By Peter C. Earle

In mid-January 2021, a new administration was settling into the White House and the first hints of an end to lockdowns and other pandemic policies were becoming clear. While that was developing, media outlets began reporting an extraordinary price move in the stock of brick-and-mortar game retailer GameStop (GME). Long considered a company a decade past its prime, with a future likely to look more like that of Blockbuster than a hot tech stock, its stock had traded as low as $2.80 in the summer of 2020, spending much of the year in single digits. But now, the price was vaulting: from closing at $17.69 per share on Friday, January 8, 2021, to $65.01 on Friday, January 22.

And then, in the three days between Monday, January 25, and Wednesday, January 27, GME common stock closed at $76.79, $147.98 and $347.51, at one point trading as high as $483 per share.

As if that wasn’t spectacular enough, one by one—almost as if being ticked off of a list—other oddball stocks, across a variety of sectors, began rising disproportionately: first haltingly, then followed by a distinct “pop” upward in price. AMC Entertainment (AMC), Nokia (NOK), Blackberry (BB), Bed Bath & Beyond (BBD), NAKD (Naked Brand Group) and a handful of others saw significant, abnormal price spikes that bested 52-week (and sometimes longer) volume and price change records.

Before long, the thread of continuity between those issues was discovered. All of the stocks in question were on lists of publicly traded companies with the highest short interest ratios. And the responsibility for engineering the short squeezes—a term describing a rapid increase in the price of a stock arising from short sellers having to buy stock at progressively higher prices to avoid further losses—was a Reddit community known as r/StreetBets (WSB).

As the major short squeeze victim was identified—a hedge fund called Melvin Capital was estimated to have lost 53% by the end of January—a narrative was quickly slapped onto the episode.

A group of retail investors, the story held, banded together to teach Wall Street a lesson. The source of the anger was variously attributed to isolation fatigue stemming from pandemic lockdowns, angst over rapidly increasing economic inequality and a general, time-honored hatred of Wall Street. Thus, the portrayal continued, a group of retail traders had engineered a financial market coup. Through a commission-free online retail brokerage, a Reddit-based crowd with risk appetites larger than global forex markets had engineered a series of short squeezes. They had roiled the financial elite, set them back on their heels and promised they would strike again.

The leader of this band, a digital tribe whose shared values seems to center upon profane memes and a near-religious affinity for outsized risk, was one “Deep F**king Kitty,” who went by “Roaring Kitty” on YouTube. In real life, DFV/Roaring Kitty was Keith Gill, a 35-year-old CFA (Chartered Financial Analyst) holder and former college track star who had become the de facto field marshal of a large, cohesive and geographically dispersed army of Reddit-based financial market operators. Obscure just one year ago, by spring 2021 WSB had become a force known in boardrooms all across America, feared on some professional trading desks.

Forging the WSB Narrative

It is difficult to recall the last time a single financial security occupied major headlines for several days; one guess is May of 1901, when E.H. Harriman and Jacob Schiff battled J.P. Morgan and James J. Hill for control of the Northern Pacific Railroad. Another is Enron during its 2001 collapse, although the dominant reporting at that time focused more upon the firm than its evaporating stock price.

Financial market journalists and media pundits quickly began to probe the GME/WSB story for deeper significance. Some fit it into a framework of increasing social unrest over growing levels of economic inequality. Some saw it as the Frankenstein-like outcome of lockdowns and stimulus checks. Others saw it as a strong indication that years of rock-bottom interest rates and easy money had turbo-charged risk appetites in both the retail and institutional constituencies of securities markets.

Still others became fascinated with the organizational facet of the short squeeze campaign. Wall Street Journal podcast “The Journal” Producer Annie Minoff commented, upon seeing one particular WSB meme, “What struck me...is that it was the first time I’d ever seen a bunch of individual investors working together thinking of themselves as a collective. The message of [the] meme is: ‘stick together.’ Hold; don’t sell.”

A prescient observation, but not an unprecedented event. The earliest...
antecedent to exactly this—a massive corps of brokerage customers being led, or at least inspired, by a financial market commander of sorts—is found in Boston, in the early 20th century.

**Thomas Lawson:**
**The Original Roaring Kitty**

Thomas Lawson was born in the Charlestown neighborhood of Boston in 1857. He grew bored of school and, at the age of 12, sought employment on State Street—then and now the Wall Street of Boston. Over time, he took to speculation in stocks, becoming wealthy and losing everything several times before focusing on copper stocks.

But it was being hired to manage and reverse the fortunes of the failing Rand, Avery & Company, a publishing firm where Lawson learned what would become a signature tool in his stock market operations—versy to fuel sales and foot traffic, he began using newspapers and direct mailings to influence shareholders of practices he saw as ruinous or ill-advised. But it was in two particularly noteworthy episodes that his position as a formidable stock influencer was established—albeit with diametrically opposed outcomes.

In the first, he was hired by the industrialist Aretas Blood to market Grand Rivers of Kentucky, where the Cumberland and Tennessee Rivers meet, as the site of a future iron mine and charcoal iron foundry. Furthermore, the site would soon become one of the next great major cities of the United States.

Lawson let his advertising genius loose on the enterprise, and there poured forth a flood of prospectuses, circulars, booklets, posters, maps, newspaper articles, biographies, interviews—all done to the queen’s taste. Every bit of printing that went out of the company’s office—the printer, the type, the colored inks—was devised by Lawson.

The Grand Rivers effort was nevertheless a flop. Yet having made many trips there, and no doubt richly compensated for his efforts, Lawson described it as a pleasant but expensive experience. In his words, like “a young man...who broke his arm being thrown from his horse [but] into the lap of his future wife.” Many investors, needless to say, saw grievous losses as the campaign ended with a whimper.

The second formative assignment involved the 1890s battles between Westinghouse Electric and General Electric. General Electric, backed by banking interests in both New York City and Boston, sought to acquire Westinghouse. George Westinghouse resisted commercial absorption but feared that continuous assaults upon his company both within and outside the equity markets would drive the stock price down, making it more difficult to arrange financing or issue additional stock.

He called in Lawson, whose campaign was kicked off by an anonymous column in the Boston Commercial Bulletin. Evoking the 1980s strategy to forestall corporate raiders known as the “Pac-Man Defense,” it posed a hypothetical:

> Today, the question is not when will the General Electric gobble up the Westinghouse, but how long can the Trust stand the hammer blows that are being dealt to it fast and furiously by the Westinghouse Company?

In a long, pitched battle, featuring back-and-forth accusations of accounting chicanery, aggressive short selling and other misdeeds, General Electric eventually “went away,” with Westinghouse stock finally rising enough to successfully sell $4 million worth of stock. (Westinghouse Electric still exists as a subsidiary of ViaCom CBS; Westinghouse Air Brake Technologies is publicly traded to this day.)

**Roaring Kitty’s GameStop Thesis**

GME traded at between $11 and $58 dollars per share from 2009–2019. By the end of 2019 it was in single digits, having traded down to $2 or $3 per share as the outlook for the firm, which operates nearly 5,000 store locations around the world, dimmed rapidly. Keith Gill’s—Roaring Kitty’s—GME activism began in 2019, when the stock was trading at just over $5. In the spirit of the great value investors—Buffett, Graham, Lynch and others—he laid out a case that the long-term value of the company was vastly beyond what the current stock price
seemed to be taking into account. It was standard value investor fare: GME sported a formidable cash position, the possibility of an aggressive share buyback program and other easily overlooked aspects of a company thought, frankly, to be slowly swirling down the drain.

Instead of newsletters (or newspaper broadsides), he posted video updates on YouTube. But the case that a monumental short squeeze might be developed in GME was laid out not by Roaring Kitty, but by other WSB participants. And as thousands of WSB members surged into GME stock, the now-famous spike began, with Melvin Capital's massive short position an accelerant of incalculable measure.

If GME was undervalued at $5 per share, it's astonishingly difficult to say that it's fairly valued at hundreds of dollars per share when even the company's board of directors don't see the firm returning to profitability until 2023. However, the collective market impact of other WSB target stocks has had implications for corporate finance. AMC, owing to its short squeeze-boosted price, "saw its credit rating upgraded by S&P after using Reddit-fueled share offerings to raise capital and make a debt restructuring less likely."

Lawson's Amalgamated Copper Campaign

That contrasts with Lawson's Amalgamated episode which, according to Frank Fayant's depiction, was far less a matter of overlooked value or conscience. Rather, it stemmed from broken or misunderstood promises. Lawson had, by 1900 or so, been involved in several securities deals (some contemplating unadulterated price manipulation) with Henry H. Rogers. Rogers was an industrialist and financier most closely associated with the Rockefellers and Standard Oil. Two deals that Lawson and Rogers had collaborated on, Bay State Gas and the copper trust known as Amalgamated Copper, created both internal and external frictions.

In the case of Bay State, a dispute arose over how much Lawson was owed. When it became insolvent, the attorney handling the receivership determined that Rogers, Lawson and several other parties had taken loans from Bay State and ordered them repaid. A trial followed and numerous recriminations were thrown back and forth. Suffice it to say, Lawson was on the outs with the Standard Oil crew.

At this time, in the summer of 1904, the American public had developed a virtually unquenchable thirst for muckraking exposés. That, plus Lawson's brilliance at lofty and persuasive pitches, provided fertile soil for his revenge—and led to the event which, if any, most resembles a WallStreetBets episode.

In a series of articles for Everybody's Magazine that ran through 1906, Lawson chronicled the story of Amalgamated Copper with the Rockefeller interests in a series that came to be called "Frenzied Finance." Sections of his account were exaggerated, and a portion were outright fabrications, but the verifiable sections created furor. Lawson framed a public revenge plot as a matter of high-minded moral righteousness.

In November 1904, Lawson took out newspaper ads advising investors to purchase Amalgamated Copper despite his recent revelations. Several weeks later, on December 6, 1904, he suddenly reversed his pronouncements, predicting that Amalgamated (which had reached $81 per share) would fall to $33 per share shortly. The newspaper ads indicated that:
“Frenzied finance” stock gamblers have accumulated immense lines of Amalgamated. The same sensational rumors of a great rise to come flood Wall and State Streets as in 1901. They have asked me to join in creating a wild market upon which all the Amalgamated taken in at lower prices may be turned out upon the public.

It would be millions in my pocket to assist, but—I see the handwriting on the wall which the “frenzied financiers” of Wall Street do not yet see. It reads: “The people will not stand plundering any longer.” And I have decided.

I advise every stockholder of Amalgamated stock to sell his holdings at once before another crash comes. Another slump may carry it to 33 again, or lower.

Sending missives that confirmed the suspicions of the masses—that Wall Street and large corporate interests were taking advantage of them—proved combustible. In the days after Lawson’s advertisements, Amalgamated sank from just over $80 per share in the days before the newspaper campaign to just over $60 in under two weeks.

And this was not a haphazard dumping of the equity. As David Zimmerman wrote in Panic:

What unnerved critics, in fact, is that these followers were extraordinarily disciplined, carrying out their general’s commands immediately and efficiently. Lawson’s followers were dangerous precisely because their actions and desires were prompted and guided not by market imperatives but rather by Lawson’s directives. Moreover, their speculations did not demonstrate their loss of self-control or their dispossession by the market; their speculations showed, instead, their collective sense of power as an insurgent class. If they were unusually excited, it was because they imagined themselves assuming control over the vast, capricious machinery of the marketplace, a privilege only the system and before it, the most powerful financial barons, had enjoyed.

Yet where Gill did demonstrate leadership of the sort that bears comparison to Lawson is in the unfolding of the GME trade. As the stock rose, he made his commitment to the long position crystal clear to other WSB members. And within that culture, courage and fortitude are highly valued attributes. The description “diamond hands” is high praise indeed, characterizing a WSB participant as demonstrating unflinching perseverance in the face of unrealized losses or a drumbeat of negative news.

Gill would not sell, he told other members of the Reddit thread and YouTube watchers, and take quick, massive and life-changing profits. Rather, he would hold fast or even add to his long position, which he did. And in so doing, he inspired other WSB traders to stand fast on, or even add to, their long GME positions as well. One of his many appreciative WSB followers commented:

Your steady hand convinced many of us to not only buy, but hold. Your example has literally changed the lives of thousands of ordinary normal people. Seriously, thank you. You deserve every penny.

And quite a few pennies were made, indeed. Gill’s stock and options positions were worth tens of millions at the end of January 2021 from what started less than two years earlier as a $53,000 position. Lawson is said to have cleared some $46 million ($1.4 billion in 2021 purchasing power) from a short position in Amalgamated when he recommended that his followers dump it.

Birds of a Feather?
Comparisons between Gill and Lawson are mostly apt, if stretched a bit. There is a showmanship inclination to both men through different media choices reflective of their era: newspaper advertisements then, YouTube videos today.

On the topic of advocacy, whether in favor of a particular security or in contempt of the alleged masters of mammon near Broad and Wall, Gill has claimed, in interviews, to not in fact be against high finance. His is not an anti–Wall Street crusade. By his own assertion he is less an activist than an individual who, having had a prescient investment idea, found himself unexpectedly thrust into the spotlight.

Lawson, on the other hand, had vindictive goals and forced his way into the limelight to realize them. And appreciation among his followers for his indignant, widely-broadcast stock campaigns to right the wrongs of the System (or at least bring them to public awareness) according to Fayant are summarized in the following way by an adoring member of his invisible legions:

When America needed a father, God raised up Washington. When America needed an emancipator, God raised up Lincoln. It is my belief that, for the troubles that beset the country at this time, God raised up Lawson.

But despite Gill’s distancing himself from broad-based disparagements of high finance, there is certainly a Lawsonian concept of a “System” within WSB. Referring to fellow WSB members as “apes,” one battle cry implored:

If you or your parents’ lives were destroyed in 2008, do you remember who were held responsible? I don’t! Cause no one was! Who cared about the little people? No one! Little people, apes now, have to stick together! GME and AMC together! We are family!

To others, the “System” manifested as hedge funds and their trading algorithms. Counseling vigilance, a WSB poster wrote:

Power to the players. Power to the people. Remember, the Hedgie Algo’s are based on the underclass being motivated by fear. When the population no longer lives in fear, revolution is possible. Make no mistake, this is a financial revolution.

Power to the players. Power to the people.

Perhaps like “The Man in the Moon” or art, market campaigns are more a matter of pareidolia than an explicit tenor.

Lawson and the Dot Com Gurus
A closer parallel can be made between Lawson and the first wave of internet trading “gurus” who appeared on sites like Silicon Investor, Raging Bull, InvestorsHub, the Yahoo! Finance message boards and others. Between the mid-1990s and early 2000s, online message boards were teeming with stock gurus who, for a monthly fee, would make real-time stock trading recommendations. In certain cases, the individuals pitched their services as not only being a product of expertise but, more akin to Lawson and the account superimposed upon the WSB short squeeze
campaign, one that sought to correct longstanding abuses of investors by investment banks and other financial institutions.

A particularly Lawsonian presence at that time was “Anthony@Pacific,” whose internet chat room and Silicon Investor message board thread focused upon an “Autopsy of Wall Street.” A@P, as he became known, was one Amr Ibrahim Elgindy, and his voyage from selling cars to working as a retail stockbroker to becoming an advocate for the so-called little guy was an intrinsic part of his spiel. Primarily a short seller, Elgindy sold memberships to his private chat room and broadcast his short picks there and on the Silicon Investor site, often with an immediate impact upon a target stock’s prices.

Their views on the overall state of financial economics are similar. Lawson, in “High Cost Living” (1913):

There is a trick machinery at work which during the past 40 years has illegally injected into the existing volume of stocks and bonds over 30 billions of fictitious value… [And] through this trick machinery a few men who control it and who control the industries upon which the stocks and bonds are based take from the people five per cent on this 30 billions…one billion and a half dollars yearly… [And] through this trick machinery, also, they take another billion and a half dollars, which they collect yearly by means of the fraudulently manipulated ups and downs in stock and bond prices…the trick machinery is the Stock Exchange—“Money Trust”… [a] wholesale looting, right now, of American and European investors of hundreds of millions of dollars.

And Elgindy, described 90 years later in Wired magazine, expressed a similar conceptualization of the System:

Anthony’s view of the market is uniformly black. He believes that corporate accounting is bogus, that press releases are untrue and that Wall Street is “the most manipulated scam and corrupt marketplace on Earth right now…” [He] laughs with scornful delight at the notion of a fair and massively popular stock market. He views the competition among brokerage firms, market makers and the new electronic trading systems merely as a staged showbiz feud… The online brokerages lure new herds of sheep into the game and collect the admission fees while the market makers do the shearing.

Ultimately styled the “Mad Max of Wall Street” and having had an uncanny record of predicting stocks that would soon be targets of Securities and Exchange Commission (SEC) or FBI investigations, the short-selling avenger’s operations came to an inauspicious end on January 24, 2005.

Stock trader Anthony Elgindy was convicted on Monday of using secret government information to profit in the market, while [an] FBI agent…was convicted of tipping him off about companies facing criminal investigations… Prosecutors said Elgindy would use information from [the agent] to sell companies’ stock short and advise subscribers to his Web site to do the same. Access to information about government investigations that could cause a stock price to fall would be an unfair trading advantage. They said Elgindy portrayed himself as a crusader against companies that were defrauding investors and said he made millions of dollars from subscribers, who paid up to $600 a month to access his Web site, anthonypacific.com.

He was sentenced to 11 years in prison but released in 2013.

Lawson’s Decline

At the conclusion of World War I, Lawson was a mostly forgotten figure, except to those bitterly recalling his stock market exploits of a decade and a half earlier. A 1919 newspaper reports:

A mortgage given by Thomas W. Lawson on his Dreamwold Estate to the Quincy Trust Co. of Boston indicates that his latest financial operations are not going well. This is quite a change. There was a time when Lawson could surround himself with a considerable following, but that was when the public did not know him as well as it does now. He has followed them often enough but he discovers there was considerable truth in Lincoln’s observation that you cannot fool all the people all the time. By the cry of “wolf” against the financial interest he has turned their fears to his advantage. Lately his outgivings in his advertising have not rallied a beggar’s guard to any of his flotations and it is evident from his recorded mortgage that his speculations of late also have not turned out profitably. Very few will waste any sympathy on Lawson.

The last we hear of Lawson as a subject of current events is his death, reported on February 8, 1925. In The New York Times obituary, the last few years of his life following the arrest for stock manipulation present an altogether depressing image.
Thomas W. Lawson died in the Massachusetts General Hospital...at 12:30 this morning...It was stated at the hospital that funeral services would be held at “The Nest,” Egypt, Mass., the only part of the vast Dreamwood estate which remained to Mr. Lawson after his recent financial collapse...Little has appeared about Mr. Lawson in the last few years except the story of the gradual decline of his health and the even swifter decline of his fortune. In 1922, faced with the necessity of selling his Dreamwood estate, he disappeared and for some days was in seclusion. There soon followed the sale of his yacht, Troph y, for a song, and the auction of his art treasures. In December of that year the $50,000,000 that he once had possessed had dwindled...to $50,000 and the next year saw the gradual dissipation of even the few personal effects to which he had been able to cling. At one time he was so hard up for cash that he offered to trade his car for 5,000 cigars.

A last-ditch effort to rally the troops who, a few decades back, had landed a solid right hand on the chin of the apocryphal System was considered.

In the midst of these misfortunes, in May 1923, there came an announcement that Lawson, broke, but out of debt, would re-enter Wall Street in the hope of recouping his fortunes. If he did go back into finance, high or otherwise, he did it so quietly and with such little effect that no one ever heard of it.

Throughout history, financial markets have dethroned experts and exalted the unassuming. Lawson’s career, and the WallStreetBets GME saga, exemplify both.

Frenzied Finance to Come

The idea that Wall Street was taught some sort of lesson by the WSB crowd is a silly one; indeed, at least one hedge fund rode GME’s rocketing price up with the Reddit crowd and earned an estimated $700 million. Similarly, some WSB dissidents undoubtedly shorted GME at seemingly reasonable prices like $100, $200 or $300 per share and higher, experiencing huge losses.

In June 2021, it was reported that a London-based hedge fund named White Square Capital was closing. It took huge losses on a GME short position but claimed that the “decision to close down is related to thinking the equity long-short model is challenged [and the] traditional edge is being arbited away.” Whether or not White Square’s comment specifically referred to the activity of WallStreetBets, the dissipation of the trading edges once enjoyed only by large financial institutions has at least something to do with the massive proliferation of commission-free, high-speed trading.

Institutional investors of all sorts often categorize the miniscule, uncoordinated and usually incorrect securities positions of retail brokerage customers as “dumb money.” But is there any dumber money than that which fails to recognize that lots of so-called dumb money, in the aggregate, can become astoundingly “smart” in the blink of an eye? Or that the old adage about a broken clock being correct twice each day applies equally to securities trading?

After the January 2021 short squeeze campaign, WSB stated that it would next push the price of silver up, using futures, options and the SLV ETF. A price jump of $0.50 would do the trick. And it, too, proved unsuccessful.

Yet back in the stock market, more recently, the power of WSB’s coordination of mass action with flair was seen yet again. Stock picker extraordinaire Jim Cramer in early June 2021:

Twenty-eight highly paid analysts...follow the stock of Wendy’s (WEN). Most of them like the stock very much and pound the table aggressively every good quarter. And those pushes collectively have meant very little, lost in the miasma of recommendations, a boat tossed on the waves of the overall market. Or at least very little versus u/chillzday, who on WallStreetBets...[who with] some...favorable anonymous posts, the stock of Wendy’s move[d] up 18%. Despite the fact that Wendy’s raised its dividend, announced that its breakfast initiative is ahead of plan and raised its guidance for 2021, its stock went down. Talk about pounding the table, I was pounding the Wendy’s counter top to buy the stock and I clearly had no impact. But no one listened, not one bit, not at all. Or at least no one listened as much as they did to u/chillzday, whoever the heck that is. And you know what? I love it.

Lawson is long gone, and the last corporate vestiges of Amalgamated Copper were consolidated out of existence in the early 1980s. But for GME, AMC Entertainment and other WSB targets, higher stock prices have brought about a new lease on commercial life; and finance of a particularly frenzied nature still surfaces regularly. Keith Gill and the meme-bearing, over ten-million-member WallStreetBets horde—always profane and occasionally mighty—aren’t going anywhere any time soon.

Peter C. Earle is a Research Fellow at the American Institute for Economic Research.

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