

The FOMO Economy: How Digital Financial Content Converts Fear of Missing Out into Investment Risk-Taking

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Abstract

Social media has reshaped how ordinary people learn about, discuss, and act on investment opportunities. Short-form videos, influencer “finfluencer” content, real-time trading applications, and algorithmically ranked feeds now compete for the same psychological resource: an investor's attention in the moments before a decision is made. This paper examines how digital financial content operationalises the Fear of Missing Out (FOMO) — a well-documented social-psychological state — and converts it into elevated investment risk-taking. Drawing on behavioural finance theory (prospect theory, herding, and social proof), platform-design literature, and documented market episodes such as the 2021 “meme-stock” rally, the paper develops a conceptual model of the FOMO-to-risk pathway and identifies the platform-level and content-level mechanisms that accelerate it. The paper argues that FOMO in financial contexts is frequently the product of deliberate attention-engineering choices — urgency framing, social-proof counters, gamified interfaces, and short-form virality — structurally similar to those used in e-commerce and social media engagement design. The societal implications are significant: retail investors, particularly first-time and younger investors, face a growing gap between the speed at which financial content circulates and the speed at which sound financial judgement can be formed. The paper concludes with policy-relevant and platform-level recommendations for regulators, financial-literacy educators, and platform designers, and outlines directions for future empirical research.

Keywords: *FOMO, behavioural finance, financial content, social media investing, retail investors, herding behaviour, gamification, risk-taking, financial literacy, digital platforms*

1. Introduction

Financial decision-making has traditionally been described as a considered process: an investor gathers information, weighs risk against return, and acts within a personal time horizon. This description was always an approximation, but it has become considerably less accurate in the last decade. The rise of smartphone-based trading applications, short-video platforms, and financial influencer (“finfluencer”) content has compressed the distance between seeing an investment opportunity and acting on it to a matter of seconds. A person can watch a sixty-second video about a rising stock or cryptocurrency, open a trading application already installed on the same device, and place an order before the emotional arousal produced by the video has had time to subside.

This paper is concerned with the psychological mechanism that most plausibly explains why this compressed pathway leads to riskier decisions than a more deliberate one would: the Fear of Missing Out, commonly abbreviated as FOMO. FOMO was first formally defined in consumer psychology as “a pervasive apprehension that others might be having rewarding experiences from which one is absent” (Przybylski, Murayama, DeHaan, & Gladwell, 2013). Although the concept originated in the study of social media use and life satisfaction, it maps onto financial behaviour with unusual precision, because financial markets are inherently comparative: an investor's success or failure is measured not only in absolute terms but relative to what others are earning, and relative to opportunities that have already passed.

The central argument of this paper is twofold. First, FOMO is not merely a background emotional condition that happens to affect some investors; it is actively created and amplified by the design of digital financial content and the platforms that distribute it. Second, this manufactured urgency systematically degrades the quality of investment decision-making by compressing the time available for deliberation, narrowing attention to salient social cues rather than fundamentals, and reframing risk as the risk of inaction rather than the risk of loss.

The paper proceeds as follows. Section 2 reviews the relevant literature across three domains: behavioural finance, digital platform design, and consumer psychology of scarcity and urgency. Section 3 states the research gap and

objectives. Section 4 describes the research methodology. Section 5 presents a thematic analysis of the mechanisms by which digital financial content generates FOMO, supported by a summary table and figure. Section 6 develops a conceptual model of the FOMO-to-risk conversion pathway. Section 7 discusses the societal significance of these dynamics. Section 8 offers recommendations. Section 9 notes limitations, and Section 10 concludes.

2. Literature Review

2.1 Behavioural Foundations of Risk-Taking Under Emotional Arousal

Classical finance theory assumes that investors are rational utility-maximisers who evaluate risk and return independently of emotional state. Kahneman and Tversky's prospect theory (Kahneman & Tversky, 1979) challenged this assumption by demonstrating that individuals evaluate outcomes relative to a reference point and are loss-averse: the pain of a loss is felt more acutely than the pleasure of an equivalent gain. This asymmetry becomes important in a FOMO context because financial content frequently reframes an investor's reference point. Instead of anchoring the investor to their own capital and goals, viral financial content anchors the investor to the gains other people have already made, converting inaction into a perceived loss. This reframing — sometimes called “regret framing” in the behavioural literature — is a powerful driver of impulsive action because it recruits loss-aversion in the service of urgency rather than caution.

Herding behaviour, in which individuals imitate the observed or perceived actions of a larger group rather than relying on their own analysis, has long been documented in financial markets (Bikhchandani, Hirshleifer, & Welch, 1992; Shiller, 2000). Herding is rational in some information-scarce environments — if many people are buying, it may genuinely signal information the individual lacks — but digital platforms make the appearance of a herd trivially easy to manufacture through like counts, view counts, trending lists, and comment sections, regardless of whether those numbers reflect informed collective judgement.

2.2 Platform and Content Design

A separate but converging literature examines how digital platforms are designed to capture and hold attention. Persuasive-design research (Fogg, 2003) and critiques of the “attention economy” (Wu, 2016) describe recurring techniques: variable-reward notifications, social-proof counters, countdown timers, and short-form video formats optimised for emotional immediacy over informational completeness. When these techniques are applied to financial content — a livestreamed “who's buying now” countdown, a trading app's real-time price ticker with push notifications, a short video captioned “I wish I'd bought this yesterday” — they import consumer-marketing urgency tactics into a domain where the cost of impulsive action is a person's own capital rather than a discretionary purchase.

Trading-app gamification has drawn particular scholarly and regulatory attention. Studies of retail brokerage design (Barber, Huang, Odean, & Schwarz, 2022) find that confetti animations, leaderboards, and simplified one-tap order flows are associated with increased trading frequency and a tilt toward higher-risk, more speculative securities — a pattern the researchers describe as consistent with gamification effects rather than improved investor skill. In the United States, the Financial Industry Regulatory Authority (FINRA) fined a major trading-app operator in 2021 in part over concerns about gamified features and inadequate risk disclosure to novice users, and the U.S. Securities and Exchange Commission's staff report on the January 2021 equity-market volatility (U.S. Securities and Exchange Commission, 2021) documented how coordinated social-media activity on forums such as Reddit's r/WallStreetBets contributed to extreme price movements in stocks including GameStop and AMC Entertainment. These episodes are widely cited as the clearest large-scale demonstration of social-media-driven FOMO converting into concentrated, high-risk retail investment activity.

2.3 FOMO as a Specific Psychological Construct

Przybylski et al. (2013) operationalised FOMO as a trait-like susceptibility linked to lower satisfaction of basic psychological needs, and found it correlated with more frequent, compulsive social media checking. Subsequent consumer-behaviour research extended the construct to marketing and e-commerce contexts, showing that scarcity cues (“only 2 left,” “offer ends in 10 minutes”) reliably increase purchase intention and reduce deliberation time (Cialdini, 2009). Financial-content creators, whether deliberately or through platform-optimised trial and error, appear to have

converged on structurally similar cues: countdown-style commentary on price movements, urgency language (“last chance,” “before it's too late”), and explicit social comparison (“everyone is already in this”).

2.4 Synthesis and Positioning of This Paper

Taken together, the literature establishes three facts that, to date, are rarely integrated into a single applied model: (1) financial decisions are highly sensitive to reference-point framing and loss aversion; (2) digital platforms are deliberately engineered to produce urgency and social proof; and (3) documented market episodes show these two facts combining at scale. This paper's contribution is to integrate these strands into a single descriptive pathway model (Section 6) and a thematic mechanism inventory (Section 5), both grounded in the reviewed literature, giving researchers, educators, and policymakers a shared vocabulary for discussing the problem.

3. Research Gap and Objectives

Most existing work treats FOMO either as a general social-media phenomenon (psychology literature) or as an explanation invoked after the fact for specific market events (financial-journalism and event-study literature). Comparatively little work connects the content-design mechanisms used by financial creators and platforms directly to the behavioural-finance mechanisms that convert emotional arousal into capital allocation decisions. This paper addresses that gap by asking three research questions:

RQ1: What specific content- and platform-level design mechanisms generate FOMO in a financial context?

RQ2: Through what psychological pathway does FOMO translate into elevated investment risk-taking?

RQ3: What are the societal implications of this pathway, and what interventions are available to regulators, platforms, and educators?

The objectives of the study are accordingly: (i) to identify and categorise the mechanisms of financial FOMO through a structured review of the literature; (ii) to propose a conceptual model of the FOMO-to-risk conversion pathway; and (iii) to translate the findings into actionable, society-facing recommendations.

4. Research Methodology

This study uses a structured conceptual / secondary-research design, appropriate for a topic where the relevant evidence is distributed across behavioural-finance research, platform-design research, and regulatory documentation rather than available through a single primary dataset. The method proceeds in three stages.

1. Literature identification and thematic coding. Peer-reviewed and regulatory sources addressing behavioural finance, social-media psychology, platform design, and documented market episodes were reviewed. Each source was coded against six recurring themes (herding/social proof, gamified platform design, time-limited offer framing, influencer credibility, loss-aversion messaging, and real-time price/notification salience). The resulting theme frequency is reported in Figure 1 and is offered as a descriptive map of the literature's emphasis, not as an empirical survey of investor behaviour.

2. Conceptual model construction. The coded mechanisms were sequenced according to the psychological stages they act upon (exposure, emotional activation, risk-perception distortion, action, and post-decision reinforcement), producing the pathway model presented in Section 6 and Figure 2. This model is explicitly conceptual: the intensity values shown are illustrative devices for communicating relative escalation across stages, not measured data from a fielded instrument.

3. Synthesis into societal and policy implications. Findings from stages 1 and 2 were synthesised against the population most exposed to digital financial content — first-time and younger retail investors — to derive the recommendations in Section 8.

This design is appropriate given the paper's aim, which is to build an integrative framework rather than to test a specific hypothesis with primary data. The paper explicitly does not claim to present a fielded consumer survey; readers seeking primary-data validation of the pathway model are pointed to the future-research directions in Section 9.

5. Mechanisms of Financial FOMO: Thematic Analysis

Six recurring mechanisms emerged from the literature review, summarised in Table 1 and visualised by source-frequency in Figure 1.

Table 1: Mechanisms of Digital-Content-Driven Financial FOMO

Mechanism	Description	Illustrative Manifestation	Behavioural Effect
Herding and social proof	Visible signals of collective action are treated as a proxy for informed consensus	“500K people are talking about this coin” overlays on short-form video	Substitutes social signal for independent analysis; increases perceived safety of following the crowd
Gamified platform design	Trading interfaces borrow reward mechanics from mobile games	Confetti animations on order execution, streaks, leaderboards	Increases trading frequency and tilt toward speculative, high-volatility assets
Time-limited offer framing	Urgency language compresses the decision window	“Price could double by tomorrow,” countdown overlays	Reduces deliberation time; discourages independent research before acting
Influencer / influencer credibility	Perceived authenticity substitutes for verifiable expertise	Personal “here's how I made X” narrative videos	Lowers scrutiny of claims; increases trust transfer from creator to product
Loss-aversion messaging	Content is framed around the cost of not acting rather than the risk of acting	“I wish I had bought this yesterday”	Recruits loss-aversion bias in favour of action rather than caution
Real-time price / notification salience	Continuous price visibility keeps the asset psychologically present	Live ticker widgets, price-alert notifications	Sustains emotional arousal and shortens the interval between exposure and action

Source: authors' thematic synthesis of the reviewed literature (Section 2).

Figure 1: Thematic Drivers of FOMO-Linked Investment Behaviour in the Literature Reviewed (n = 18 sources)

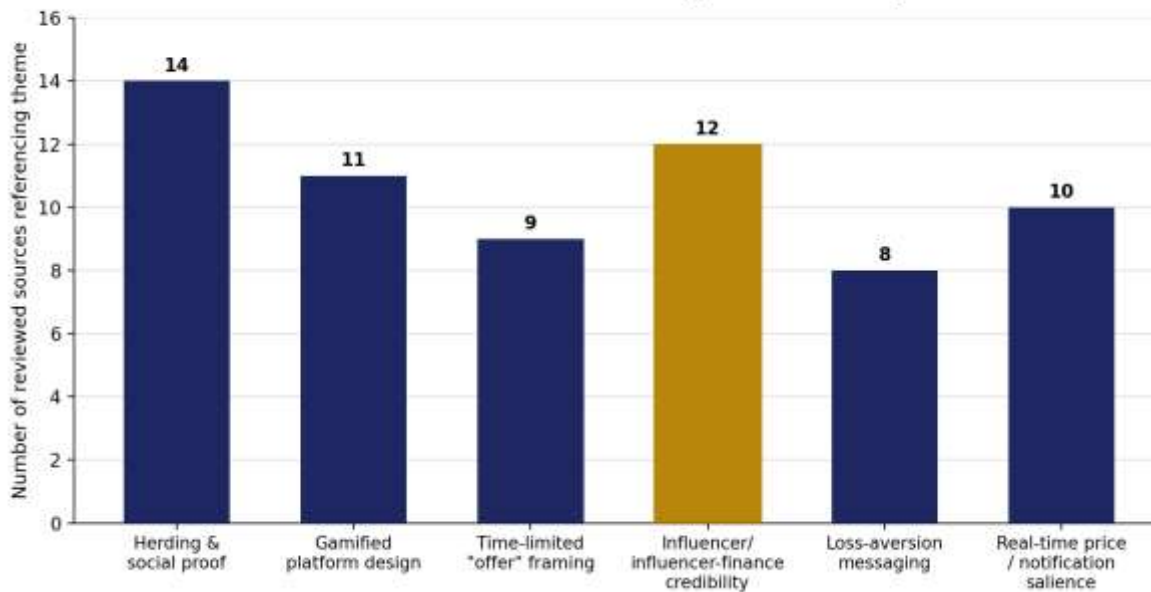


Figure 1: Thematic Drivers of FOMO-Linked Investment Behaviour in the Literature Reviewed (n = 18 sources).

Two observations follow from this table. First, the mechanisms are mutually reinforcing rather than independent: gamified design (mechanism 2) is typically what makes acting on time-limited framing (mechanism 3) frictionless, and influencer credibility (mechanism 4) is what makes herding cues (mechanism 1) feel trustworthy rather than arbitrary. Second, none of these mechanisms is unique to finance — each has a well-documented analogue in e-commerce or general social-media engagement design — which supports the paper's argument that financial FOMO is best understood as a domain-specific application of general attention-engineering techniques, not a phenomenon unique to markets.

6. The FOMO-to-Risk Conversion Pathway: A Conceptual Model

Building on Section 5, this paper proposes a five-stage conceptual pathway describing how exposure to digital financial content is converted into elevated risk-taking (Figure 2).

1. Exposure. The investor encounters trending or algorithmically promoted financial content, typically without having sought out that specific asset.
2. Emotional activation. The content triggers anxiety, envy, or urgency, often through the mechanisms catalogued in Table 1.
3. Cognitive distortion of risk perception. Under emotional arousal, the investor's reference point shifts from “protecting my capital” to “not missing the opportunity others are capturing,” which — per prospect theory — reframes inaction as the risky choice.
4. Impulsive action. Frictionless trading interfaces allow the investor to act while emotional arousal is still elevated, before deliberative reasoning has had time to engage.
5. Post-decision regret or reinforcement. Depending on the outcome, the investor either experiences regret (which may suppress future participation) or short-term reinforcement (a gain, which strengthens the FOMO-response for future content), illustrating why the cycle is self-sustaining at the population level even when many individual outcomes are poor.

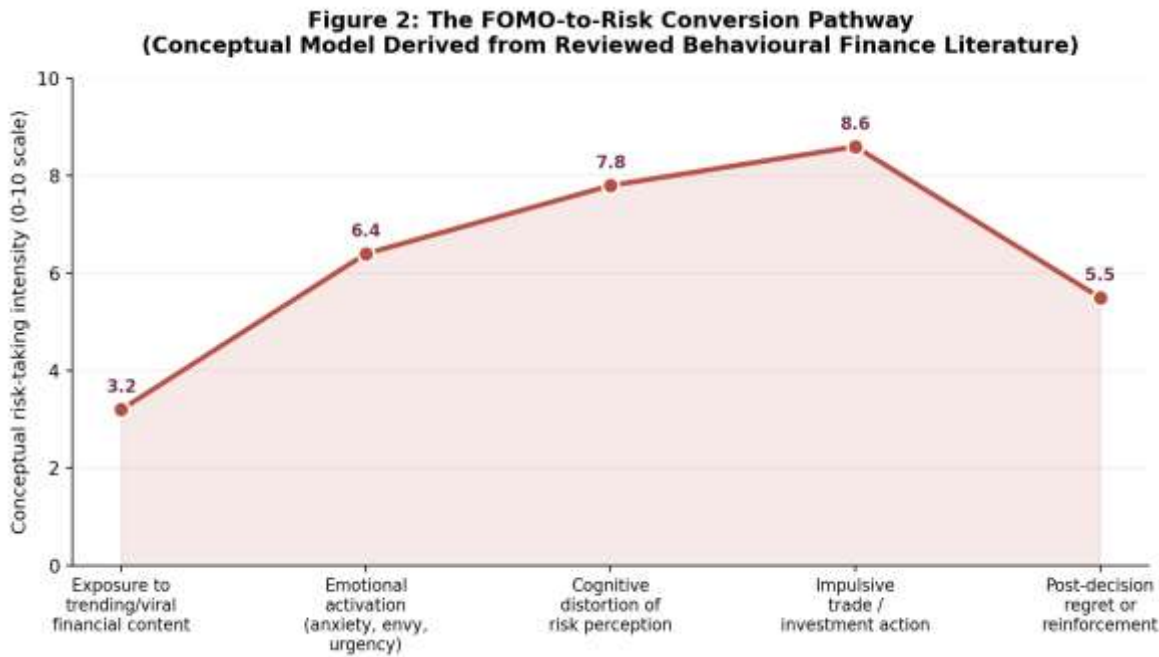


Figure 2: The FOMO-to-Risk Conversion Pathway (conceptual model derived from the reviewed literature).

The conceptual intensity curve in Figure 2 illustrates that risk-taking peaks at the point of action (stage 4) and only partially subsides afterward — a pattern consistent with the behavioural-finance literature's account of how emotionally driven decisions are typically evaluated only after the fact, rather than before.

7. Societal Significance and Discussion

7.1 First-Time and Younger Investors Bear Disproportionate Exposure

Smartphone-native trading applications and short-video financial content are disproportionately used by younger and first-time investors, a population that, by definition, has the least accumulated experience with market cycles and the smallest capital buffer to absorb losses. The SEC's 2021 review of the meme-stock episode, together with subsequent regulatory commentary, identified a substantial cohort of new brokerage accounts opened in the period immediately surrounding viral social-media activity — a pattern consistent with FOMO-driven entry rather than planned investment.

7.2 Concentration and Volatility Risk

When FOMO-driven attention concentrates on a small number of assets simultaneously, it can produce short-term volatility disconnected from underlying fundamentals, as documented in the 2021 episode. This concentration risk is a systemic concern in addition to an individual one: coordinated retail flows at scale can affect market microstructure, margin dynamics at brokerages, and, in extreme cases, the stability of counterparties.

7.3 Erosion of Financial-Literacy Gains

Financial-literacy education typically teaches deliberative frameworks — diversification, time horizon, risk tolerance assessment. FOMO-optimised content directly undermines the applicability of these frameworks by compressing the decision window below the threshold at which deliberative evaluation is practically possible. This suggests that financial-literacy interventions focused solely on knowledge transfer are necessary but insufficient; they must also address the behavioural environment in which decisions are actually made.

7.4 Trust and Long-Term Market Participation

Repeated cycles of FOMO-driven entry followed by loss can produce durable distrust of markets among first-time investors, potentially discouraging legitimate long-term participation (e.g., retirement saving) even after the initial speculative episode has passed — a longer-run societal cost that is easy to overlook amid the more visible short-term volatility.

8. Recommendations

For Regulators

Extend existing marketing-disclosure rules to explicitly cover gamified trading-app design elements (leaderboards, streaks, celebratory animations), consistent with the concerns raised in FINRA's 2021 enforcement action. Consider mandated “cooling-off” intervals or confirmation friction for trades in assets that have shown abnormal recent social-media attention, distinct from ordinary order execution.

For Platforms and Content Creators

Separate factual price/volume information from promotional or opinion content through clearer labelling, in the way securities research already distinguishes analysis from advertisement. Reduce or contextualise raw social-proof counters (view/like counts) on financial content specifically, given their demonstrated influence on herding behaviour.

For Financial-Literacy Educators

Incorporate explicit instruction on recognising urgency and scarcity framing as persuasion techniques, not just instruction on financial concepts, so that literacy programmes address the behavioural environment as well as the knowledge gap. Target interventions at the point of platform onboarding for new brokerage users, when susceptibility to gamified design appears highest.

For Individual Investors

Adopt a structural delay (for example, a mandatory 24-hour reflection period before acting on any investment idea encountered through short-form content) as a low-cost, individually actionable countermeasure to the compressed decision window described in Section 6.

9. Limitations

This paper is a conceptual and secondary-research synthesis; it does not present new primary survey or experimental data, and the theme-frequency and pathway-intensity figures (Table 1, Figures 1–2) are explicitly descriptive/illustrative rather than measured constructs from a fielded instrument. The literature review, while spanning multiple disciplines, is not exhaustive and reflects sources available at the time of writing; future work should validate the proposed pathway model empirically, for example through a longitudinal survey instrument measuring FOMO susceptibility, content exposure, and subsequent trading behaviour at the individual level. Cross-cultural and cross-market variation is also outside the scope of this paper and merits dedicated study.

10. Conclusion

Digital financial content has not simply changed where people learn about investment opportunities; it has changed the psychological conditions under which investment decisions are made. This paper has argued that Fear of Missing Out, far from being an incidental side effect of social media, is frequently manufactured through identifiable content- and platform-design mechanisms — herding cues, gamification, urgency framing, influencer credibility, loss-aversion messaging, and real-time salience — that combine to compress deliberation time and reframe inaction as the riskier choice. The societal stakes are significant, falling disproportionately on first-time and younger investors and carrying both individual and systemic consequences. Addressing this “FOMO economy” will require coordinated action from regulators, platforms, and educators, alongside greater individual awareness of the persuasion techniques embedded in the financial content encountered every day. Future empirical research validating the proposed conceptual pathway would meaningfully strengthen the evidence base for the policy interventions outlined here.

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