“Flash Boys: A Wall Street Revolt” Book Review

Flash Boys: A Wall Street Revolt is known to be a book of a non-fiction genre, the main subject of which is focused on the growth of high-frequency trading (HFT) in the US exchange market. It occupied the first place in the list of the best books for four weeks, in accordance with The New York Times Best Seller. The book has revealed much information on what machinations occur in the US stock exchanges and how much money ordinary citizens lose due to it. The great success of the book was achieved due to the fact that the story is mainly about people and not about numbers and denominations. This is the story about fates, thoughts, and actions of a few outstanding individuals, such as, for instance, Sergey Aleynikov, who was a programmer and worked for some time for Goldman Sach Company. Another firm he used to work with was Bradley Katsuyama, who challenged the unfair financial system. Lewis wrote a book about the campaign of several people, whose driving force was not acquisitiveness, but desire for justice. It should be stated that the campaign was successful. Behind the human stories, the author hid much information about stock exchange of 2010s.

Michael Lewis states, that the main problem with the HFT-system is a kind of moral inertia (Lewis & Neubauer, 2016). He says, that it served the narrow self-interests of everyone involved for so long that no one of them would ever want to change it, despite how corrupt or sinister it became.

One of the main arguments of the current book is that recently, the exchange has become a powerful and securely guarded computer, which contains the so-called orders-matching mechanism (Lewis & Neubauer, 2016).

Another argument is the rapid propagation of exchanges in which the stocks can be traded. Many countries, which originally had a single exchange (for instance, Canada, the UK, Australia), have many of them now located in different places. In London, they are placed outside the city in Basildon or Slough, while in Sydney the location is across the Harbor. The aim was to create a market for people, who took the advantage of speed trading and managed to earn money on such activity.

One more statement from the boos reveals that recently, the vast majority of stock transactions in the United States occurred in the New York Stock Exchange on Wall Street and the rest of them on NASDAQ (Lewis & Neubauer, 2016). Moreover, the market was divided in different stocks traded in different exchanges. Nowadays, there are 13 public and 40 private exchanges in the USA. Many of them are so-called dark pools of banks, which means that the information on operations is seen by the bank-owner only. Herewith, the market has become united, namely a person sends the order to purchase the stocks not to a particular stock-exchange, but to the market as a whole. After that, the computer decides from what exchange a customer will buy them.

In my turn, I can add that the computerization has increased the speed of transactions greatly. Now, no one calls broker with the request to buy stocks as everything is being made in microseconds remotely. That is why, the data transfer rate has become a key point. It means that the traders tend to pay great amounts of money for an office in the same building, where the exchange mechanism is located. Consequently, those individuals, who decided to secretly lay the fiber-optic cable in a straight line between Chicago and New Jersey, literally cutting through the mountains on their way, managed to sell it to financiers for an extremely high price.

My impression of this book is that “it is fascinating!” It is really well-written, primarily due to the fact that it reveals the truth about HFT veiled in real people’s stories. The subject is interesting and vital. I never thought that I would be concerned about such theme as stock exchanges, trading, and other processes that are described in this book. Michael Lewis managed to make this complex topic transparent and enthralling. The author describes the activities of so-called “High Frequency Trading” (HFT), where buy and sell orders to stock exchanges are interrupted and prevented from forthcoming at the stated price. Being unnoticed, the HFT activities continue occurring, though they account for most of the activities in stock trading. From the book, I learned how the deception is being made. The process is very complex and includes the following steps: a certain investor sends an order to the market to buy a large number of stocks of a particular company; the order reaches the exchange, which is physically closest to the place from which it was sent; at this point, the high-frequency trader receives the information about the appearance of demand in the market, while a slow investor signal has not reached other exchanges yet; taking the advantage of speed, the HFT-trader’s computer buys all related stocks in other exchanges, which automatically increases their price and then quickly sells them to that same investor, whose order finally comes to long-distance exchanges. All these actions occur in microseconds and the investor only sees that at the moment he presses the “buy”-button, the price automatically rises. As a result, each stock increases in price on a cent or two, but due to the scale, high-frequency traders earn billions on that.

In conclusion, it is seen that all conditions mentioned in 2nd and 3rd paragraphs, caused the phenomenon of high-frequency trading (HFT) to become real and to exposure of which the book was devoted. The HFT-traders are people, who aim their activities at repurchasing and reselling the securities at bargain prices due to the advantage of data transfer rate.