

The Theory of Investor Discussion Board Value

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Abstract:

Investor discussion boards (IDBs), such as Stocktwits and TheLion, are widely used by short-term traders. This paper adopts a novel approach to assess the value that IDBs can provide to these traders. Our model identifies four key elements that influence this value under specific assumptions: (i) the board's reputation mechanism, (ii) the posters' posting rate, (iii) the posters' learning ability, and (iv) the board's poster growth rate. While the reputation mechanism determines the direction of the value, the combined impact of all four elements determines its magnitude. Understanding this value has significant implications for practitioners, researchers, and policymakers.

JEL Classification: G02; G14

Keywords:

Online Trading, Online Investors, Social Network, Investor Discussion Board, Reputation Mechanism.