

If we over-invest in the social media bubble, what happens when it bursts?

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It's an investment billions of us make every day – not a financial one, but an investment of time and effort into expressing our opinions on things we are sympathetic to, and those we detest. We pay respect, and expect a return – in terms of "likes" on a recently posted selfie.

We are investors in [social media](#), trading [likes](#) for likes all the time, and without much market research. Of course social media is awash with

what the finance world would call liquidity – there is no shortage of likes, upvotes, posts and retweets. But too much liquidity can poison a financial market, leading prices to far inflate beyond their fundamental value – what we call a [bubble](#). And perhaps it can also poison a market in which we invest opinions and expressions rather than money.

The notorious [Dutch tulip bubble](#) in the 17th century saw flowers that would be worth only a few cents or pennies today cost ten times the annual income of a skilled craftsman in March 1637. Adjusted for inflation, that's close to US\$1m today – for a single tulip bulb. Other textbook examples include the 18th-century [South Sea bubble](#), the Wall Street Crash of 1929, and in more recent times the dotcom bubble boom and bust of tech stocks in 1999, and the speculative mania throughout the Western world that led to the global market crash of 2007-8 – from which we are still picking up the pieces.

But bubbles may appear in other areas of life than finance, if we define a bubble as an often irrational way of collectively aggregating beliefs, preferences or actions based on social proof that happens in an environment that is conducive to allowing a bubble to form – such as the internet.

Trading assets requires investment. In finance, this is typically cash or some other sort of liquid, readily available and easily transferable, form of value. The way we use social media follows a similar pattern, creating perceived value through "likes", upvotes, comments, tweets and retweets, making posts and images. These are social investments that are traded daily, with the expectation of a return – in the form of visibility, sympathy, understanding, status, influence, power, or respect.

When a great proportion of these are invested in just a few assets, their traded value can balloon out of proportion. In social media terms, this creates fame or notoriety, or flamewars and panic, or power and

influence. For example, consider [how twitterstorms develop](#) and hashtags like [#mynypd](#) about a [New York police campaign that backfired](#), or [#marius](#) about a [giraffe killed in a zoo](#), or [#voteman](#) which tried to persuade the youth to vote in the [recent EU election](#).

Sometimes the liquidity chases the wrong assets and overheats their value—we might speak of opinion bubbles, political bubbles, bullying bubbles (such as when Twitter followers attack), status bubbles, fashion bubbles, [art bubbles](#), even science bubbles. For one young Dane, just looking like Justin Bieber was enough to overheat one's social status.

Where bubbles take root

Bubbles don't just appear out of the blue. They are cultivated in environments that are hospitable to them, and we should learn to recognise them, because with our current understanding of how [financial markets](#) work, assets are not required to have a fundamental value themselves. All that's required is that everyone believes that everyone else believes it has value.

This way of thinking is called [pluralistic ignorance](#), and refers to conditions under which it's legitimate for everybody to remain ignorant. It's generally a terrible situation, but is widely practised while day trading – nobody really cares whether the stock has fundamental value, only that it can rise if people believe that everybody else believes it has value and fall if they believe that everybody else believes it doesn't – and that both situations can be used to turn a profit. In our social media model, this means exchanging likes for respect, status, recognition, influence or some similar notion of social capital.

How to spot the 'like' traders

It's easy to spot these online, now that the monetisation of social media has taken off. Political or commercial initiatives that invite an exuberant input from investors are easy to spot. The "like-farms" – posts that demand liking, ask easily answered questions, play on our sense of curiosity ("You'll never believe what happens next!"), or schadenfreude ("Click here to see her wardrobe malfunction!"), or to play on our emotions, whether that's with children in distress or cute cats. Scores of websites and companies such as BuzzFeed or Upworthy are based on this behaviour.

Beware of expectations of a fast return on investment in terms of social capital, fame, respect, influence, reputation, sympathy or money, and also the noise makers – trolls and other forms of market derailing behaviour. Consider also the way online platforms are configured, with social marketplaces that facilitate like-farming. Watch for the bandwagons upon which bystanders jump, and the surge of "likes" or retweets that can build particular posts, pages, images or causes into a viral phenomenon that could be the beginning of a bubble.

Don't take what you like every day so lightly. Just because a single investment of opinion costs little, when aggregated together the social signal sent by so many likes is significant, and can lead people to change their behaviour and opinions. Such waves of opinion, bandwagon-jumping, media exposure and association with the social proof of so many likes have enormous power – and as in financial markets, that power exists regardless of whether there's any fundamental value underneath.

The danger of the social media bubble is that what is true may not go viral, and what goes viral may not be true. If popularity is the only currency that matters, then online [bubbles](#) have the power to wreak damage on more than just financial markets, but also on the direction that society and democracy may take. Let's not be in the middle of the

bubble when it bursts.

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