

## Marni Soupcoff: GameStop's dizzying stock market saga is actually proof of free enterprise's virtues

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Philistine Redditors' unexpected success in driving the price of GameStop shares through the roof ought not to lead to demands of more intense regulation of stock market trading in the United States. The opposite is true: so far, even though the crazy ride of the mere "meme stock" that has embarrassed Wall Street has been a degrading spectacle, things are working as they should.

Still, any time something wild and dramatic happens to a stock — particularly when a bubble bursts and large losses accrue — skeptics of capitalism jump in with calls for the Securities and Exchange Commission (SEC) to add more controls. Some of these critics genuinely want limited ways to protect people they see as vulnerable investors from losing their shirts (as many small investors in GameStop surely have and will). Other detractors seem to be hoping that whatever the latest problem is will be the straw that breaks the camel's back — the cause, at last, of the demise of the whole grubby business of free enterprise.

In a wise and witty piece last week, Bloomberg opinion columnist Matt Levine laid out the different ways the whole GameStop trading story could end, wryly summarizing one possible scenario this way: "the stock keeps going up to \$1,000, every hedge fund is bankrupted, the stock market is shut forever and capitalism ends, ushering in a new golden age of kindness and abundance."

*Things are working as they should*

This is not going to happen (though Levine judged it as nonetheless more likely than the scenario in which GameStop stock went up to \$1,000, stayed at \$1,000, and the company justified that valuation by delivering stellar results). But it is worth remembering that such a death wish is what truly animates some of the stated outrage over the (temporary) triumph of potty-mouthed Reddit users over slick hedge funds.

Concerns about market manipulation are valid. That is why market manipulation is already (rightly) against the rules in the U.S. and most countries. But the sort of crass boosterism on display by the retail traders who propelled GameStop shares to such dizzying heights is not the sort of behaviour legally considered manipulation because no one was defrauded or tricked.

As Cato Institute policy scholar Jennifer J. Schulp has noted, the online WallStreetBets subreddit that was talking GameStop up was actually "refreshingly (if vulgarly) transparent." One may not have liked what the brash redditors were doing, but everyone knew they were doing it. Because they were announcing that they were doing it. Loudly.

And even if they were wildly overestimating GameStop's potential — in part because of sentimental attachment to a bygone era of cozy nerdiness when a GameStop store was where you hung out at the mall to scope out the latest video games — who is to say they didn't genuinely believe their delusion?

MarketWatch quoted a veteran securities lawyer named Bill Singer as explaining, "You have a right to your opinion, on- and off-line. You have the right to press your bet and urge others to join you. That's not fraud. That's opinion."

Even if the Redditors could be argued to have violated the letter of the law (let's say some of them baldly misstated facts), prosecuting them would lead to odd results — punishing small investors who will have already been punished by the market itself in the form of GameStop stock collapsing, costing them loads of money.

OK, then, so maybe regulators should be intervening in the other way — to protect Redditors from their own idiocy?

*Who is to say they didn't genuinely believe their delusion?*

Except, who is the government to say they are idiots? A few of them who timed things really well will have made good money on the sorry GameStop journey. And in any case, it was not a total free-for-all: existing protection measures did kick in appropriately to keep things from getting even more out of hand. These limited restrictions on trading by online brokerages made populists mad and have spawned dozens of lawsuits, but they did their job in cooling things off. Where is the evidence that more is needed?

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"The (R)edditors are playing an obvious silly game, in public, on Reddit," Levine wrote, "but the hedge funds are playing a game too, and they are grown-ups and know what they're getting into." Neither side ought to be overestimated or underestimated, and neither side needs to be punished or coddled. Expanded access to the market has made tuning in to daily business reports more entertaining, but it has not broken Wall Street or given the lie to capitalism.

Rather, for all its colour, the GameStop saga really serves to strengthen the notion that deference to spontaneous order remains the best method of harmonizing all the bizarre and disparate actions humans take.