Victims or revolutionizers: Perceptions of retail investors after the "Meme Stocks" debacle

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ABSTRACT

During the 2021 Meme Stock Event, retail investors conducted a short squeeze on certain stocks that significantly affected other market participants' positions and forced traditional financial market stakeholders to reconsider their perceptions of retail investors. Changing conceptions of stakeholders' roles can lead to changes in the guidelines governing a context, such as financial markets. Drawing on stakeholder (Freeman 1984; Mitchell, Agle, & Wood, 1997) and identity (Goffman 1959) theories, this study uses grounded thematic analysis to identify traditional stakeholders' characterizations of retail investors during the subsequent congressional hearing. The analysis shows that traditional stakeholders mostly reaffirm prior expectations that retail investors have low influence and expertise, yet some stakeholders argue that retail investors are valuable, informed stakeholders. Further, retail investors' motivations are characterized as building wealth and/or seeking retribution for unfair market structures. The contrasting characterizations of retail investors indicate an evolving understanding of retail investors' role in the financial markets.

Keywords: retail investors, meme stocks, stakeholder theory, identity theory

INTRODUCTION

In January 2021, retail investors—"regular people" investing as individuals through apps and other avenues—mobilized to invest in a set of stocks that some institutional investors had "shorted." In other words, institutional investors, like hedge funds, had bet against the success of these stocks, such as GameStop and AMC, and had made investments that would earn these hedge funds money as these stocks lost value. Using a variety of platforms, retail investors who have often been pejoratively referred to as "dumb money" bet the opposite, raised the value of these "Meme Stocks" and caused some institutional investors to lose significant amounts of money. Ultimately, one of the most popular retail investing apps, Robinhood, was forced to temporarily restrict retail investors from continuing to buy or invest in several Meme Stocks—raising questions about both the legality and perceived fairness of the restriction, especially as it affected retail investors in the U. S. financial markets.

In February 2021, the U. S. House Committee on Financial Services held a hearing about the legality of what occurred throughout the event but also whether the structures in place left individual, or "retail," investors unduly unprotected. This hearing provides a snapshot of how traditional stakeholders in the U. S. financial markets imagine the identity and role of retail investors in these markets. This moment is ripe for consideration because responses to retail investors' perceived ability to significantly affect the markets highlighted tensions within the metaphorical structure that shapes cultural conceptions of the U. S. financial markets. Some argued that retail investors are victims of more powerful financial market participants, while others argued that retail investors are active and informed players in the market. Ultimately, the 2021 Meme Stock event catalyzed a need for traditional stakeholders to realign their understandings of who can be considered a viable participant within those markets.

To better understand the changing perceptions of retail investors, this study draws on organizational stakeholder theory (Crane and Ruebottom, 2017; Freeman, 1984; Mitchell, Agle, & Wood, 1997) and identity theory (Goffman, 1959) to inform a grounded thematic analysis of the February 2021 congressional hearing transcript. The analysis identifies trends in the characterizations of retail investors offered by representatives of some traditional financial market participants, in other words the traditional stakeholders. The resulting analytical trends show that while many traditional perceptions of retail investors persist, there is a growing position that retail investors should have more salience and agency within the financial markets. Stakeholders who are more perceived value in the system may be less likely to be exploited.

Before discussing traditional stakeholders' characterizations of retail investors during the congressional hearing, this paper first offers a basic overview of the financial markets and how relevant stakeholders interact within these markets. This overview informs the subsequent discussion of stakeholder and identity theories which informed the grounded thematic analysis of the congressional hearing transcript that reveals emerging characterizations of retail investors.

PARTICIPANTS IN THE FINANCIAL MARKETS AND THE 2021 MEME STOCK EVENT

A financial market is where money is transferred from folks who have do not have a productive use for it to those who do. In other words, it is transferred from folks who do not need it (right this second) to folks who can put it to good use – right this second. Folks with excess funds are "investors." Folks who can use the funds are often referred to as *real investors* because they are going to invest the funds in real assets in order to generate a profit/return. In other words, investors have excess funds but no idea what to buy with them, and real investors have ideas on how to use funds productively but do not have the money to make these investment opportunities happen. As one might imagine, when funds are transferred, some sort of IOU (a/k/a security) changes hands.

As an example, when Tesla (a real investor) needs money to produce electric cars and does not have the funds for new production opportunities, they seek out funds from investors. In exchange for the funds, Tesla gives those investors a stock, bond, money market security, etc. based on the terms of the arrangement. This type of arrangement is a called a "primary market" transaction because Tesla is issuing the security(ies) for the very first time. The primary market for securities is absolutely vital for firms to receive funds in order to pursue ventures that create value for their shareholders.

Of course, once the investor receives the security from Tesla, he or she is perfectly able to sell that security to any other investor – either on an exchange (via a broker) or over-the-counter (via a dealer). This ability to sell shares provides investors with liquidity. It is known as a "secondary market" transaction since investors are swapping shares that have been previously bought and sold. The secondary market for securities is absolutely vital for firms because it provides them with information about how much their firm is worth. They only have to look at a recent agreed upon price in the secondary market to determine if they are adding or destroying value via their decisions.

Now, a primary market transaction would be very inefficient if Tesla went around looking for $1,000 from 1,000,000 investors. Tesla is not in the business of raising funds. Tesla is in the business of building cars. Primary markets work best when those 1,000,000 investors deposit their money into a bank then Tesla just approaches the bank for a $1 billion loan. Or, 1,000,000 investors contribute $1,000 into their pension plan and the pension plan buys $1 billion of Tesla stock. This process is called "financial intermediation" and is much more important than a market where 1,000,000 investors call the Tesla CFO directly. In financial intermediation, the bank or the pension plan are referred to as "institutional investors" or "financial institutions." The 1,000,000 investors who put their $1,000 into the bank or pension plan are called "retail investors." There are numerous financial institutions: banks, thrifts, mutual funds, pension funds, and insurance companies to name a few. It is important to note that these institutional investors trade on behalf of retail investors.

But institutional investors also participate in secondary market transactions. Mutual funds receive funds from their shareholders then use those funds to buy securities. Insurance companies receive premiums from policyholders and use those funds to buy securities. Because they are so large and also participate in primary market transactions, one can see why they potentially have an informational advantage over smaller retail investors (who trade in much smaller increments/denominations).

For decades retail investors have paid commissions to brokers/dealers to buy and sell their securities in the secondary market. With increasing in competition among trading platforms for market share (namely Robinhood's introduction of commission-free trades), brokerage commissions on alternative platforms (E-trade, TD Ameritrade, Charles Schwab, etc.) fell to zero around October 2019. Trading platforms sold these commission-free trades to retail investors as "democratization" of trading to open up financial markets to everyone for participation. Trading volume soared.

So how do Robinhood and its competitors make money if traders no longer pay commissions? They sell their retail orders – like those of retail investor Keith Gill - to larger traders who make their money by taking advantage of the differences in the bid price and the ask price. In other words, the gap between what retail investors buy securities for and what retail investors pay for securities (the bid-ask spread) is widened. In the most basic sense, retail investors are buying securities at higher prices and selling securities at lower prices. They are still "paying" for the trade, but the payment is now included in the price – sort of like how shipping costs are sometimes "included" in the price of other online transactions. One example of the larger traders who purchased orders from Robinhood in the 2021 Meme Stock Event is Citadel Securities – led by Kenneth C. Griffin. Trading against Keith Gill was the hedge fund Melvin Capital Management – led by Gabriel Plotkin. Keith bet that the price of GameStop would increase (he held the long position). Melvin Capital bet that the price of GameStop would fall (it took the short position). Since the two parties took opposing positions in the stock – only one could be right. Their collective positions were zero sum - for every dollar one of them gained – the other lost. Robinhood made money by selling Keith's orders to Citadel who made money by (arguably) giving Keith worse prices for his trades.

Overall, there are many types of participants in the U. S. financial markets. The preceding explanation and example identify many of the key stakeholders in the 2021 Meme Stock Event who were also involved in the February 2021 congressional committee hearing, including

- Retail Investors, represented by Keith Gill
- Institutional Investors, represented by Melvin Capital Management CEO Gabriel Plotkin
- Dealers, represented by Citadel Securities CEO Kenneth C. Griffin
- Broker-Dealers, represented by Robinhood CEO Vlad Tenev

Another important market participant in the congressional hearing was the *regulators*, represented by the congressional committee members, who oversee the markets and set the formal rules and/or laws guiding how stakeholders interact in the markets. There were also two other witnesses at the hearing: Jennifer Schulp, the Director of Financial Regulation Studies at the Cato Institute, and Steve Huffman, the CEO of Reddit. These two witnesses do not represent key stakeholders in the U. S. financial markets, but based on their areas of expertise, they offered insight into the role and behaviors of retail investors.

This high-level overview of the financial market participants and their interactions offers a baseline for how the market participants perceive each other and what they expect of one another. As noted previously, the actions of retail investors (and arguably other participants) in 2021 Meme Stock Event violated some of these expected interaction procedures and triggered a public discussion of retail investors' identity and role in the markets. To better understand the significance of the changing conceptions of retail investors, the following section reviews key concepts from relevant stakeholder and identity theories.

USING STAKEHOLDER AND IDENTITY THEORIES TO UNDERSTAND INTERACTIONS BETWEEN FINANCIAL MARKET PARTICIPANTS

The 2021 Meme Stock Event created a moment in which the financial market participants had to reevaluate the role that each kind of participant does and could play in the markets. Traditional market participants were forced to confront the potential new agency that retail investors could have in the financial markets. The U. S. House Committee on Financial Services hearing provided a snapshot of the competing conceptions that traditional participants held about retail investors in the immediate wake of the Meme Stock Event peak. Stakeholder theory (e.g., Freeman, 1984; Mitchell, Agle, & Wood, 1997) and social identity theory (Goffman, 1959) can provide insight into the ways that the traditional financial market participants were reconsidering the role of retail investors in the markets.

In management and organizational behavior research, stakeholder theory developed in the early 1980s to understand how those who affect and are affected by an organization interact with one another and the organization (see for example, Freeman 1984). *Stakeholders* have been defined in many and sometimes contested ways, but often definitions focus on those who can influence the economic efforts of the organization and those who are affected by the decisions of the organization (Crane and Ruebottom, 2017; Miles, 2017; Mitchell, Agle, & Wood, 1997). While stakeholder theory has often been used to consider more formal organizations like companies, nonprofit organizations, and more, herein stakeholder theory can be useful in identifying participants in the U.S. financial markets.

Again, although definitions of stakeholders vary, those stakeholders with relatively more direct and powerful abilities to affect the organization or the considered organizational issue may be considered more legitimate (Crane & Ruebottom, 2011; Mitchell, Agle, & Wood, 1997). Traditionally, within the financial markets, these more legitimate stakeholders could be identified as market participants such as regulators, clearing agents or houses, investment sponsors, brokers, and dealers (or broker-dealers). These stakeholders are those who have historically been actively involved in regulating and/or trading assets within the markets.

Most retail investors, in contrast, have historically had less direct participation in financial markets. They have typically invested through retirement plans or funds set up through brokers or broker-dealers like Charles Schwab, Merrill Lynch, and more. As such, retail investors traditional participation within the markets has provided them with direct influence or power in the markets. Thus, retail investors would traditionally be considered as secondary or less legitimate stakeholders in stakeholder theory (Crane and Ruebottom, 2017; Mitchell, Agle, & Wood, 1997). However, the increasing availability and use of retail trading applications, such as Robinhood, and other digital technologies has resulted in more retail investors participating more directly in the financial markets (Lush et al.,, 2021). In turn, retail investors use of the retail trading apps and other digital technologies allows them to increase the salience of their stakeholder position within the financial markets.

As retail investors' stakeholder position in the U.S. financial markets has strengthened, the traditional stakeholders have had to shift their understanding of retail investors' role. One way that traditionally powerful stakeholders have responded to retail investors' increased participation in the financial markets is by creating more retail trading apps and more functionality within existing apps. These applications both facilitate retail investors' growing agency as actors in the markets and help traditional stakeholders, such as broker-dealers and clearinghouses, profit from retail investors' participation in the market. Even as retail investors' influence has strengthened in the past few decades, the significance of their influence at any one moment has not been as great as it was during the 2021 Meme Stock Event. The perceived significant influence of retail investors' actions in the U.S. financial markets led to strong responses from the traditionally powerful stakeholders.

The traditional stakeholders' responses showed that the retail investors' actions violated what Erving Goffman (1959) describes as the "social front" that these traditional stakeholders had previously made available to retail investors. In The Presentation of Self in Everyday Life, Goffman (1959) argues that when participants engage others in specific settings, they use "social fronts" to guide their behavior, manner, appearance, and more. As such, "social fronts" are identity roles that define the socially and culturally sanctioned positions of stakeholders within a context. Further, stakeholders within a specific setting have a "working consensus" regarding which social fronts are available to which stakeholders. When someone attempts to use a different social front, they must choose from an existing alternative front within the setting. During the 2021 Meme Stock Event, retail investors claimed a more influential social front than the traditional primary stakeholders had previously acknowledged for them in the U.S. financial markets. Because retail investors' actions violated their previously sanctioned social front, the other stakeholders were forced to engage in what Goffman (1959) describes as a realignment of the social front available to retail investors.

The realignment of retail investors' available social front occurred across many settings, including social media forums, company blogs, news articles, and more. Each of these settings provided an opportunity for, generally, one of the traditional primary stakeholders to assert their evolving interpretation of retail investors' role in the financial markets. Uniquely, the February 2021 hearing of the U. S. House Committee on Financial Services provided an opportunity for representatives of nearly all the traditional primary financial market stakeholders to share their conceptions of retail investors' role in the culturally understood model of the U.S. financial markets. Throughout the hearing, as shown in the transcript, the various stakeholders attempt to characterize and define who retail investors are, what they can achieve within the financial markets, and what they should be able to do. The congressional hearing therefore provides a prime opportunity to analyze how the 2021 Meme Stock Event influenced financial market stakeholders' perceptions of retail investors.

RESEARCH QUESTION AND ANALYTICAL APPROACH

Given the prominent response of traditional primary stakeholders to the 2021 Meme Stock Event, this project aims to answer to the following research question:

- How do traditional participants in the U.S. financial markets define the identity and role of retail investors in the markets following the Meme Stock Event?

The February 2021 congressional committee hearing provides a unique snapshot of multiple stakeholders' characterizations of retail investors while the Meme Stock Event was still a fresh and pressing concern for the traditional stakeholders since most stakeholders had at least one representative participating in the hearing. The oral assertions, questions, and testimonies of the participating stakeholders provide a data set that can be analyzed to identify the key themes and characterizations applied to retail investors in this moment.

For this study, a multi-round grounded thematic analysis was conducted on a transcript of the February 2021 congressional hearing ("Robinhood CEO," 2021). Grounded thematic analysis is an analytical process through which a linguistic dataset, such as the transcript, is reviewed by the researcher and trends in the data are identified (Creswell, 2008; Nowell et al., 2017). This analytical approach is valuable for gaining insight into a speaker's or writer's perspectives, beliefs, understandings, approaches, and more that may be revealed through their language use (Nowell et al., 2017). As such, grounded thematic analysis is an appropriate analytical method for answering this project's research question about how traditional financial market stakeholders perceive retail investors following the Meme Stock Event (Morse et al., 2002).

The thematic analysis for this project used multiple rounds of reading and analysis, along with the periodic writing of coding memos, to strengthen the reliability and validity of the results (Morse et al., 2002; Nowell et al., 2017; Tie, Birks, & Francis, 2019). Following recommendations for effective grounded thematic analysis, the multiple review rounds began with simple immersive reading and advanced through relevant comment identification, decontextualization of comments, initial theme identification, development of theme categories, and a recontextualization of comments to check theme identification and categorization. The researcher wrote coding memos between transcript review rounds to track the analytical process, interpretations, and identifications and to improve overall reflexivity and reliability (Morse et al., 2002; Nowell et al., 2017; Tie, Birks, & Francis, 2019).

There were forty-seven relevant comments identified, and these comments varied in length from a phrase to multiple sentences. The length variance was partially due to the hearing logistics, which allotted only five minutes per speaking opportunity. If the participant was asking questions of another participant, the answer was considered part of the initial speaker's five-minute allotment. Due to these time constraints, the congressional representatives—the "regulator" stakeholder—often used the beginning of their time frame to provide a brief monologue that included multiple characterizations of retail investors and other stakeholders in the financial markets. The hearing witnesses, who represented the other present financial market stakeholders, also used their initial testimony to define and defend their own roles in the markets with some commentary on the role of retail investors. "Units of meaning," phrases that provide data relevant to the research question, therefore sometimes appeared in a brief descriptive phrase and sometimes were encapsulated within one or more sentences (Creswell 2008; Nowell et al., 2017; Tie, Birks, & Francis, 2019). Further, in some cases the speaker included multiple characterizations within a sentence, which resulted in a coded comment being sorted into more than one category.

To illustrate the identification of units of meaning and themes within a selected relevant comment, consider the following comment from Mr. Gabriel Plotkin, founder and Chief Investment Officer of Melvin Capital, in response to Representative Al Lawson's question about how "amateur" retail investors were able to manipulate the markets to the detriment of other knowledgeable stakeholders.

> … the financial markets are changing, there's a lot of new players. I think they [retail investors] saw an opportunity to drive the price of a stock higher. Today, with social media and other means, there's an ability to kind of collectively do that. … Sometimes with retail investors you think about, and they've been really adept at this, investing in the internet or software stocks or electric vehicles, ideas with big opportunities, and they chase them because they believe in the fundamentals. I think this [the Meme Stock Event] was very different in that a lot of the meme stocks, these were businesses with real challenges, but they exploited an opportunity around short interest and the way that was approached. I think, us at Melvin, we'll adapt. I think the whole industry will have to adapt.… ("Robinhood CEO" 2021, para. 626-627)

Within this comment, Plotkin offers multiple characterizations of retail investors which can be labeled with coding themes. For example, he describes the retail investors' knowledge levels when describing them as "adept" and notes that they make decisions "because they believe in the fundamentals." He also offers multiple characterizations of retail investors' motivations for participating in the financial markets in his assertions that "they chase them [certain stocks] because they believe in the fundamentals" and "they exploited an opportunity." Thus, Plotkin's comment contains at least three different units of meaning that provide characterizations of retail investors, and one of those three units can be further coded in two different ways.

Ultimately, given the complexity and robustness of the stakeholders' comments about retail investors in the congressional hearing, the multi-round grounded thematic analysis of the transcript provides a methodologically congruent analytical approach to investigate the traditional stakeholders' negotiation of retail investors' available social front within the U.S. financial markets. The following section describes the themes and categories that emerged from the analysis and the relationships between those identified themes and categories.

RESULTING ANALYTICAL THEMES: TRADITIONAL STAKEHOLDERS' CHARACTERIZATIONS OF RETAIL INVESTORS

The analysis identifying the forty-seven comments characterizing retail investors revealed characterization that fell into three main theme categories: influence level, knowledge level, and motivations. Within each category, multiple themes emerged. These categories and themes are discussed in the following sub-sections.

Retail Investors' Level of Influence Compared to Other Stakeholders

A key aspect of retail investors' identity within the financial markets is the comparative level of influence within the markets. While there may be contention about which stakeholders can actually "move the market," retail investors have not historically been perceived as a stakeholder that could have a meaningful impact in the markets, even as retail investing apps have grown in popularity. Yet, through the Meme Stock Event, retail investors forced a reconsideration of this metaphorical view of the hierarchy in financial markets because they were able to significantly affect the earnings of institutional investors and force Robinhood to seek a significant and immediate boost in financial liquidity. In turn, retail investors' actions in the Meme Stock Event pressured traditional stakeholders to reconsider the level of influence that retail investors may have within the markets.

Of the forty-seven comments about retail investors, thirty-two comments offered characterizations related to retail investors' level of influence in the markets. These characterizations positioned retail investors as either Vulnerable Participants or as Market Influencers. Table 1 (Appendix) shows representative quotes for each theme within the Influence Level category.

Twenty-two of the characterizations reinforced the traditional notion that retail investors have a low level of influence in the markets and are generally vulnerable to the actions of traditional stakeholders. The remaining ten characterizations position retail investors as valuable market influencers who do have the ability to affect the market and raise important issues within the financial industry.

Characterizations of Retail Investors' Knowledge Level

Retail investors have often been referred to as "dumb money" since these individuals typically do not have the background, training, and resources available to traditional financial market stakeholders. However, in the Meme Stock Event, at least some retail investors showcased their ability to make impactful decisions with their seemingly limited resources and knowledge. The contrast between the traditional expectation that retail investors are not informed participants and the January 2021 events resulted in a strong focus on defining the retail investors' knowledge level. Twenty-five of the forty-seven characterization comments offered in the congressional hearing addressed retail investors' knowledge level, with characterizations ranging from a low- to high- level of knowledge. Table 2 (Appendix) shows the knowledge-level themes and some corresponding representative quotes from the congressional hearing.

The low knowledge level characterizations accounted for twelve of the twenty-five comments in this category. These comments tended to emphasize retail investors' lack of training, resources, and/or ability to effectively understand the available resources. This potential vulnerability raised questions about the ethical nature of other market participants' actions and services. Characterizations of retail investors as having limited knowledge levels, six of the twenty-five comments, recognized that retail investors make decisions based on relevant information and that they do have the ability to use the available information effectively. The remaining seven comments that characterized retail investors as having high or strong levels of knowledge emphasized their ability to conduct effective research, identify important emerging trends, and make insightful investment decisions.

Retail Investors' Motivations

Beyond claims about retail investors' knowledge level and power positions, the traditional stakeholders also focused their characterizations on retail investors' motivations for participating in the financial markets. From the traditional stakeholders' fourteen relevant comments, two themes about retail investors' motivations are identified: build individual wealth and/or retribution against institutional stakeholders and structures. Table 3 (Appendix) provides representative quotes for each theme in this category.

The stakeholders' tended to characterize retail investors' motivation for investing as a strategy to build personal wealth, with eight of the fourteen comments identifying this motivation. Six of the characterizations suggested that retail investors are motivated by the desire to "beat Wall Street" or in some way provide retribution against those stakeholders that historically have had more power in a hierarchy of financial market stakeholders.

DISCUSSION, LIMITATIONS, & CONCLUSION

Retail investors have been increasingly visible and active in financial market settings in recent years, yet the 2021 Meme Stock Event triggered a focused discussion about the available roles for retail investors and their value in the market. In the congressional hearing, the traditional financial market stakeholders focused their characterizations on core aspects of retail investors' identity and role: their potential influence, their knowledge level, and their motivation or purpose. The competing characterizations within these categories suggest that traditional stakeholders acknowledge a pressure to realign retail investors' available "social front."

During the Meme Stock Event, retail investors conducted a short squeeze that increased the value of a handful of stocks that had been shorted by institutional investors, resulting in some significant financial losses and some trading limitations. The media and some traditional stakeholders indicated that the Meme Stock Event was drastic, unusual, and—importantly—the result of retail investors' actions in the markets. Correspondingly, in the congressional hearing, the majority (68%) of the stakeholders' characterizations of retail investors focused strongly on retail investors' influence level in the markets. Most of these comments (twenty-two of thirty-two) about retail investors' influence level re-affirm the traditional perception of retail investors as vulnerable and potential victims of stronger players in the financial markets. However, nearly a third of the characterizations advocated for retail investors as valuable and important market participants. The notable number of comments arguing that retail investors can be influential market participants shows a shifting interpretation of their available social front. It is also possible that retail investors were more frequently characterized as vulnerable participants because the congressional representatives' (i.e., the regulator stakeholder) comments in this category outnumbered the other traditional stakeholders' comments. As retail investors take on a more impactful and influential role in the markets, regulating bodies and other market participants will face more pressure to acknowledge the value of—and potentially develop governance for—retail investors' participation.

Retail investors' low knowledge level is one of the most prominent characteristics of their available social front, or available identity, within the financial markets. The 2021 Meme Stock Event forced traditional stakeholders to consider whether retail investors were truly "dumb money." The stakeholders in the congressional hearing offered a more evenly split set of characterization of retail investors' knowledge level. The largest number of the characterizations (twelve of twenty-five) reaffirmed the prior conception of retail investors having a low knowledge level. Still, thirteen of the characterizations asserted that retail investors have either a limited (six comments) or strong (seven comments) level of knowledge. The characterizations suggesting retail investors' higher level of knowledge show that some traditional stakeholders recognize the increasing resources that retail investors can access, more widespread financial literacy efforts, and retail investors' ability to make effective financial decisions. Therefore, while many characterizations reaffirm earlier conceptions of retail investors' low knowledge level, other traditional stakeholders acknowledge the need to update retail investors' social front to recognize their growing insight and expertise.

Concerns about the ethical and legal behavior of traditional market participants are most salient in their negotiation and re-evaluation of retail investors' perceived knowledge levels. Some congressional leaders were quick to present retail investors as victims and call for further regulation of financial market participants. In contrast, other experts and congress-people argued that retail investors were capable participants and deserved more equal treatment and opportunities in within the financial systems. Regardless of the participants' position on retail investors' knowledge levels, all participants suggested concerns regarding the ethical treatment of retail investors in the current structure.

Retail investors' influence and knowledge levels have been prominent definitional features of their available social front within the financial markets. Their motivations for participating in the markets have been a less prominent part of retail investors' social front. However, due to some retail investors' comments on social media platforms, the traditional stakeholders in the congressional hearing offered multiple characterizations of retail investors' motivations. Most characterizations (eight of fourteen) again reinforced common prior conceptions that retail investors participate in the financial markets to build their personal wealth. The remaining characterizations from the traditional stakeholders suggested that retail investors may be motivated to participate in the markets in order to gain some kind of retribution against traditional and institutional stakeholders. The traditional stakeholders repeatedly indicated that retail investors wanted to “beat Wall Street” or to “stick it to” institutional investors. Retail investors were presented as intending to “manipulate” the market. While there were fewer characterizations of retail investors’ motivations than of their influence or knowledge level, the addressed motivations suggest that the traditional stakeholders recognize that retail investors are increasingly motivated to participate in the financial markets. Increased participation from retail investors will almost certainly require traditional stakeholders to reconsider the identity and role of retail investors in the financial markets.

Overall, while many of the prior conceptions of retail investors’ social front persist, the competing characterizations in each category suggest that traditional stakeholders recognize that retail investors’ identity and role within the financial markets is changing. The 2021 Meme Stock Event, and particularly the resulting congressional hearing, provided an opportunity to see the emerging realignment of retail investors’ available social front based on traditional stakeholders’ characterizations. As retail investors’ perceived role evolves it is increasingly likely that formal and informal regulations of their participation will also emerge. Admittedly, the congressional hearing offers a small snapshot of these stakeholders’ negotiation of retail investors’ social front. The small sample size in this analysis is a limitation of the study. Future research could develop a larger sample size by collecting media articles, formal messages from relevant stakeholders, or other sources. Future research may also consider how retail investors define their role and identity within the markets.

The regulations that govern the financial markets and the institutionalized structures will continue to constrain the ways in which retail investors, and all stakeholders, can participate in the U. S. financial markets. Goffman’s “social fronts” set the boundaries for what stakeholders believe that they and other stakeholders within a setting should be able to do within that setting. “Social fronts” set the less explicit and formalized rules for how stakeholders interact, and formal rules and regulations will not be adjusted unless there is pressure to change them. This pressure is raised when stakeholders begin to realign their conceptions of the available social fronts in the setting. It’s clear from the 2021 Meme Stock Event that retail investors are striving to be more influential, knowledgeable, and active participants in the U. S. financial markets, and the traditional stakeholders’ responses to the event show their awareness of the pressure to update retail investors’ available social front.

Still, this analysis shows that the renegotiation of the retail investors’ social front remains an in-progress effort. No significant changes have occurred to the rules and regulations of financial markets because of the event. In their October 2021 report, the Securities and Exchange Commission did not find that any participating stakeholders or participants violated any official regulations. They did indicate, as suggested in this analysis, that the Meme Stock Event presents an opportunity to reflect on and further consider the ways participants in the financial markets interact, communicate, and share information. Such a consideration would naturally require the involved stakeholders to confront the social fronts available to one another in the markets.

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APPENDIX

Table 1. Representative Quotes of Power Level Themes

Theme	*Representative Quotes*
Vulnerable Participants (n=22)	"… the person who usually loses [is] the retail investor. … and there are any number of structures that are set up to take advantage of the retail investor. ... as much as we're celebrating Mr. Gill here, we're not talking very much about Mr. Salvador Vergara, who was featured in a *Wall Street Journal* story, who took out a $20,000 personal loan through Robinhood, invested it in GameStop, only to see the value of his position go down 80%." [a] "The stated mission of Robinhood is the democratization of finance, but I worry that the real-world impact of Robinhood is the democratization of financial addiction. Robinhood has gaming features that seem to manipulate retail traders into making rash and reckless and potentially ruinous investments." [b] "Today, the Melvin and Citadels of the world, as well as major PE and VC funds, have access to the world's greatest investment opportunities on the planet. Whereas the retail investor world… has access to an ever-diminishing set of investment opportunities. While we're debating these vulnerabilities, we're serious about finding ways to expand access for Main Street investors." [c]
Market Influencers (n=10)	"they saw an opportunity to drive the price of a stock higher. Today, with social media and other means, there's an ability to kind of collectively do [that]. … they've been really adept at this, investing in the internet or software stocks or electric vehicles, ideas with big opportunities, and they chase them because they believe in the fundamentals…" [d] "Retail participation in our equities markets is important. The fact that retail investors behave differently from institutional ones and differently from each other can be particularly valuable in times of market stress. In fact, individual investors may have helped stabilize the market in March 2020." [e] "… [retail investors] managed to raise important issues about fairness and opportunity in our financial system." [f]

All quotes from congressional hearing transcript excerpted from "Robinhood CEO," 2021, specifically: [a] para. 438; [b] para. 774; [c] para. 651; [d] para. 627; [e] para. 87; [f] para. 77

Table 2. Representative Quotes of Knowledge-Level Themes

Theme	*Representative Quotes*
Low-Level (n=12)	"the less sophisticated investor" [a] "these amateur investors don't have to go through those same standards [as institutional investors]" [b] "…no training, no income, no qualifications…" [c]
Limited (n=6)	"Retail investors are investors who make their decisions based on the information known to them" [d] "We need more people having the opportunity to develop financial literacy, to build their own portfolios, to secure a safe and comfortable retirement, to grow their wealth … we should strive for individuals to have the autonomy to do all that they themselves would want to do without having to rely on others" [e]
High-Level (n=7)	"these average everyday investors are pretty darn sophisticated. There is wisdom to the crowd." [f] "retail investors are, in fact, revolutionizing the stock market." [g] "Retail investors who do good research… have understood the game changing technologies unfolding before us, electric cars, solar energy…" [h]

All quotes from congressional hearing transcript excerpted from "Robinhood CEO," 2021, specifically: [a] para. 198; [b] para. 625; [c] para. 351; [d] para. 540; [e] para. 810; [f] para. 10; [g] para. 539; [h] para. 941

Table 3. Representative Quotes of Motivation Themes

Theme	*Representative Quotes*
Build Wealth (n=8)	"Importantly, investing in the stock market also provides a path to wealth for individual investors…" [a] "…many retail investors have understood the game changing technologies unfolding before us, electric cars, solar energy, and have done extraordinarily well, investing their assets into these newly emerging parts of the economy." [b] "… [retail investors] really felt like [investing in stocks] is what they needed to do to get ahead." [c]
Retribution (n=6)	"Many retail investors appeared motivated by a desire to beat Wall Street at its own game..." [d] "It's about making a profit to demonstrate that they can manipulate the system, and if not better than professionals..." [e] "You guys found a low-float, low-volume, massively-shorted stock, and you guys squeezed it. I think that investors like Mr. Plotkin, large money managers probably doubled down on their short positions, thinking that they're going to win; and in the end, the massive communication networks that we have these days rallied the small to beat the large." [f] "Even if that motivation is fueled by a desire to stick it to a hedge fund they don't like." [g]

All quotes from congressional hearing transcript excerpted from "Robinhood CEO," 2021, specifically: [a] para. 87; [b] para. 941; [c] para. 686; [d] para. 8; [e] para. 622; [f] para. 655; [g] para. 806