

THE GRANT WILLIAMS PODCAST

THE GRANT WILLIAMS PODCAST:

Short Shrift

Featuring Marc Cohodes & Bill Fleckenstein

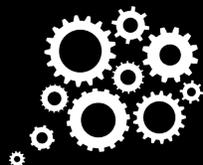
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The Grant Williams Podcast, including *The End Game*, *The Super Terrific Happy Hour* and *The Narrative Game* represents the Copper Tier of grant-williams.com and serves as a prelude to *Things That Make You Go Hmmm...*, Grant's monthly newsletter which, over the past decade has become one of the most widely-read financial publications in the world.

Blending history, humour and keen financial insight, Grant dissects the financial landscape with thought-provoking commentary—taking readers in unexpected directions and opening up investment avenues away from the beaten path which stimulate the kind of original thinking so lacking in today's financial media.

Drawing on Grant's extraordinary network of experts around the world, *Things That Make You Go Hmmm...* weaves together a tapestry of insight and information, folding in a series of under-the-radar stories and perspectives, to give subscribers an important edge in a fast-changing world.

Copper Tier subscribers can find out what the fuss is all about by [upgrading to our Silver Tier!](#)



Grant invites two accomplished shortsellers, Marc Cohodes and Bill Fleckenstein to discuss the wild gyrations in equity markets in recent days as a coordinated move by retail investors to attack 'shortsellers' and inflict pain upon Wall Street proves to be, in some ways at least, a roaring success.

There are, however, nuances to this story which are perhaps not broadly understood and are in need of a little illumination – most notably, the difference between 'shortsellers' and 'highly leveraged hedge fund shorts'.

Bill, Marc and Grant discuss the important differences between the two, the events that have transpired and the potential path from here as well as some thoughts on why and how the system is broken, where the anger of retail investors ought to perhaps more accurately be directed and why this growing revolution may be an important turning point...

Grant Williams:

Before we begin, I have an announcement to make regarding the future of this podcast. Beginning February 1st, *The Grant Williams Podcast* will become part of the Copper Membership Tier of my new website, grant-williams.com. Now, the Copper Tier will include every future episode of *The End Game*, *The Super Terrific Happy Hour*, and *The Narrative Game*, as well as access to a series of special one-on-one conversations I'll be having with a group of truly extraordinary people throughout the rest of this year, beginning with my dear friend and mentor, Anthony Deden of Edelweiss Holdings.

Grant Williams:

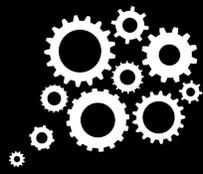
At the site, you'll also find a Silver Tier, which in addition to access to *The Grant Williams Podcast* will include a year's subscription to my monthly newsletter, *Things That Make You Go Hmmm...* But you can find out a lot more about all that by visiting grant-williams.com. And now on with the show.

Grant Williams:

Here's the bit where I remind you that nothing we discuss should be considered as investment advice. This conversation is for informational and hopefully entertainment purposes only. So while we hope you find it both informative and entertaining, please do your own research or speak to a financial advisor before putting a dime of your money into these crazy markets.

Grant Williams:

Okay, this is a special unplanned seat-of-the-pants edition of *The Grant Williams Podcast*. After the craziness in equity markets this past week, I felt it would be a good idea to get the two best short sellers I know together for a conversation about what's transpired over recent days. So forgive the lack of polish, bear with us if we wander from topic to topic and back again, but please take this chance to listen to the thoughts of my two friends, Marc Cohodes and Bill Fleckenstein, as they try to shed some light on what has been an unforgettable week. Also, please note that we recorded this podcast prior to the news that Robinhood had tapped its credit lines after hours on Thursday.



Grant Williams:

Welcome, everybody to a special edition of this podcast. Joining me today are my usual partner in crime on The End Game, Bill Fleckenstein, and the man who put the whole plan together in the first place, Marc Cohodes. Gentlemen, welcome.

Marc Cohodes:

Hey, Grant. Great to hear your voice, and Bill.

Bill Fleckenstein:

Likewise.

Marc Cohodes:

As always, it's a pleasure. Things aren't dull.

Grant Williams:

Yeah, things are definitely not dull. The point of this conversation is really just to talk about what's been going on in the last couple of days, because we seem to be at the beginnings of some kind of revolution. I'm not if it'll play out the way one side thinks it will, but I just wanted to talk to two of the most accomplished short sellers that I know, to get some perspectives on this. Marc, perhaps you would just give us your thoughts on this first. The three of us can maybe then kick it around.

Marc Cohodes:

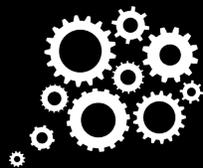
Well, I'm really bothered by all this, because it brings back horrible memories of what Goldman did to me back in the day, this sheer unwinding where price doesn't matter. They basically put me out of business, as the prime brokers right now are putting others out of business as we speak, and probably culminated this morning. But the thing that truly bothers me is how the Robinhood-Reddit crowd somehow blames the short sellers for all this, and the concept that they're getting back at the men in the suits in their short sellers is really beyond insane. So I really want to break it up into three types of short sellers. There's people like myself and Chanos and Carruthers, some others, that actually expose fraud, wrongdoing, criminals, people who harm others. Grego is in this camp, in his Penumbra campaign where they've actually killed 18 people, and through his work the FDA pulled the product. My career speaks for itself.

Marc Cohodes:

What's going on now is all these people, not Grego per se, are being put out of business and exterminated, because the volatility is such that you can't draw investors. And it's not worth it from a human standpoint, because no one's in this to get killed or blow your brains out in stress. But the education of the Robinhood-Reddit crowd is really addressed toward the smash-and-grab crowd that I despise, the people who put out negative research toward the stock in the morning, cover it 30 minutes after their report, after these things go down. I wrote an op-ed about this. I said it's horrible. And those are the people who the crowd is shooting back at, those so-called shorts.

Marc Cohodes:

And I like Left. He is a solid human being, but it's him and a whole bunch of others where this hate is addressed at. And then sadly, the people who are extraordinarily over-leveraged, the SAC, Melvin, SAC spawn tiger cub crowd who's over-leveraged, and these guys don't know the first bit about shorting, they've



caused this whole mess, because they don't know what the hell they're doing. They're using too much borrowed money, which the prime brokers gave them, and they've caused this entire fiasco with their unwinding. So it's a very complex thing. It's three buckets. I think the smash-and-grab guys are done. I think guys like Carruthers, Chanos are done. And hopefully these SAC spawns and some of these tiger cubs get their leverage drastically, drastically, drastically reduced so this shit doesn't happen going forward. That's kind of my opening diatribe, if you will. It's just very disgusting and sickening, frankly, and sad for me, because a lot of people I care about are in deep trouble.

Bill Fleckenstein:

I would add to what Marc has said about the current landscape and who's pitted against who and all of that, is if we take a step back, one of the reasons why we're in this position is because of the irresponsible policies of the Federal Reserve. I know I'm a broken record on that subject, but if you look at what's gone on for 25 years, this is the third bubble we've been involved in. And now they're not even going to attempt to stop the money-printing. They're in fact continuing to do it. Those policies and how they've conditioned people to believe has modified investor psychology and behavior such that we're at a place like this where we are now, where people see all kinds of real companies go to stupid prices, so then prices don't mean anything and we can take bankrupt companies to stupid prices. I mean, none of this is really real.

Bill Fleckenstein:

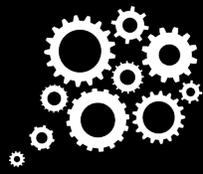
And the other side of it is, the regulators have done a particularly poor job, especially in the wake of the '08 real estate financial bust. I mean, nobody who should have gone to jail did, for all intents and purposes. And of course the politicians don't get involved, because they love can-kicking. So we're at this moment in time where you've got the craziest speculative elements of 1929, 1969, 1989 in Tokyo, and 1999 here in America all going on at the same time. Ordinarily, that would make you think, "Oh, this is probably a top. This is the end." Except for when you think about those periods, at the moment in time where things were wild, the central banks had been tightening credit, in fact, in '29 we were still on the gold standard, in one way or another for quite a while, maybe a year, maybe more. So that speculative behavior was going into the teeth of a tightening, and then it exhausted itself.

Bill Fleckenstein:

It's going to be much harder to gauge when the speculative mania has exhausted itself, and therefore, anyone who's trying to be short, I think as Marc and I have been saying, well, we said nine months ago on this podcast, it's incredibly dangerous. And now, given what we've just seen, I don't see how anyone can be short any amount of anything in any real size, except for many a scalp. If that's the case, you really can't be in size anyway.

Grant Williams:

Let's try and break some of this down, because what I think is most important here, there are a lot of people who are looking at what's going on. There's a narrative that this is the retail crowd sticking it to the evil short sellers. And to your point, Bill, the three of us are likely seen by many as Wall Street suits, because that's the world we come from, it's the world we inhabit. But you've written books about this. Marc is on the record. Anyone that looks up what Marc's done will see that he's absolutely not a Wall Street suit. And I've been writing about this stuff for over a decade.



Grant Williams:

But I think it's important to try and help people understand some of the narratives around this and why they are wrong. This idea of short selling being un-American, being evil, there's a couple of videos that are in my Twitter feed this morning. Glen Greenwald posting one, a 15-minute diatribe about how evil short sellers are. So let's try and help people understand the various players here, and let's start with the short sellers, because both of you are extremely gifted at that art, and it is an art for sure. Marc, just talk about why short sellers are actually important to have in any marketplace.

Marc Cohodes:

Well, short sellers are important to have, because on a very simplistic level, they're the other side of a market for when things get dislocated up or down. They offer liquidity and offer a stand. If someone shorted stock and the stock blows up, short sellers need to buy the stock to cover. If there's, as Greenspan would say, irrational exuberance on the way up, short sellers, if they like the situation, will sell more to try to keep the market functioning. But in general, Grant, the markets are broken, and the markets have been broken for some time. With electronics, guys like Citadel, the prime brokers, grow aware of everyone's positions and everyone's liquidity, running in front of trades.

Marc Cohodes:

So the role of short sellers in that kind of fiasco becomes more of a pinata situation than a market functioning situation, from a simple how things used to be, which is, as Bill would say, why times are so dangerous. The thing that sickens me and makes me really sad is, everyone is going to be out of business. I mean, the government and the crooks and the frauds are basically going to get what they want, because no one can have a business doing this. First of all, the wear and tear mentally is extraordinarily difficult, and no one's in business to be able to lose, for a stock to go up three to 15 times in a week. No one can take that. It breaks all models. What life looks like afterwards, to me is going to be beyond scared.

Grant Williams:

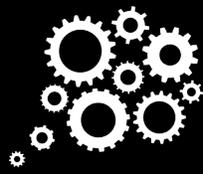
Marc, what's going to happen is a lot of people are going to look at this, and because of the way the narrative has evolved about short sellers over decades really, they're going to say, "Well, so what if a bunch of short sellers go out of business? Great. They're evil. We know short sellers are evil." If we look at GameStop and we look at the shorts on GameStop, what's interesting here is, if you look at that business, if you look at the company, those bets against the company doing well were logical bets to make. This wasn't an evil attempt to force a company. Now, this is a company that has what, let's face it, is a dying business model, a retail game store where everyone buys their games directly and downloads them straight onto their video consoles these days. It was a business model that was always going to struggle.

Grant Williams:

So for people to take a bet against it, for people to think that by running this stock from wherever it was prior to this up to \$300, \$400, is sticking it to anybody, any evil short sellers, it's just not the case. And ultimately, all the people that have run this thing up have to get out.

Marc Cohodes:

Well, here's the problem, though. But when you have Chamath, or whatever he calls himself, and Musk and others tweeting or getting on Cartoon Network aka CNBC and telling people they're buying calls in GameStop, which fuels the flames, they're not necessarily screwing the shorts, they're screwing Joe Six-



pack, who actually listens to these clowns and buys the stock or buys calls. I mean, they make it harder for people who are short, and unless you have any risk controls you'd be out of the trade or out of the way, but they fan the flames, and everyone sits there as long as the stock goes up, and everyone thinks it's okay and everyone thinks it's good.

Marc Cohodes:

And when the stock goes down, they blame the shorts. So the shorts are the joke when they're getting squeezed, and they're to blame when it goes down. Fleckenstein and I have had enough sense to get out of the way and get out of the game, and the poor people left doing it, God forbid you're on leverage, are just absolute fish chum right now.

Bill Fleckenstein:

One of the points that I thought Marc would make but I'll make for him is, one of the things that... Like any discipline, there are people that pursue it in an ethical manner and people that pursue it in an unethical manner. So there are unethical short sellers, just like there's lots and lots of unethical operators on the long side and lots of unethical managements, et cetera, et cetera. One of the values of short sellers is that they warn folks about problems. Marc has done so in uncovering all the frauds that he has, and recently with MiMedx and now this Penumbra. In my old days, I warned people about stocks that I thought that were completely mispositioned or whatever. I don't need to go into the names.

Bill Fleckenstein:

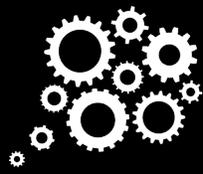
But the point is that when you're not hiding in an anonymous fashion and you're out there with your own name and you're explaining this to people, if you're right in your research, you've added value for everyone. The environment that we have now is that stocks never go down. Even crazy things that oughtn't to maybe to go up, do. The white hat side of the short seller community gets no credit, because everything is so broken now. There's not only the fact that you're there to buy them on the downside. There's not going to be anybody to buy them on the downside when this bubble finally bursts, whenever it does. That's another role the short sellers play, is they bring up obvious problems so people can contemplate. They might not find those problems on their own.

Grant Williams:

Let's come back to the point Marc made about, you named Chamath and Elon Musk, because this to me is ultimately something that the SEC has absolutely brought on themselves by not punishing flagrant violations of the rules. You've enabled people. The \$20 million fine that Musk was slapped with for committing securities fraud was frankly an absolute joke. What's happened over the last 30-plus years since the Greenspan put became very apparent is slowly but surely these markets have been made a mockery of, not by the participants, not by the people actually in there trying to work in and around equity and bond markets and risk assets, but by central banks and by regulators.

Grant Williams:

You've seen the central banks provide this put for Wall Street, while Main Street was languishing. You've seen the SEC be so lax and fail to really punish anybody for anything, except small guys that they managed to make big headlines out of, like the guy living in his mom's basement that was supposedly responsible for the flash crash and the 15-year-old that they prosecuted for something else, when there's high profile stuff going on that you would think would be a slam dunk to really make an example of people. And so



when I look at this, I just see so many chickens coming home to roost. The central banks and the regulators have nowhere to look but the mirror for what's happening to these capital markets right now.

Marc Cohodes:

I mean, 100%, Grant. But the problem I have is, I said tongue in cheek that I'm the guy who should run the SEC, and I should, because I could stop all this crap immediately. One of the problems is, the prime brokers offer what people would say are legends, but to me are just not guys in a crowded trade, the SAC and tiger cub crowd. I think these guys are jokes, and the prime brokers offer these guys extreme leverage, and these guys take it and they buy the same crap amongst themselves, time in, time out. They get to excessive valuations, they get big [inaudible 00:18:44], and the media and the Cartoon Network write about these guys like they're gods, but they're just overleveraged clowns. That's what Melvin is. He's an overleveraged clown.

Marc Cohodes:

And he's going to go bust. If anyone had money with this guy from day one, I don't care if he's up 30% a year for seven years. If you're up 37% a year for seven years and you pay your taxes, and now you're down between 70 and 80%, you're down. You're down, and you're down big for the experience. And this guy's collecting huge fees. But the prime brokers have enabled these guys to succeed, and they've enabled Renaissance and all these guys to succeed, and people write stories about them, how smart they are. They're not so smart. They're all in the same trade, they're using excessive leverage, and when you have to unwind it in a short period of time, this is what happens.

Marc Cohodes:

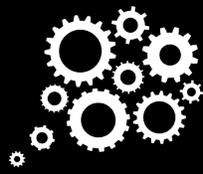
The part that's hard to digest is somehow instead of Stevie Cohen, who just bought the Mets, or Melvin, who owns the Charlotte Hornets or owns part of the Charlotte Hornets, these are the people who should be targeted, not the guys who put criminals behind bars, not the guys who put it all on the line, have the death threats, have the FBI visit their house, and put people behind bars. See, Grant, this is where the narrative of the story is so long, because the shorts are like the boogeyman and they're always the boogeyman. But the problem is going to be, going forward you're not going to have the shorts to kick around. You're not going to have Chanos and Carruthers and everyone else, and Left and Carson to kick around, because no one's going to give a shit. No one's going to put their name out there. No one's going to talk about names, because the second you put something out there, you put a target on your back.

Marc Cohodes:

And instead of the market being played on a level playing field where it's okay for all, you're wiping out a whole class of people who really do their work, because if the short doesn't do their work, they get more destroyed than they currently are. So mentally, I'm throwing my hands up in the air. I said to Fleck yesterday and last night, this is just simply madness. And I don't know. It's bad. It's bad until people are held accountable for what they do wrong, rather than blaming others.

Grant Williams:

Well, let's talk about that. Let's talk about accountability, because what's happened today, we've seen Robinhood basically say to anyone that owns a bunch of these stocks like GameStop and AMC, can only close out their positions. They've come down on the retail crowd and told them, "You can't open new positions. You can only close out." Meanwhile, the Wall Street guys have access to both sides of that market. So what



you're seeing is that this power, this idea that the retail crowd have the "we're showing who's got the power now." I don't know. I don't know that that's necessarily the case. They've caused a lot of pain. I think that the rule makers, the legislators, the exchanges are all going to band together to come down and try and crush this rebellion. My fear is that the retail crowd-

Marc Cohodes:

It's going to make the rebellion worse.

Grant Williams:

Well, precisely. That's my worry, is that you think you're in a position of power. You find out you're not. Not only is that power taken away from you, but the gains that you've made are taken away from you. With society as fractured as it is right now, something like this is a very dangerous spark near a very big tinderbox, in my view.

Bill Fleckenstein:

Well, you can see why the public at large is angry. I mean, I know we're talking about the anger at the short sellers on the part of a few people who don't know what they're talking about, but I think what the public is really upset about is the fact that nobody went to jail after the '08 crisis. Does anyone remember Sarbanes-Oxley? They passed that in 2001. Supposed to be a crime if you signed a financial statement that turned out to be wrong. You weren't supposed to use anything but GAAP accounting. The SEC hasn't enforced any of those rules, so all the criminals like Dick Fuld and all that got away with murder, the public's pissed about that.

Bill Fleckenstein:

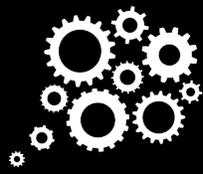
And now what they see is, oh, so when they commit crimes you don't put them in jail, and then you bail them out, and now because we got giddy about a bunch of stocks and drove them to the moon, I mean, irresponsibly but that's their right, oh, now you're going to bail them out by saying closing trades only. It's this faux sense of oh, we have to do the right thing, where the authorities are pretending they're doing the right thing by we're going to stop you little fish from getting in trouble by only letting you do closing trades. Yeah, after they've let all this crap go on.

Bill Fleckenstein:

The hypocrisy on the part of the authorities, even though they're not making any statements, is mind-boggling. And I think that's part of the frustration. That's part of what drives people into Bitcoin as well. It's that they recognize the currency is confetti, and they're upset about all of these things that seem unfair. What's interesting about this generation of people is they're trying to do things outside of the system, and these are some of the reasons why. We're getting a little, maybe, off-topic, but maybe not. There's a lot at work here as to why they're doing what they're doing, I think.

Grant Williams:

Yeah, I don't think it's off-topic at all. I think this is actually the more important of the topics, is this idea of why this rage is there. And I think it's absolutely justifiable. I tweeted something out this morning, that the big point for me is, if the retail investors actually take the time to understand what the central banks have been doing for the last 30 years, if they actually understand that instead of directing this anger at short sellers, because it's such an easy target, these evil short sellers, because they've been conditioned to believe



that short selling is evil, if they take the time and trouble to understand what central bank policy has done and how that has absolutely enriched the 1%, you can't even deny it anymore unless you are the chairman of the Fed.

Bill Fleckenstein:

Well, if you're Paul Krugman, you could, because he supports the very policies that create the massive disparity of wealth that he rails against. "We shouldn't have the 1%, but please, more QE." I mean, how stupid can you be?

Grant Williams:

But I think that's the point, Bill. I think the easy narrative is evil short sellers, short sellers bad, run the prices up, and we'll stick it to them, right? But it's a lot more complicated than that. Realistically, without interest rates being zero, without zero cost of capital, infinite leverage, and backstops for any financial institution that gets itself into trouble, except short sellers, obviously, without that stuff we wouldn't be here. And that's all been going on now for decades, to keep quote-unquote the system together.

Bill Fleckenstein:

Totally agree.

Marc Cohodes:

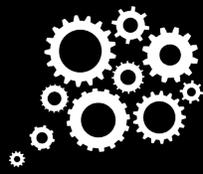
Well, without sounding too off the reservation, this class warfare thing has been going on for a while, and it's the Robinhood-ers feel they're being pushed around, which they are. It's people of various races being pushed around the way they are. And the short sellers, all four of them, are an easy crew to blame. Instead of Goldman and JP taking ownership for the crap they've done with the prime brokerage end run in front of people and extend people who shouldn't have excessive leverage, excessive leverage, they pin the blame and spin the blame elsewhere. These are very complex subject matters, and people don't dig deep as to what's really at play here. But what's at play is sickening, that the SAC crowd should be held accountable, because they've caused this mess. They've caused it. They are overleveraged. They have no risk models. They're loading into GameStop at 3 with their blind arrogance to run the stock to 400. And blame short sellers as a class is just disgusting. It's just disgusting.

Grant Williams:

But the reality of it is, though, Marc, the short sellers, they're just not going to get any sympathy, because the narrative is so strong and it's so pervasive and it's been crafted for such a long time now that there won't be any sympathy for short sellers. So I think you... Go ahead.

Bill Fleckenstein:

Excuse me one sec, Grant, but I think the purpose of part of this dialog is to sort of illuminate what the other side of the story. We're sort of offering this up as food for thought. It seems to me that the younger generation of, whether we want to call them investors or speculators, they get the central bank joke with the fiat currency. All we're trying to do is put it out there that just because there is a short seller doesn't mean they're bad. There's a lot of guys with white hats and a lot of guys with black hats, just as we've said. It happens in every industry and every business, et cetera, et cetera.



Grant Williams:

Yeah. No, it's true. As I said, the tricky part of all this is the world of finance is actually very complicated. If you want to really understand what's going on, it's not an easy thing to do as a lay person, just to kind of dip your toes in and understand this. And so people rely on things like CNBC. They rely on this cartoonish venue that are all about everything being positive, because we want people feeling good so they watch the program, so the advertisers come. We all understand just how that particular channel works. But unfortunately, that's one of the main places that people get their information, and without wanting to do a finance degree and really understand how markets work, it's very hard. It's very hard to burrow through the opacity and understand how these things work.

Marc Cohodes:

Yeah. I'm used to the blame game, and it just blows my mind how on every narrative as it relates to the shorts when people get their brains beaten in and squeezed, it's their fault. And when companies blow up, it's their fault. And the people who have caused the fault skate through it all as heroes, legends, greats, the whole thing. The amount of fines that Goldman and JP Morgan paid over my and Fleckenstein's career is incredible, to just go back and do the same stuff over and over and over again. I'm sort of surprised, but I guess I'm not surprised that people don't dig and the journalists and media doesn't dig further into what's really at play here. I don't want to say things I shouldn't say, so I'm just going to hold it back for probably the third time in my life.

Bill Fleckenstein:

This is very unlike you.

Marc Cohodes:

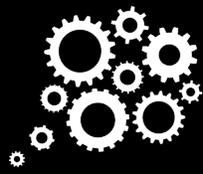
For the third time in my life. But it's very dangerous. I mean, they're shutting down Robinhood. To allow Citadel and others to trade or run in front of things and manipulate markets is beyond dangerous and really needs to be looked at. I mean, it needs to be looked at deeply, how Ken Griffin actually makes his money, the amount of leverage he uses, and who is influenced to allow him to skate when other people are persecuted. I think that would really be a story one day.

Grant Williams:

Well look, just before we close, just a quick thought from both of you on what you think happens next. How do you think the next little chapter of this saga plays out? Bill?

Bill Fleckenstein:

Well obviously, it's hard to have any firm conviction, because we've never been in this period before where the central banks have pinned rates at zero and have promised to do QE and be easy for the next couple years. This has never happened before, and that's happening at a moment in time where the speculation genie's out of the bottle. Normally the speculation that we're seeing now would be the end. But again, given that the central banks are doing what they're doing, I don't know that that's the case. I would suspect that the Wall Street "that's Reddit" crowd will keep doing what they've been doing until such time as they're not making money anymore, however long that is. I think the hedge fund community is in deep shrinkage, will be shrinking because of all of this and the publicity and the fact that you can't really run money on both sides anymore. I think the industry is going to change, but how long this crazy party goes on and how much crazier it gets, I have no idea.



Marc Cohodes:

I think the government, which is Goldman Sachs basically, was at the point of getting ready to lose a lot of money, so they made a call to the government and said, “This is getting sort of serious, guys, so let’s do something to put down the uprising.” I think that call went to the Fed, the Fed went to interactive brokers, Robinhood, Reddit, whoever, and said, “Knock this shit off, because you guys are about ready to cause a problem.” So I think that’s what went down, which is why certain people are restricted and certain people aren’t. I think that’s all done behind the scenes. I think that’s dangerous. Basically, the government, no one else, is putting down the uprising of the Robinhood-Reddit crowd. That’s one.

Marc Cohodes:

Do those guys get pissed off because now they’re going to start losing a lot of money? I don’t know. Probably, maybe. But we’re going to be sending out \$2,000 stimulus checks soon, and people will go back to buying stocks and probably engaging in speculation, probably in a different crowd, because the shorts have all been destroyed. So it’s no longer going to be in vogue to squeeze GME and AMC and AAL, whatever junk they want to buy, and they’ll just speculate elsewhere. And once again, we’re not going to solve a problem, we’re just going to Band-Aid over it, and Ken Griffin and all his merry buddies will just go on their way making their billions at the expense of the man. When the man gets pissed off, he’ll blame, obviously, the wrong people again.

Marc Cohodes:

It’s a systemic problem to me, that’s getting worse and worse and worse, but I think all paths lead to higher, because they can’t afford and they can’t allow this market to really go down. They’re going to quell the uprising. They’re going to shut Portnoy and his bunch and the Robinhood crowd, they’re going to shut them up. Billionaires are going to preserve their billions and try to make more. And the world is going to have 90% less short sellers, which is all a function of probably four or five funds, which are finished, sadly.

Grant Williams:

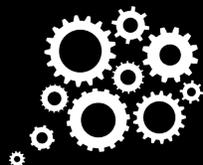
Well look, for me, my worry about this is that this spreads to something far more sinister than markets. It’s one thing to take away a game from someone. It’s one thing to change the rules in the game. But there are people who have been subsisting on welfare checks, who’ve had \$1,000, \$1,200 checks from the government sent to them, and in desperation they’ve put that money into the stock market. On paper, they’ve turned that money into enough to feed their families for a year, when they’re still out of work. My fear is that by changing the rules in the game, you not only take the game away, but you take away paper gains, which the three of us know, until you actually realize them are not gains at all.

Grant Williams:

But if you think there’s anyone in the Robinhood crowd that’s been sitting every day looking at the value of their account on paper going up and hasn’t been mentally either spending that money or allocating it to food and rent and God knows what, you take that away and you see these stocks drop 60-70%, and the people that got in last lose everything, my real fear is this becomes something way more sinister than some kind of run in the capital markets. That’s something I’ve been worried about for quite some considerable time now, but this feels like potentially a really nasty trigger.

Marc Cohodes:

Well, I kind of sort of hope for the greater good of the system, we’re all wrong in some degree.



Grant Williams:

No, amen to that.

Marc Cohodes:

But I wish the powers that be would actually reach out to you two. I mean, forget me. Reach out to you two and say, “You guys know a lot of the ups and downs, and you know where all the bodies are buried, and you know every financial sophisticated player from Jim Grant all the way around the horn. You guys have had some great guests.” And create a panel who’s not involved in this overleveraged scheme and try to come up with solutions, sort of before it’s too late. Because I don’t like seeing innocent people lose. I don’t like seeing the Robinhood guys lose. I don’t like seeing the Reddit guys lose. I don’t like to see unfortunate people told what to do. It’s not good. It’s not good.

Grant Williams:

I don’t know, Bill, but I certainly won’t be sitting by the phone waiting for that call. I don’t think that’s going to come any time soon.

Bill Fleckenstein:

No. I know exactly where you’re going with this, Marc. For all the success these young investors have had, and they may have a bunch more, they’re unfortunately learning the wrong lessons in their techniques and tactics. That’ll cost them money down the road. I feel bad about that. This whole mess is so multi-layered. It all gets back to the damage done by the lack of responsibility by the money printers and the authorities. When you create a mad dash casino like we’ve got, then you get what we have. Who is going to sponsor, well let’s get to the bottom of this? Nobody. There won’t be any attempt to do that til long after the little guys are really hurt and big guys are hurt too and everyone gets crushed.

Marc Cohodes:

Well, that’s why it’s good you guys do what you do. I’m just thrilled I came up with this harebrained idea, putting you two clowns together, because you’ve put some tremendous stuff on the record, and it won’t get erased. I think people should be playing back all this stuff to see who said what, when, where, how. I don’t need much for motivation, but when everyone said, “When Fleckenstein and Cohodes say don’t short the market, isn’t that the sign of a top?” Well, you know, a lot of you should go back and think of what you said about us circa in Marc and April and see how you’re doing now. People need to think before they talk.

Grant Williams:

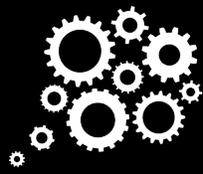
Amen to that. I’m not sure that’ll ever happen. But look, gents, this is a very spontaneous last minute thing, so thanks to both of you for making the time to do it. I have to say, I unreservedly wish the Wall Street bets crowd all the luck in the world. I hope this works out for them, I genuinely do. And I hope they don’t get screwed. I fear the worst, but I hope for the best for all of them, I have to say.

Bill Fleckenstein:

Amen to that.

Marc Cohodes:

I’m with you. Anyway, guys, thanks for having me. As always, it’s nothing but fun. Take care.



Grant Williams:

Always a pleasure. Talk to you soon. Take care.

Marc Cohodes:

Yeah, bye. Bye.

Grant Williams:

Well, I don't know how this plays out, Bill, I have to say. But just watching it is truly extraordinary. We've seen madness, you and I, in our careers, but I don't remember '99-2000 being on this level. It just hasn't been as wild. I mean, I'm sure you could come up with the odd story here and there, but on a broad basis, this is unlike anything I've seen.

Bill Fleckenstein:

Yeah. My favorite new analogy is, it's got elements of '29, '69, '89 in Tokyo, '99 here, and a little tulip mania thrown in for good measure. There's certain aspects to all of this in what's going on. This is why historically central bankers were always careful about what they did from a monetary standpoint. They were afraid of asset inflation. But when you think that the only inflation is CPI inflation, and you not only think that but you think you need a certain amount of it, and when you don't get that certain amount you need to have even more to make up for what you didn't have, you get these assets markets that have become totally untethered, and here's where we are.

Bill Fleckenstein:

I apologize to people for always coming back to the same point, but it is the point. The central bankers created this mess, and they get all the headlines. And then when stuff goes wrong, other people get blamed. So anyway, I'm not holding my breath that... I wrote a book. I thought it might make some difference. Can you believe how naïve I was to think that you could write a book and people would think about it and it might make a difference?

Grant Williams:

Hey listen, don't think it hasn't made a difference. There are wobbly tables all over the world propped up with that sucker, let me tell you.

Bill Fleckenstein:

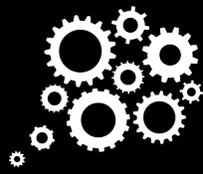
There you go. There is that. Anyway.

Grant Williams:

But you're right, Bill. You're right. You wrote about it, you laid this out, and you and I talked til we're blue in the face about it. I hope if the revolution that feels like it's starting of some sort is a revolution in anything, then I hope it's a revolution in people wanting to understand how the financial system really works. That would be incredibly beneficial to everyone.

Bill Fleckenstein:

Yeah. And so the extent that the Dave Portnoy and the Robinhood-ers, out of sheer frustration and whatever, are understanding what combination of elements it took to get them to here, if that winds up getting the younger generation more knowledgeable about what's happening and how we've got this massive in-



tergenerational wealth scheme at work... The sooner a dialog is created where some of these problems are straightened out and we start to sober up, the better we'll be. Unfortunately, it's going to be a very painful hangover. It's almost certainly going to take some sort of a market accident to bring about this discussion. But the more educated people are about how the system really works, the better off they'll all be. That's what we have to hope comes out of this.

Grant Williams:

Yeah, beautifully put. I think in the meantime, short sellers, as they invariably do, make for a great straw man, but the truth is much more complex. Listen, everyone. Listen to this. Good luck wherever you are in this whole mess, however you're playing it. I hope everybody gets out, not only unscathed but significantly richer than they went in. That's obviously not going to be the case for everybody. But these are crazy times, so hopefully this last half an hour or so has been helpful to you. Marc's disappeared, but if you want to follow him on Twitter and you don't already, you'll find him [@AlderLaneeggs](#). That's A-L-D-E-R-L-A-N-E eggs. You'll find me [@ttmygh](#).

Bill Fleckenstein:

And I'm [@fleckcap](#).

Grant Williams:

Yes, he is. Bill, I'll see you soon, mate. Take care.

Bill Fleckenstein:

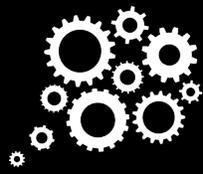
Cheers.

Grant Williams:

The pervading narrative around what's happened these past few weeks has been that of a bunch of underdogs sticking it to the evil short sellers on Wall Street. But the reality is that this isn't about evil short sellers. Melvin Capital was not a short seller, as the term is widely understood outside Wall Street, but rather a hugely levered short. And there's a difference, a big difference. The problem is far greater, its roots far deeper, and its possible consequences far more important than the simple attempts to paint short sellers as the villains once again. They do present a very simple and easily identifiable villain for this piece and many others, but the simple truth is this. The system is corrupt. The system is broken. It's been broken for years, and its corruption in favor of the 1% has been accelerating as it became more unstable over the last three decades.

The system has been built over time to enrich those that created it, at the expense of those outside the great game. And unfortunately, the way that game functions is complex enough for its understanding to be out of reach for the ordinary man or woman in the street. This is deliberate. If a new generation is waking up to the fact that the system is rigged, that's a good thing and frankly an inevitable turn of events that should have happened a long time ago. My only hope is that those realizing they have more power than they thought do a little reading and try to understand how the system is rigged.

I suspect Eisenhower would have called it the political-financial complex. It involves politicians who can legally trade on inside information. It involves regulators who are asleep at the wheel and who aren't prosecute malfeasance on any meaningful scale, in case it tips over the gravy train. And it involves Wall



Street banks who pay fines in the tens of billions, which still amount to only a fraction of the gains made from their activities, without ever having to admit wrongdoing.

This is the system that needs to change, and my dearest wish is that it will. But it won't change by running up penny stocks, and it won't change by putting a few overlevered hedge funds out of business and demonizing short sellers. The fish rots from the head down, and that's where the changes need to be made. I wish this rebellion all the luck in the world.

Nothing we discussed should be considered as investment advice. This conversation is for informational and hopefully entertainment purposes only. So while we hope you find it both informative and entertaining, please do your own research or speak to a financial advisor before putting a dime of your money into these crazy markets.



GRANT WILLIAMS

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