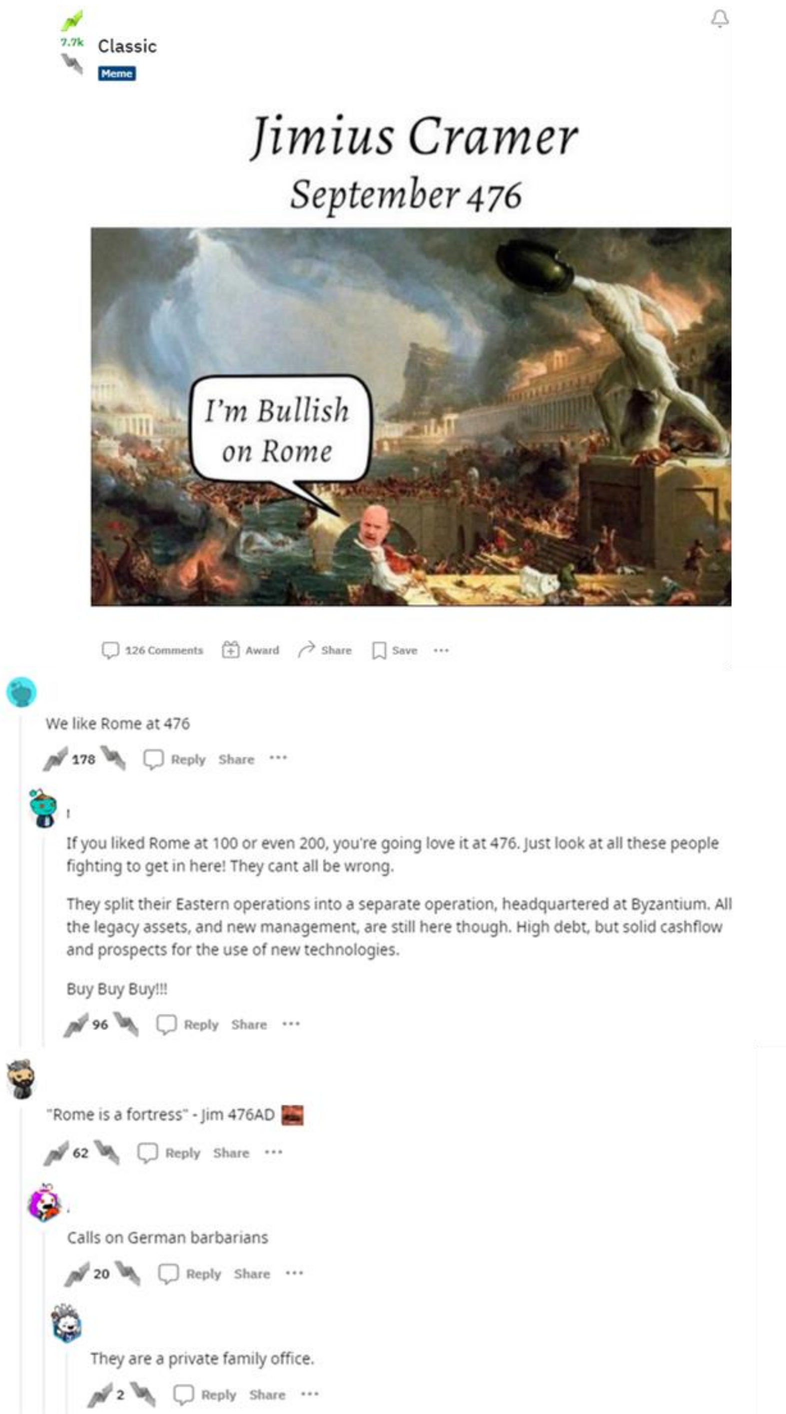


Figure 38 - 'Jimius Cramer' meme post and comments

In contrast, there is an appreciation for the advice received in DD posts on WSB because it is considered to be free of bias or agenda, as WSB members are perceived to have no ulterior motives when providing investment analysis. WSB is seen as a more welcoming venue for ‘unpopular’ financial opinions:

> *“As a forum or place to get advice, I tend to spend most of my time on WSB. I don't particularly like reading a lot of what the mainstream media has to offer... they'll post articles favourable to a position that may not be accurate. They're pumping and dumping stocks in the same way that it's been seen online on Reddit, not necessarily on WSB.”*

- *Jay*

> *“I think the reason why I'm there [WSB] is because I'm able to be myself. I'm able to express an opinion that maybe a more formal group would disagree with. And sometimes people do listen to me when I'm on the morning stock talks. I say things that I normally wouldn't say to people in real life.”*

- *Scott*

This aligns with the prior importance of having ‘skin in the game’ when making DD posts. WSB users believe the community represents an opportunity for free expression of financial information, with credibility earned from having their own positions in the investment they are pitching. The need for free expression is central to the notion of counterculture, suggesting that countercultural social dynamics influence how some WSB users process financial information.

The opposition to mainstream media has also become more antagonistic over time, with many outlets describing WSB in a derogatory manner as ‘apes’ (Gladstone & Schwartzel, 2021), which only worsened the relationship between the mainstream media and the sub-Reddit:

> *“I guess that's why some news anchors call them apes, because, you know, they believe they sound like apes.”*

- *Jackson*

All of the above factors—institutional distrust, economic struggle, access to social media, and an enabling community—coalesce into a unique set of circumstances where retail investors may prefer high-risk investing based on information they feel like they can trust rather than the more regulated information provided by institutions:

> *“I think things like WSB will become more popular as wealth inequality becomes worse in the world. Because a lot of people now who might not make as much money or be on the lower income spectrum, they're looking for ways to escape that trap. Things like WSB appeal to those people because some people feel like they just have no way out financially to make money. They might be trapped in a sh*tty job, for example. I think WSB became more popular after GME partly because of that and I think wealth inequality is just getting worse.”*

- *Oscar*

5.3. On Opposite Strategies

5.3.1. Low-Risk Censorship

A substantial portion of the data indicated many WSB users did not have their investing behavior influenced by the sub-Reddit. In the comments in **Figure 39**, the top commenter attempts to promote a safe investment strategy in reaction to the poster losing funds, attempting to help the latter preserve their capital. Though the advice was well-received by the original poster, the following two replies were parodic in tone, suggesting that they disapproved of the responsible content shared above.

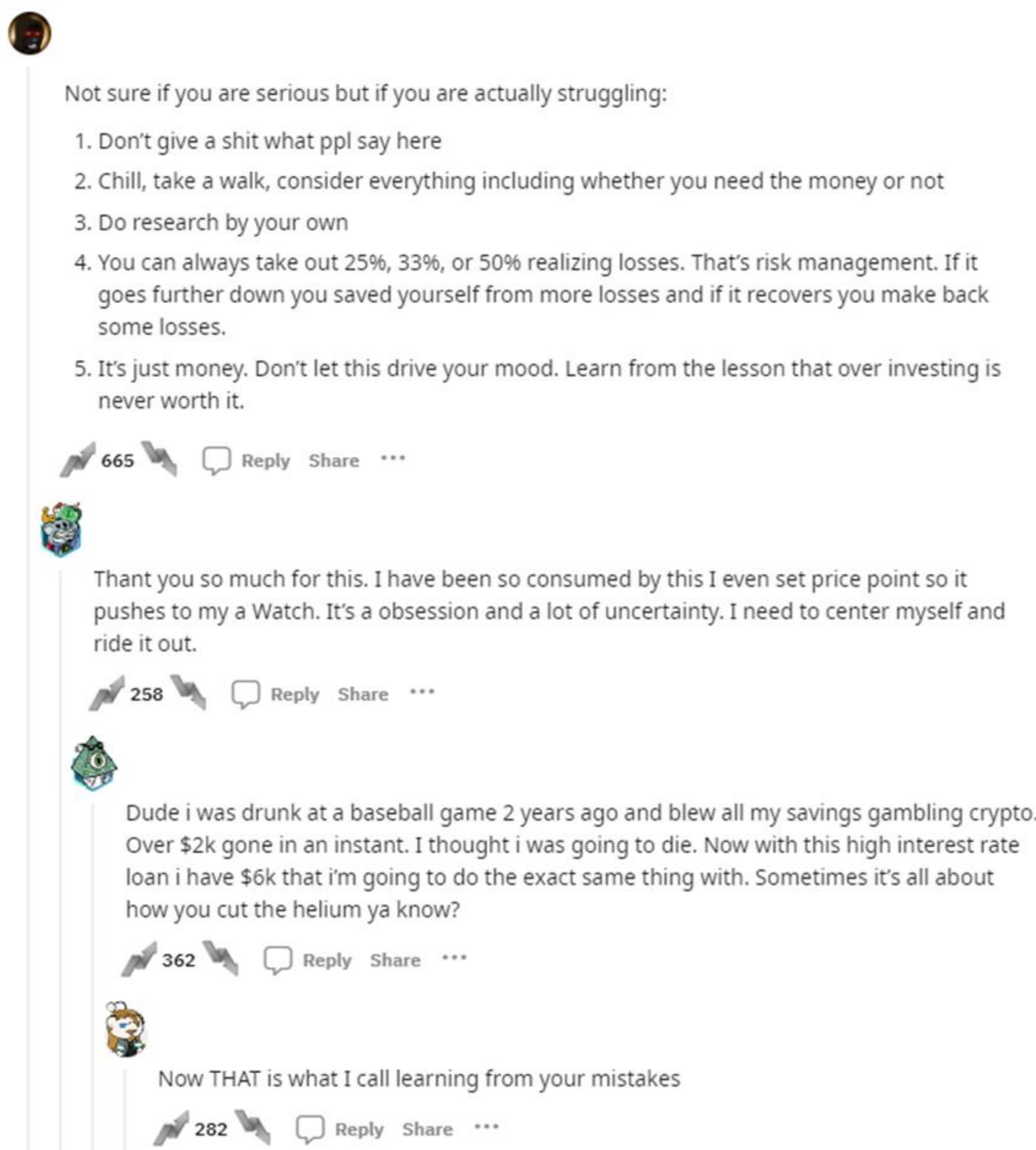


Figure 39 - Comments attempting serious conversation

The lack of support for 'serious' financial advice on WSB often made these comments rare, as community members claim that they would not want to risk damaging their credibility or mental health by inviting harassment from other community members:

> *"My, investing strategy is so far from WSB that I don't even feel comfortable saying on that platform, in that space, what my investing strategy is because they're just going to call me names."*

- *Scott*

> *"Honestly, I won't tell people on WSB this because they'll be like, "oh you're a p**sy" or whatever. But most of my money is just in index funds."*

- *Oscar*

These were individuals who earlier in their interviews stated that they preferred low-risk strategies that were the antithesis of the YOLO trading encouraged on WSB. This indicates a self-imposed censorship of dissenting opinion on WSB, contributing to the herding effects discussed earlier as there are no other popular alternative investment opinions expressed. Nevertheless, not all WSB members were pursuing YOLO trades, and remained unaffected by the various economic and social biases present in WSB content.

5.3.2. Opposite Strategies

It seems counterintuitive that investors would use WSB if they did not like the advice on the forum, or if they were worried that expressing their opinions would result in negative outcomes. However, WSB offers enough entertainment-based content for these members such as Wesley to stay without needing to consume any advisory content:

> *"I have always been a s**tposter, I love making s***ty memes and starting dumb trends in the chat… It is fun to talk with all these people around the world in different walks of life and just socialize with them."*

- *Wesley*

Disagreement with the high-risk strategies promoted on WSB was common among the interviewees who did not YOLO trade, though there exists an array of opinions on how to treat the advice available on WSB.

One prevailing opinion was to ignore the advice on WSB entirely and pursue other investment strategies:

> *"I learned quickly to become conservative and to not stick with others' ideas."*

- *Imogen*

> *"I do not really follow any WSB plays anymore, my current strategy involves a safer, not as YOLO style strategy that utilized theta, I use the wheel trading strategy to make money from options premiums."*

- *Wesley*

Another group of individuals expressed doing the explicit opposite of posted content, understanding that the information provided on DD posts was likely flawed:

> *"I learned from the stupidity of others."*

- *Scott*

> *"I did the opposite of their losses. I didn't focus on the winners. I just copied the opposite of their losses."*

- *Jackson*

It is unclear what might differentiate an apathetic versus opposite trading strategy on WSB, but this does indicate that there are individuals who are not made more vulnerable to behavioral biases through the social dynamics of WSB; they are able to separate their social lives more easily from their financial lives.

It cannot be overlooked that this section of the findings was driven entirely by interview responses. Given the self-censorship of low-risk opinions discussed above, these motivations were not visible in Reddit content, and therefore required interviews to uncover.

6. Discussion: A Theory of Desperation Capitalism

Returning to the research question, *the results demonstrate that social media does have an impact on the behavior of retail investors*. In the case of WSB, anti-institutional sentiment creates an environment where it is difficult for users to decipher what constitutes accurate financial information; users mocked accurate DD posts and praised inaccurate DD posts. Rather than trusting what is highly regulated financial advice from banks (Stolper & Walter, 2017), social media users trust their communities regardless of information quality, believing that the opportunity for free expression of financial information online outweighs the quality of advice provided by 'corrupt' institutions. The prevailing theme of institutional distrust is indicative of structured antagonism being a relevant factor in investing behavior, as the tendency for WSB users to trust one another over more wealthy and powerful institutions— despite their credibility—is an example of class conflict creating opportunities for 'lower-class' cooperation (Edwards, 1986: 134). Furthermore, the desire for free expression away from institutions with agendas is reminiscent of countercultural movements (Matei, 2005; Miller, 2011: xiii-xiv).

The inability for many WSB users to distinguish between high- and low-quality DD often results in high-risk YOLO trades that end poorly. Community members' trust in one another in spite of potential low-quality DD generates popular posts that are taken as legitimate financial advice *en masse*, thus copying group behavior that matches the description of herding effects (Bikhchandani & Sharma, 2000; Scharfstein & Stein, 1990). Popular content such as gains, losses, and memes generated upvotes and discussion which increased the popularity of certain YOLO investments, further contributing to herding effects (Li et al., 2023; Mattke et al., 2020). Gain posts were especially dangerous, as they provided a false sense of security for YOLO trades not reflective of their high-risk nature. WSB users who saw gain posts were often persuaded to make similar trades to the ones posted, demonstrated both in interview data and DFV's GME gain post. Trades based on gain posts were made on the belief that future performance would repeat past performance, which is indicative of the hot hand fallacy being a relevant source of bias (Huber et al., 2010). However, many these trades resulted in losses (Hasso et al., 2022).

There was also a portion of users who did not succumb to any of the biases present on WSB, appreciating WSB as a venue for entertainment rather than real financial advice. However, these individuals were not vocal in the community to mitigate the risk of having their content downvoted, leading to their opinions being disproportionally unrepresented online due to their conscientiousness of maintaining their karma scores (Kilgo et al., 2016).

While this project directly addresses the research question of social media's impact on retail investor behavior, it does so within a particular backdrop of economic and personal struggle. Economic crises were present in the motivations for individuals to seek alternative sources of financial advice, both in the results of this project, and in the last decade (McWaters, 2020). It is apparent throughout this project that many retail investors on WSB harbored disdain for institutions of power and wealth; examining *why* those opinions are so prevalent is equally important.

WSB members cited many reasons for disliking institutions: corruption, insider trading, and selfish behavior were among them. Echoing some of the journalistic work done on WSB, members blame institutions for users' financially precarious quality of life (Jakab, 2022: 145), a situation for which there is no easy or reliable way of escaping. These feelings of impending poverty and financial hopelessness manifest in high-risk behavior in an effort to solve one's poverty; to retire or to get retired in the verbiage of WSB. Though the term *desperation capitalism* emerges from journalistic work rather than academic literature (Hurst, 2022), it is a fitting concept to describe the set of economic circumstances that make younger people feel like they have no choice to escape mainstream corporate capitalism other than to risk what little money they do have in YOLO trades or other equally high-risk investments.

The results extend the investment model from section 2.5, integrating four key components to form an initial model of desperation capitalism (**Figure 40**). First, (1) it occurs during a time of economic crisis that disproportionately impacts individuals without wealth. This leads to (2) a substantial portion of people having diminished trust or feeling disenfranchised by wealthy and powerful institutions. This diminished trust incentivizes disenfranchised individuals to (3) find alternative sources of wealth generation and financial information, most easily found in communities of other disenfranchised individuals as a type of refuge. Within these communities, (4) individuals are encouraged to engage in increasingly high-risk financial behavior as they become increasingly desperate to escape the risk of poverty.

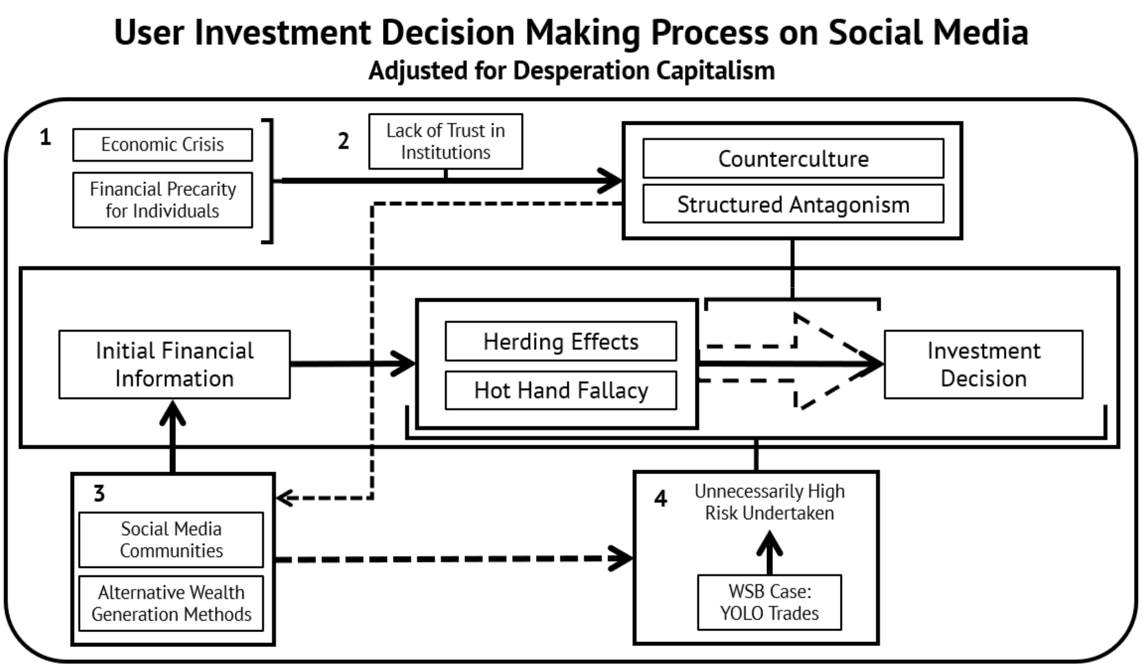


Figure 40 - Model for Desperation Capitalism

The onset of economic crisis (e.g. 2008 mortgage crisis, 2023 cost-of-living crisis) is the most necessary condition for desperation capitalism to be present; without economic pressures being applied to individuals *en masse*, there is no impending sense of desperation that incentivizes individuals to make high-risk decisions. From an economics perspective, crises represent periods of market uncertainty, creating conditions where herding effects and the hot hand fallacy are more likely to transpire (Avery & Zemsky, 1998; Rabin & Vayanos, 2010). Similarly, counterculture and structured antagonism require conflict to exist (Edwards, 1986: 55; Miller, 2011: 88); economic crises that disproportionately impact the less wealthy can incite these conflicts (Nau & Soener, 2019). In the past, this occurred through movements such as Occupy Wall Street (Tremayne, 2014), but this project demonstrates that social media has evolved these conflicts to encourage demonstrable action in the stock market as in the cases of GME and FRC. As Jakab (2022: 138-139) describes, investors can now use 'brokerage accounts as a tool of class warfare'. Economic crisis does not directly translate to conflict, but it is an encompassing circumstance that provokes the necessary antagonisms for desperation capitalism to exist.

The conflict itself is borne from distrust for institutions that is fostered by economic crises. WSB members often cited institutions as being 'corrupt', which aligns well with traditional notions of countercultures that demand transparency from institutions in power (Miller, 2011: xiii-xiv). When that transparency is lacking, individuals will seek alternative communities with a belief in free expression (Matei, 2005; Turner, 2006: 247). In practice with social media, users did not trust the information given to them by politicians, banks, or mainstream news, believing that the information was tainted by corporate and political agendas. Rather, these users trusted one another for having 'skin in the game', thus representing an authentic opinion based on 'objective' financial information. The divide between grassroots social media communities and wealthy institutions sets up a conflict of control over financial information similar to class conflict (Edwards & Hodder, 2022).

Prompted by the brewing conflict, many users take to social media to find like-minded individuals. This serves a dual purpose. First, as demonstrated by the meme culture and 'sh*tposting' on WSB, there is an element of entertainment that make these communities a place of refuge for users. Memes particularly help reinforce the countercultural identities of these communities (Gal et al., 2016). Second, these communities on social media promote alternative investment strategies in DD posts that would be too high-risk to promote in mainstream outlets, with WSB members using the justification of institutional corruption to explain why their DD is not promoted elsewhere. However, issues arise when these dual purposes of entertainment and information provision become muddled. While WSB— and wider social media— content comes across innocuously as memes meant to entertain, their impacts are drastic. Users contemplate suicide when their high-risk trades fail; the memes are a coping mechanism more than they are a joke. Post headlines claiming 'my life is over' or 'please help' are not a laughing matter, yet they become conflated with the meme culture that makes places such as WSB such a popular refuge for economically disenfranchised individuals.

High-risk investments, such as YOLO trading on WSB, are the culmination of desperation capitalism. As found repeatedly in the rhetoric on WSB, high-risk trades are perceived by users as the only reliable way to escape financial precarity. Individuals who are already prone to economic biases have their vulnerability amplified by being on social media; it was common to see WSB users encouraging and copying the YOLO trades of others. This reinforces prior research that argues that the hot-hand fallacy is more likely to occur in group environments (Stöckl et al., 2015), and that social media discussion creates herding effects (Li et al., 2023). For a select few individuals, this may represent an escape from financial precarity, DFV representing a prime example. However, in most cases, retail investors lose their funds as they succumb to exceedingly high levels of investment risk. In this sense, YOLO trades and WSB are not just a product of internet culture and an interest in investing, but rather an expression of economic inequalities. Joining WSB or a similar community is not simply a social endeavor, it is a search for alternative logics after the failure of large institutions. YOLO trades are not random acts of high-risk behavior, they are distressed last-effort attempts at bridging the wealth gap that, to the average WSB member, institutions have made no effort to remedy.

7. Conclusion

This thesis draws two conclusions. First, this project proposes a theory of desperation capitalism to describe the emerging pattern of young people pursuing high-risk financial behavior during times of economic crisis. High-risk behavior in desperation capitalism is a result of individuals believing they have no other escape from financial precarity, and therefore pursue YOLO trades and other jackpot-like rewards as a last effort to visibly improve their financial health. Second, it provides evidence that social media increases a retail investor's vulnerability to economics biases, particularly if they distrust the information given to them by financial institutions. Countercultural social media groups appear more trustworthy than 'corrupt' institutions to disenfranchised retail investors, leading them to undertake unnecessarily high levels of risk in their investing strategy.

The limits of this project emerge from being focused on the singular case of WSB. Other social media platforms or communities based around investing may not share the same social dynamics as WSB, which would restrict the applicability of the thesis' findings. Future research could test the findings of this thesis in different cases to assess for external validity.

Social media, for all its faults, will continue to be an essential mode of communication for individuals online. Though the financial advice offered online is of varying quality, it is unrealistic to expect users to perfectly distinguish between what is high- and low-quality information, nor is it feasible for central authorities to censor every post with faulty market information. Advancements in information technologies have made investing more accessible— which is a positive outcome— but this same accessibility that has made the average retail investor more vulnerable to fiscal irresponsibility than in any other paradigm of technology.

To conclude, I want to harken back to the "My life is over" post that I opened this paper with, and a comment I had found not far beneath Benjamin's final piece of advice:

> *"Pretty wild how just from rubbing his thumbs against a piece of glass OP managed to lose half a million dollars. Truly living in the future."*

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Appendix A – Glossary of Financial Terms

This glossary of financial terms is a guide to provide clarity for readers who may be less familiar with the terminology used in investing and financial services. While these are not perfect technical definitions, they provide sufficient clarity for the reader to understand the concepts in this paper without requiring a dedicated education in finance.

bank run	occurs when depositors of a bank rapidly and simultaneously withdraw their funds believing that the bank will fail; the bank run produces further liquidity issues that makes it more likely for the bank to fail
call option	a type of call option where the investor sets the predetermined price to buy a specified asset
contagion	the phenomenon observed when economic factors impacting one organization or industry begin to impact similar organization or industries; a common explanation for how economic crises occur
cryptocurrency	decentralized digital currencies (e.g. Bitcoin, Dogecoin, etc.) that are administered on a blockchain
day-trading	the act of frequently trading stocks during the trading day as non-professional investor
ETF	an acronym for 'exchange-traded fund', this type of asset is comprised of a diversified collection of stocks, removing the burden from the purchaser to create a diversified portfolio on their own
financial bubble	a period of time when an asset is priced beyond what could be reasonably inferred from their financial fundamentals, implying that an asset is vastly overpriced
fin-tech	short for 'financial-technology', this refers to technology firms that specialize in the financial services industry
margin trading	a trading strategy where an investor uses loaned funds to make trades, and thus makes a profit or loss based on the difference, or margin, between their final balance and the balance of the loan
meme stock	stocks that are traded based on memetic behavior and patterns rather than their fundamental value
options trading	a type of derivative trade where an investor is given the right, but not the obligation, to buy or sell a specified financial instrument in the future; this enables the investor to buy or sell stocks at predetermined prices that may be better than the future market price

penny stock	stocks with an extremely cheap price per share to the point where a single share can be bought for ‘pennies’, making them more accessible to investors without much cash available
principal	the original sum invested in an asset and the number used to determine the overall return at the end of the investment
short	a type of trade where an investor is loaned shares of a company with an obligation to buy them back at a pre-determined price at a specified date; profit is made if the pre-determined price is lower than that stock’s future market value
short-squeeze	occurs when a stock that has a substantial amount of short investment begins being bought, thus raising its price; the subsequent rise in price leads to losses for short position, forcing any investors with shorts on the stock to sell their position and cut their losses

Appendix B – Interview Schedule

How did you first discover WSB?

- What drew you to the sub-Reddit?
- What made you want to stay active?

How would you describe your usage of WSB?

- How deeply do you interact with the community?
- How frequently do you check WSB for content

Talk to me about your investing strategy…

- Describe your risk tolerance for investing before and after your discovery of WSB.
- Is WSB a primary source of financial advice for you?
- Tell me about some of your recent investments.
- Do you YOLO trade? If so, why?

How does WSB influence your investment strategy and decision-making?

- Does your usage of WSB change your tolerance for risk?
- Do you get involved with particular stocks or securities because of WSB?
- Do you trust other WSB users for financial advice? Why or why not?

Aside from investments, what are the other parts of WSB culture do you participate in?

- Talk to me about the memes.
- Do you engage with the community at a personal level?
- Have you built relationships with people on WSB? If so, how?
- How would you describe the general character of the WSB community?

What are your thoughts on financial and political institutions (i.e. banks, government, etc.)?

- Do you identify/agree with the opinions of these institutions expressed on WSB?
- How do these sentiments influence how you invest?
- Do you feel that investing against these institutions is a from of resistance?

Is there anything else you would like to add that you think might be relevant?

Note: For users that revealed they had made certain posts or investments, they were asked why they had made those posts and investments.

Appendix C – Codebook

Coding Scheme

The initial codes were developed through textual analysis of the qualitative data and relevant theory:

- Discovery of WSB
  - GME
  - News Outlets
  - Personal Network
- Investing Strategy
  - "YOLO"
  - Speculation
  - "Buy the Dip"
  - Value Investing
  - Opposite Strategy
  - "Gambling"
  - Meme Stocks
- Assets Invested
  - Stock
  - Options
  - Bonds
  - ETF
- Risk Tolerance
  - High Tolerance
  - Low Tolerance
- Culture
  - "Thick Skin"
  - Community
  - Insults and Profanity
  - Get Rich Together
  - Get Rich Alone
  - Poverty
  - Low-Risk Censorship
- Investing Influences
  - Hot Hand Fallacy
    - Following Trends
    - Constant Increase
    - Overconfidence
  - Herding Effects
    - Follow the Crowd
    - "FOMO"
  - Structured Antagonism
    - Resistance Movement
    - "Skin in the Game"
    - Institutional Necessity
  - Counterculture
    - "Cult"
    - Free Expression
    - Anti-Institution
- Content Consumed
  - Advisory
    - "Due Diligence"
    - Analysis
    - Positions
  - Entertainment
    - Loss Porn
    - Memes

First Cycle Codes

Parent Code: Discovery of WSB

Code Type: Structural

Description: Indicates how a respondent discovered the WSB forum based on the child codes described below.

………………

Child Code: GME

Code Type: Descriptive

Description: The respondent discovered or was made more aware of WSB through the GME short-squeeze that transpired in January 2021.

Examples:

“I first discovered WSB when the hype around GME was happening. It wasn’t until three years later I actually joined because I wanted to get serious about stocks.”

- Silas

“I first heard about WSB when the whole GameStop thing was going on. You know, it was kind of funny because, when I was learning... I've been trading stocks since freshman year high school for, but I've never really heard of WSB until the whole GameStop debacle in early 2021.”

- Scott

………………

Child Code: News Outlets

Code Type: Descriptive

Description: The respondent discovered or was made more aware of WSB through reporting done by mainstream media on the dealings of WSB.

Examples:

“So the first time that I heard about WSB was through CNBC with that whole mania with GME.”

- Jackson

“Well, it started in December of 2020. I was a regular user of Reddit, and I had seen a couple of articles on Google talking about GameStop.”

- Jay

....

Child Code: Personal Network

Code Type: Descriptive

Description: The respondent discovered or was made more aware of WSB through word of mouth by individuals in their personal network.

Examples:

“I first discovered WSB through a friend IRL, who was also an active trader.”

- Imogen

Parent Code: Investing Strategy

Code Type: Structural

Description: Categorizes the different investing strategies used by different members of WSB, with the child code indicating what strategy was used.

....

Child Code: YOLO

Code Type: In Vivo

Description: The respondent directly stated in their own terminology that they engaged in YOLO trading of a financial instrument.

Examples:

“You know, if I make a decision, I don't want somebody coming in and second guessing me. I make decisions based off of a gut feeling. I like to get as many like views of opinions as possible, but if it's coming down to the wire, I like to just go for it and YOLO, right? But like, I don't YOLO half my portfolio on like Palantir or whatever.”

- Scott

“I do believe that if you have a high conviction bet on something, then it's OK to kind of be a bit reckless and kind of quote YOLO. Whereas some other people on Wall Street bets just love risk, closer to pure gambling.”

- Oscar

………………

Child Code: Speculation

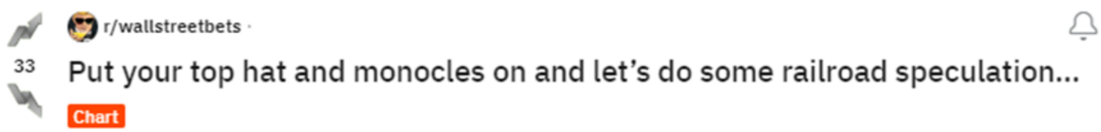
Code Type: Descriptive

Description: The respondent made remarks indicative that they were utilizing a speculative trading strategy.

Examples:

“I'm not a value investor, I'm more of a speculator, and by speculating I don't mean gambling. But I take more of a portfolio theory [approach] rather than value investing.”

- Jackson



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Child Code: Buy the Dip

Code Type: In Vivo

Description: The respondent stated that they ‘bought the dip’ indicating that they were going to buy low and sell high on the stock market.

Examples:

………………

Child Code: Value Investing

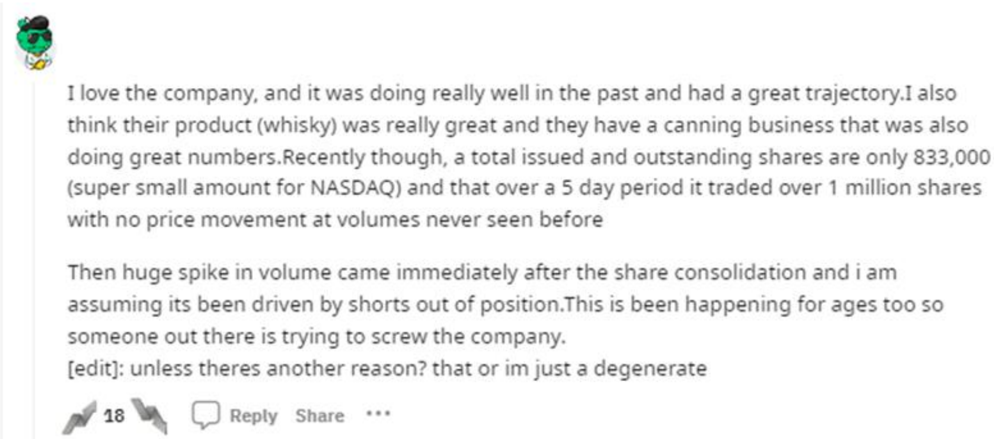
Code Type: Descriptive

Description: The respondent indicated that they deployed a value investing strategy.

Examples:

"I use the wheel trading strategy to make money from options premiums. I usually follow a few basic technical indicators like MACD, 200 ema, and RSI to determine my plays. Most of this year has been spent wheeling SOXL."

- Wesley



I love the company, and it was doing really well in the past and had a great trajectory.I also think their product (whisky) was really great and they have a canning business that was also doing great numbers.Recently though, a total issued and outstanding shares are only 833,000 (super small amount for NASDAQ) and that over a 5 day period it traded over 1 million shares with no price movement at volumes never seen before

Then huge spike in volume came immediately after the share consolidation and i am assuming its been driven by shorts out of position.This is been happening for ages too so someone out there is trying to screw the company.
[edit]: unless theres another reason? that or im just a degenerate

………………

Child Code: Opposite Strategy

Code Type: Descriptive

Description: The respondent stated that they do the opposite of the trades recommended and shared on WSB.

Examples:

"I avoid anything the masses are touching."

- Wesley

"I really don't follow a whole lot of trades anymore from people who comment or post in the subreddit or any subreddit for that matter. And it's been one of those things where I have learned a lot from seeing what other people have done and seeing the consequences of my some of my trades that I followed because of other people."

- Jay

………………

Child Code: Gambling

Code Type: In Vivo

Description: The respondent likens their investing strategy to gambling.

Examples:

“It's basically to me, it's like educated gambling. And I'm not proficient enough to make that much of a gamble, you know, or lose more than I can afford to and get really stressed out in life because that's just not worth it to me.”

- Selina

“Rarely, I’d feel the occasional gamble where I’d throw money at a ticker just for the fun of it. To sum it up, I used WSB as an analysis tool, with the occasional “hop on board” mentality when I saw a well-written post.”

- Imogen

....

Child Code: Meme Stocks

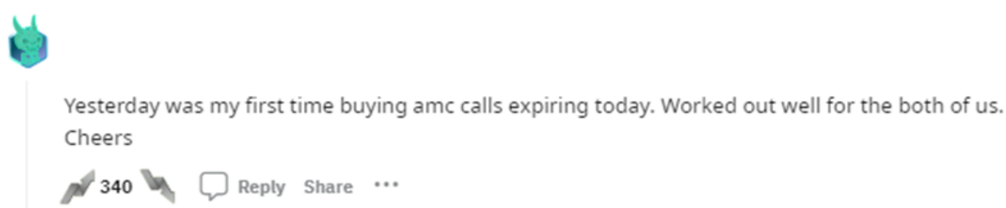
Code Type: Descriptive

Description: The respondent indicated that they invested in meme stocks.

Examples:

“And so I jumped in and became a part of the experience. And that's kind of how it all started. It all started with GameStop and then gradually it grew on me and it sort of changed into just a place for me to hang out and learn about stocks and options, and the rest is history.”

- Jay



Parent Code: Assets Invested

Code Type: Structural

Description: Categorizes what assets a user invested in, providing opportunities to see if certain types of investments were riskier than others.

....

Child Code: Stock

Code Type: Descriptive

Description: The respondent invested in stocks.

Examples:

"I take my time before investing in stocks, and thus don't have a ton of stocks I am currently invested in at the moment. More recently, I bought a number of shares of Amazon before it got up to $125 a share. I'm up 40% YTD on that."

- Silas

………………

Child Code: Options

Code Type: Descriptive

Description: The respondent indicated that they engaged in options trades.

Examples:

"Wallstreetbets drew me into options trading. I was very hesitant to do it at first but after the first few losses it gets easier to see 100s of dollars be lost. I have seen too many people blow up over my 3 years of trading and being around WSB, and have had my fair share of losses from biotech stocks."

- Wesley

………………

Child Code: Bonds

Code Type: Descriptive

Description: The respondent indicated that they invested in bonds.

Examples:

"You might catch me buying government bonds, because they're really good, they're pretty stable… I mean, right now they may not be as stable, but you know they're pretty reliable. They pay out very well. And you expect income from them, right?"

- Scott

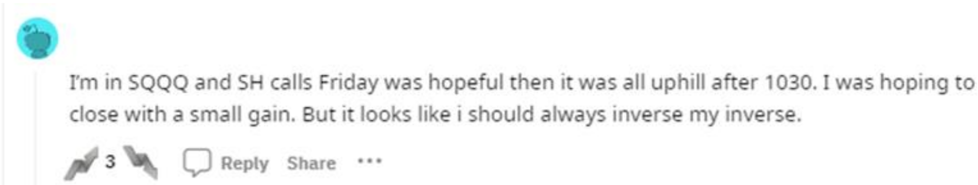
………………

Child Code: ETFs

Code Type: Descriptive

Description: The respondent indicated that they invested in ETFs.

Examples:


I'm in SQQQ and SH calls Friday was hopeful then it was all uphill after 1030. I was hoping to close with a small gain. But it looks like i should always inverse my inverse.

Parent Code: Risk Tolerance

Code Type: Structural

Description: Categorizes the likely investing risk tolerance of a respondent based on the data they have provided.

………………

Child Code: High Tolerance

Code Type: Descriptive

Description: The respondent's answers suggest the have high tolerance for investing-related risk.

Examples:

"There will be times where I feel a little risky/wanting to gamble , but only get this feeling if I'm in an environment that has good sentiment towards a specific play. Other than that, I work better alone."

- Imogen

"I have a very high risk tolerance."

- Roy

………………

Child Code: Low Tolerance

Code Type: Descriptive

Description: The respondent's answers suggest the have low tolerance for investing-related risk.

Examples:

“I'm a bit more risk averse. I like a sure thing sometimes, especially when it comes to money.”

- Scott

“So I'm kind of an interesting case cause I like I I'm actually pretty risk averse with my money.”

- Oscar

Parent Code: Culture

Code Type: Structural

Description: A category of codes that describes the different relevant cultural elements to WSB.

………………

Child Code: Thick Skin

Code Type: In Vivo

Description: The respondent directly stated that being on WSB requires ‘thick skin’, meant to suggest that users must be willing to take an insult without being easily offended.

Examples:

“I'm going to say, there is a notion as well that bears and bulls versus people that have copium in us. So it's just a band of people making fun of each other as well. So you got to have tough skin,”

- Jackson

………………

Child Code: Community

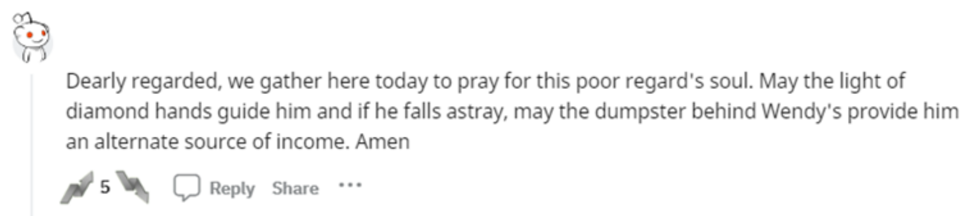
Code Type: Descriptive

Description: The respondent describes the importance of a tightly-knit social community as a key part of WSB culture.

Examples:

“I didn't really understand how Reddit worked, that it wasn't just a place to post things and comment, you could actually make connections with people. So just me being more active and being around and participating, it got people interested in getting to know me and talk to me. And I got to know them and talk to them.”

- Jay



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Child Code: Insults and Profanity

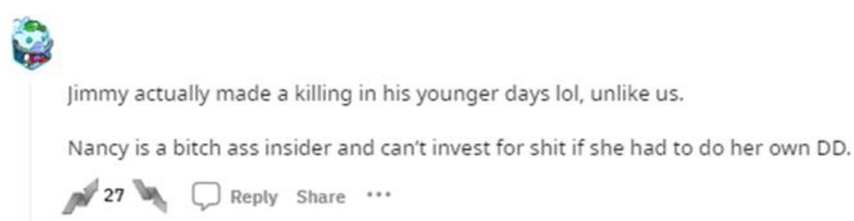
Code Type: Descriptive

Description: The respondent is describing how the use of insults and profanity is common in the WSB community, or there is an instance of profanity.

Examples:

“People say some, like f**ked up sh*t sometimes. I think like the mods take it more seriously now, but there's always been a culture of edginess, so if you are somebody who takes words literally and seriously, you might like simply get offended sometimes, and I totally get that.”

- Oscar



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Child Code: Get Rich Together

Code Type: In Vivo

Description: The respondent directly states that the ethos of WSB is about making money together with other users.

Examples:

“So for me it's more like a social thing at this point. But with a common goal of all making money in the stock market.”

- Selina

“I made a good amount of money it was a fun time. I was bored. It was during a period of time where I think a lot of people were also not really going anywhere or doing anything. It was a way for us to make money and have fun. There was a really good vibe to it.”

- Jay

………………

Child Code: Get Rich Alone

Code Type: In Vivo

Description: The respondent directly states that it is best on WSB not to engage with the community seriously and subsequently make money alone.

Examples:

“I learned quickly to become conservative and to not stick with others’ ideas.”

- Imogen

“I honestly don't think about them too much. At the end of the day it is all the same variable influencing these institutions, money, and I am in the same hunt as them, how am I going to secure my bag.”

- Wesley

………………

Child Code: Poverty

Code Type: Descriptive

Description: The respondent describes that WSB draws individuals who are in financially precarious conditions.

Examples:

“You know, I'm with people who are about my age, or older. It's a lot of people who are maybe poorer than most participating on WSB. You know, it's definitely a younger group of people, which is nice.”

- Scott

“As stated above, I don’t have much disposable income and don’t feel comfortable potentially losing a ton of money.”

- Silas

....

Child Code: Low-Risk Censorship

Code Type: Descriptive

Description: The respondent describes instances where expressing desire for low-risk investments was unwanted by the community, leading to self-censorship.

Examples:

“My investing strategy is so far from WSB that I don't even feel comfortable saying on that platform, in that space, what my investing strategy is because they're just going to call me names.”

- Scott

“I won't tell people on Wall Street that's this cause they'll be like, ‘oh you’re a p**sy’ or whatever. But most of my money is just in index funds.”

- Oscar

Parent Code: Investing Influences

Code Type: Structural

Description: Categorizes the economic theories and social dynamics proposed to impact user investing behavior on WSB.

....

Sub-Parent Code: Hot Hand Fallacy

Code Type: Structural

Description: Categorizes indicators that the hot hand fallacy was present in a respondent’s investing decisions.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Following Trends

Code Type: Descriptive

Description: The respondent followed investment trends that were being promoted and done by other members on WSB.

Examples:

“So after I sold GameStop, I was looking for the next big trade, and I had that with quite a few, Rocket Lab was one. I played bed, Bath and beyond. I did very well on that. A lot of SPY YOLO trades where I would make a trade and then like a day later it was up 400%.”

- Jay

“As far as consistency in any bull market, the trend is your friend. Any bull market. As far as trading strategies, I know that the higher the higher price the stock is, the more likely it will continue to go up.”

- Jackson

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Constant Increase

Code Type: Descriptive

Description: The respondent believes that the price of an asset will constantly increase in the future based on past increases in price.

Examples:

“That's what I think regarding the differences between high-priced stocks and low-priced stocks. Low-priced stocks, there's a 50-50 that the trend will reverse or the trend will continue up. High-priced stocks, there's a higher probability that the stock will continue to go up rather than come crashing down.”

- Jackson


r/wallstreetbets
134
Why I think AMD still has a lot of room to keep going up
Discussion
AMD has had an incredible run these past few days, following their phenomenal earnings. The question is: how much more can it go? Well, I put together some quick numbers and it seems it is still very cheap. I focused on Market Cap / Turnover, which is a ratio that I personally like a lot.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Overconfidence

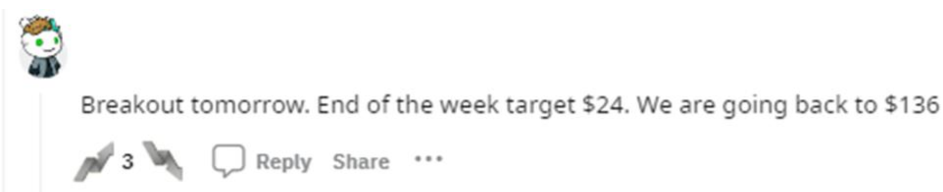
Code Type: Descriptive

Description: The respondent demonstrates that they are overconfident in their investing abilities, believing they are more skilled than they are lucky in high-risk trades.

Examples:

“Again, we all know that if technical analysis worked in the long term, it would be a profitable strategy, but that requires for the market to be rational most of the time. And we both know that the market is, most of the time, irrational.”

- Jackson



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Sub-Parent Code: Herding Effects

Code Type: Structural

Description: Categorizes indicators that herding effects were present in a respondent’s investing decisions.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Follow the Crowd

Code Type: Descriptive

Description: The respondent demonstrates behavior where they pursue an investment primarily because other WSB members are also pursuing that investment.

Examples:

“I would say it is my primary source at this point. I love listening to others on the daily market talks and bouncing ideas off of them. I often learn things that I wasn’t expecting.”

- Roy

“I had sort of drank the Kool-Aid a bit, so to speak, where I held a lot of my positions into deep red because everyone else said that, ‘Oh it's going to come back’.”

- Jay

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: FOMO

Code Type: In Vivo

Description: The respondent explicitly states FOMO (Fear of Missing Out) as a reason for investing in a particular financial instrument.

Examples:

“Well, with the idea of FOMO, you know, its the fear of missing out on the profits, right? So like with GameStop, for example. It was going up and everyone was piling into it because they wanted to make money.”

- Scott

....

Sub-Parent Code: Structured Antagonism

Code Type: Structural

Description: Categorizes indicators that imply structured antagonism made an impact on a respondent’s investing decisions.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Resistance Movement

Code Type: Descriptive

Description: The respondent describes investing as part of wider resistance movement against institutions.

Examples:

“I mean, yeah, I guess it felt like a movement in the beginning, you know? Everyone was trying to make a bunch of money at the expense of hedge funds and large institutions and we were winning for a good amount of time. It was felt great.”

- Jay

“Because when that GameStop thing happened and all the hedge fund crap and like Robin Hood disabling the buy button and all that crazy stuff; I think it was good that Wall Street bets pointed that out and tried to fight against that.”

- Oscar

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Skin in the Game

Code Type: In Vivio

Description: The respondent explicitly states that having ‘skin in the game’, referring to being truly invested in positions, is a necessity to be trusted on WSB.

Examples:

“You know, here in the WSB, you have skin in the game. You know you have something to lose. You have your 401K to lose, your savings, your pay check, that you got that week, you have something to lose. So it's in your best interest to do a thorough DD, rather than the guys over in Wall Street.”

- Jackson

- Wedbush has a PT of $3, this thing is going down – Go ahead and listen to David Chiaverini, who has a success rating of 35% and has no skin in the game https://www.tipranks.com/experts/analysts/david-chiaverini Or me, who’s about to mortgage everything because he see’s asymmetric risk.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Institutional Necessity

Code Type: Descriptive

Description: The respondent expresses a dissenting opinion where they believe institutional success is necessary for functioning society and their own success.

Examples:

“Institutions don’t influence how I invest. Although greed and manipulation run rampant in institutions, most are too big to fail. This means that whatever stocks institutions hold, chances are they buy them for financial stability.”

- Imogen

“But, I think my philosophy is that it's kind of a waste of time to really analyse that because there's not much that we as individuals can really do because a lot of these banks and stuff are run by a board of directors and we're not going to influence their decisions.”

- Oscar

………………

Sub-Parent Code: Counterculture

Code Type: Structural

Description: Categorizes indicators that imply countercultural factors made an impact on a respondent's investing decisions.

'*' '*' '*' '*' '*'

Child Code: Cult

Code Type: In Vivo

Description: The respondent explicitly describes WSB as a cult.

Examples:

"You know, even outside of WSB, it was a freaking fad. It turned people into maniacs. I mean, you look at Tesla, right, the self-driving car, that was huge, when Tesla started going mainstream, right? And so now you've got these bunch of people who are just cults, right?"

- Scott

"At that point, it felt it was less like a movement and it was more zealous, almost like a like a religion or cult. I think it still is very much like that when it comes to meme stocks."

- Jay

'*' '*' '*' '*' '*'

Child Code: Free Expression

Code Type: Descriptive

Description: The respondent suggested that WSB was a forum for the free expression of financial information as opposed to the agenda-tainted information given by mainstream institutions.

Examples:

"You got news anchors and contributors, one of them being Tom Lee, that just has an extreme bearish case for a highly improbable economic outlook. And all of these analysts, they have a cookie cutter cookie cutter financial analysis and DCF, model. And they apply it on every company without really taking a position on it, you know? They're just be told what to push through."

- Jackson

"But as a forum or place to get advice, I tend to spend most of my time on WSB. I don't particularly like reading a lot of what the mainstream media has to offer, because what I've seen, and I'm sure others would agree, is that they'll post articles favourable to a position that may not be accurate."

- Jay

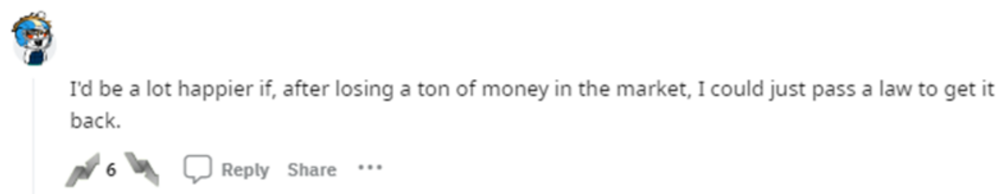
'*' '*' '*' '*' '*'

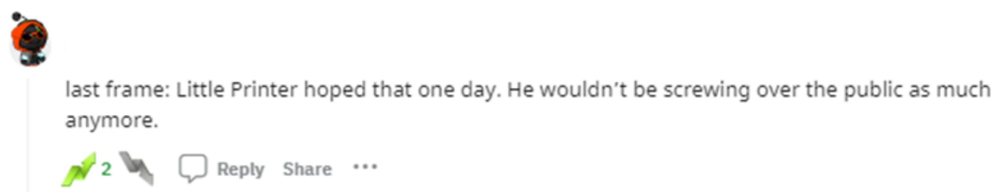
Child Code: Anti-Institution

Code Type: Descriptive

Description: The respondent expressed sentiment that was anti-institution, whatever they define 'the institution' to be.

Examples:





Parent Code: Content Consumed

Code Type: Structural

Description: Separates the purposes of the different types of content posted and consumed on WSB.

....

Sub-Parent Code: Advisory

Code Type: Structural

Description: Represents the category of content that was meant to advise WSB members on investments to make; essentially a form of financial advice.

‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Due Diligence

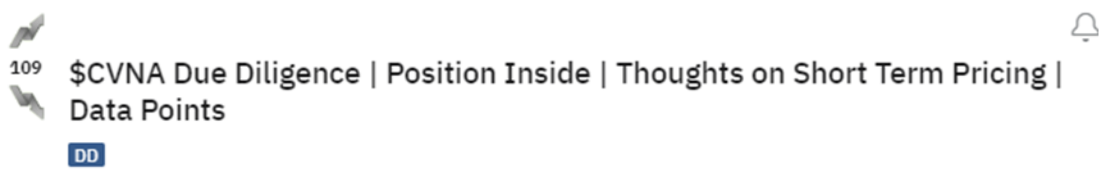
Code Type: In Vivo

Description: The respondent explicitly referred to DD (Due Diligence) posts that provided analysis on a particular investment.

Examples:

“But people would write more DD posts and it was much more focused on like “OK, here's the technical reasonings behind why we're going to invest in the stock or we're going to buy these options”. It was just more low level, closer to the math and all the complicated stuff with options.”

- Oscar



‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Positions

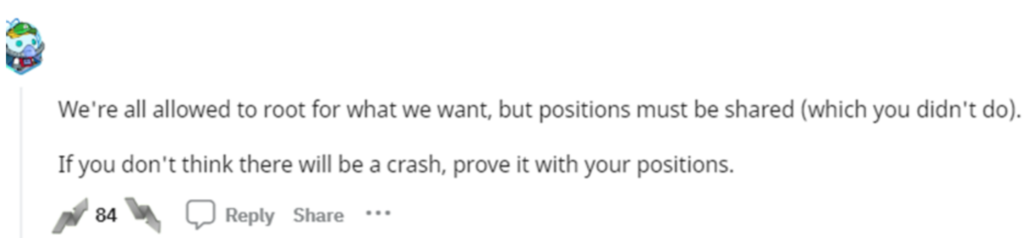
Code Type: Descriptive

Description: The respondent refers to posts where individuals shared their investing positions of a financial instrument on WSB.

Examples:

“But to answer this question, people post a lot of gains and losses on WSB. Most of these losses are from buying options far out of the money, you know, they're buying options that have a high probability of them not reaching their goal or their strike price.”

- Jackson



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Sub-Parent Code: Entertainment

Code Type: Structural

Description: Represents the category of content that was meant to entertain WSB members as part of socializing on WSB.

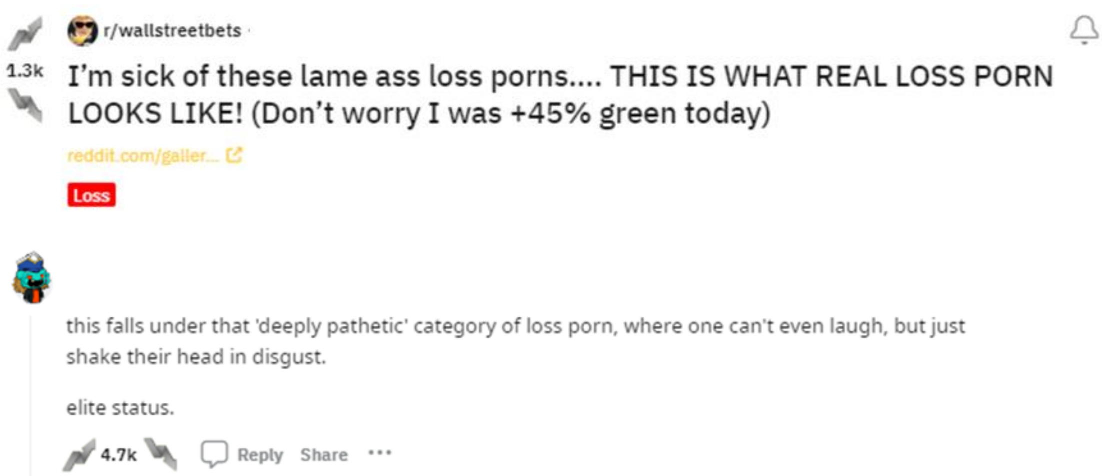
‘*’ ‘*’ ‘*’ ‘*’ ‘*’

Child Code: Loss Porn

Code Type: In Vivo

Description: The respondent directly speaks on loss porn, which are posts that advertise a user’s losses on the stock market which are then shared to WSB.

Examples:



‘*’ ‘*’ ‘*’ ‘*’ ‘*’

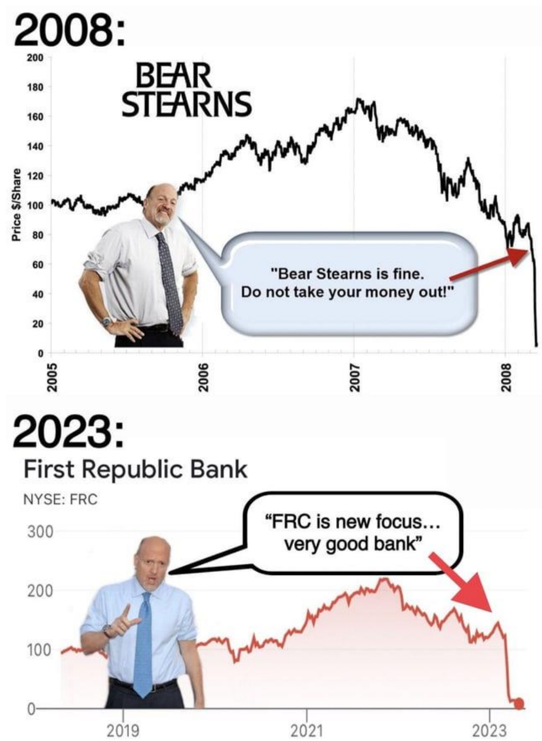
Child Code: Memes

Code Type: Descriptive

Description: The respondent posts a meme or refers to a meme.

Examples:


Random company:
LACKS FUNDS
CHAPTER 11
BBBY:
LACKS FUNDS
REJECTS SPINOFF
DOES SHARE OFFERING
DILLUTES UNDER 1$
CHAPTER 11


2008:
BEAR STEARNS
Price $/Share
"Bear Stearns is fine.
Do not take your money out!"
2005
2006
2007
2008
2023:
First Republic Bank
NYSE: FRC
“FRC is new focus…
very good bank”
2019
2021
2023

Second Cycle Codes

Analysis of the first cycle codes revealed relationships between the codes expressed in hand-selected clusters. Only codes with a substantial amount of content were included in this stage.

Cluster One:	YOLO Trading
Similarities:	Accounts of WSB encouraging high-risk trading that are dubbed 'YOLO trades'; community often comes congregates to support these types of trades; DD posts often lead to YOLO trades; 'loss porn' content originates from failed YOLO trades.
Codes Included:	YOLO, Speculation, Gambling, Stock, Options, High (Risk) Tolerance, Following Trends, Overconfidence, FOMO, Skin in the Game, Free Expression, Due Diligence, Loss Porn

Cluster Two:	Anti-Institutional Sentiment
Similarities:	Expressions of distrusting institutions and the information they provide; belief that WSB community promotes authentic free expression; counter-institutional actions on WSB; cult-like following of stocks not supported on mainstream; memes on institutions.
Codes Included:	News Outlets, GME, Meme Stocks, Thick Skin, Insult and Profanity Community, Get Rich Together, Poverty, Resistance Movement, Skin in the Game, Cult, Free Expression, Anti-Institution, Positions, Memes

Cluster Three:	Opposite Strategies
Similarities:	Dissenting opinion that financial information on WSB is flawed; a recognition that institutional success is necessary for retail investor success; view of investing a solitary and thus WSB community should not be seriously engaged with.
Codes Included:	Value Investing, Opposite Strategy, Thick Skin, Insults and Profanity, Get Rich Alone, Low-Risk Censorship, Institutional Necessity