The Response to the GameStop Fiasco Shows It’s Still Wall Street’s Economy

Via Jacobin

There are two versions of neoliberalism. In the one we’re told exists, the government is kept small and its role in the market kept to a minimum, allowing the beauty of capitalism’s “creative destruction” to flower and sort the winners from the losers, spur invention and innovation, and create the most rational of outcomes for all of society.

In the one that actually exists — a political project of the business elite to keep workers weak and keep more of the economy’s spoils to themselves — the economy is deliberately shaped so as to best serve those elite interests. Sometimes that means a free market allowed to run free, and sometimes that means taking a strong hand to control it: whatever leaves the big guys with the fattest wallets at the end of the day.

We’re seeing this in action right now in the GameStop saga, where a group of Wall Street–trading Redditors this week created chaos in the stock market by artificially pumping up the share value of the struggling gaming retailer, at a time when many on Wall Street were betting it would drop. They’ve since done the same to other stocks, such as theater chain AMC and retailer Bed, Bath & Beyond. Such absurdity is par for the course in a stock market that’s more a bankers’ casino than an actual reflection of the economy, as we saw most dramatically in the record share values of 2020, which came with near-record levels of death and hunger.

But because this time it’s Wall Street that has been left holding the bag, due to foiled short bets, panic has set in among the financial establishment. With major hedge funds and others swiftly losing more than $5 billion (now up to $70 billion), there was nothing else to do: the free market had to be curtailed to protect the titans of finance.

First, TD Ameritrade, citing "unprecedented market conditions," placed restrictions on transactions on GameStop, AMC, and other shares. The same day, popular digital messaging platform Discord banned the server of r/Wallstreetbets, the subreddit largely behind the pandemonium, due to "hateful and discriminatory content after repeated warnings." The company wasn't banning the site due to its financial activities, it maintained, but rather because it had "been on our Trust & Safety team's radar" for some time. One has to assume it was just a coincidence that the final straw came right when the server was helping to send Wall Street into a public meltdown.

But that's just a taster for the next day's outrage, as Robinhood – the free share-trading app that bills itself as throwing open the doors of the stock market to the great unwashed masses – limited trading on those and eleven other stocks, "to protect the firm and protect our customers." As the press wasted no time in pointing out, with some Redditor traders planning on using their proceeds from the share buys to pay off their crushing debt burdens, Robinhood was effectively protecting the rich at the expense of the poor. Other brokerages have followed suit.

A widespread outcry, including from socialist Reps. Alexandria Ocasio-Cortez and Rashida Tlaib and a class-action lawsuit, has already spurred a walk-back by both Discord and Robinhood. The latter is now allowing limited buys on the stock – though other brokerages aren't happy about the move, such as Interactive Brokers Group chairman Thomas Peterffy, who is continuing to restrict those shares for fear the ongoing short squeeze "can take down the entire system."

This won't be the end of it. The Biden administration, the Securities and Exchange Commission (SEC), and state regulators are already keeping tabs on the mayhem, and there are calls for the SEC to step in, though it's not clear they can actually do anything.

As morbidly enjoyable as it is to watch Wall Street squirm and an army of Redditors beat them at their own game, at some point the government probably *should* act, if the alternative is systemic instability that could end in chaos and pain, not for hedge fund managers, but working people. It's been gratifying to see the fakeness and easy manipulability of the stock market exposed on such a scale, and for once taken advantage of by what are, to some extent, the little guys. But it's a serious wake-up call to just how absurd the financial markets are, and how much they're regularly manipulated and distorted by the much bigger guys.

Still, it's telling that regulators and the private sector are looking to proactively clamp down on market activity to curb potentially reckless behavior *now*. As one financial analyst put it: "After years of overlooking predatory hedge funds that have hammered fragile companies into extinction, the SEC is hearing from hedge funds that now want protection — as the hunter becomes the hunted."

Wall Street was allowed to engage in, and ultimately get away with, rampant irresponsibility in advance of the 2008 crash, making out like bandits in the process. Now that the market working as it's theoretically supposed to *threatens* their profits, the opposite scenario looks likely. Whatever happens, it's still always Wall Street's economy.