

TRANSCRIPT - AntiSocial Media fake news in defense of naked ...

Fri, 2/12 10:53AM 57:26

SUMMARY KEYWORDS

wikipedia, people, patrick byrne, gary weis, called, link, slim, editing, naked short selling, naked shorting, weiss, works, virgin, article, ip address, gary, stock, happening, wrote, problem



00:02

All right, I want to kind of start by talking about some sort of theory stuff and tell you about that I was after I left after I left journalism, I went in 1998, to work for, for the other Governor Bush, Governor Jeb Bush, I went to work for him as a press secretary. And that's how I kind of got into the PR side of the world. That led to a position with another PR agency. And then I started my own in 2003.



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And all along, I was very frustrated by this by this interesting dynamic, this relationship that exists between control and engagement. When it comes to marketing, the idea that you can have high control but low engagement in the form of paid advertising. Now, that's the sort of thing you can have all the control you want, you can have it say exactly what you want, you even know exactly when it's going to run, there are no questions left in terms of paid advertising. The problem is, you're paid advertising and TV, for example, that's when people go to the bathroom, you know. So I mean, like if people are not engaged when it comes to paid media, on the other hand, you have public relations, where you have very high engagement, that's because the message is actually included interwoven into the content, this is content, people have sought out, which by definition means they're going to be highly engaged with the content. The problem is you have very little control with public relations, it ultimately comes down to convincing a reporter to tell your client story in the way you want it to be told. And even then, once you've done everything you don't know exactly when, when it's gonna happen. So I was looking for sort of a hybrid Oh, and incidentally, as I was putting this together, I was trying to figure out if

there is anything that's low engagement, low control, I figured like a message in a bottle would probably be that. On the other hand, the high control high engagement would be social media. And I first discovered podcasting in early 2005. And thought this might be the way to obtain all the control I want. In other words, get my clients message out there precisely, and have all the engagement you want. Because this isn't a situation where people are seeking the content out. And so I kind of thought, I'll just get sort of experimental with this. So in theory, this theory is correct. That means I can create content in basically slice that demographic very narrowly. So it's not even like we're trying to attract 18 to 35 year olds, women, you can get much more specific, you can narrow it down to have a sense for the kind of education, the person is going to have the kind of income to have, based on the sort of content you put out there. So if you put out content to attract these people, you can make it very specific, and in slice that that demographic Piatt very, very, very narrowly. And that way that adds another component to it,



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which is I had to kind of turn the show you can see there's, there's another axis here, what would have been the Z, which is the degree to which this is a targeted media, social media, I realized it has the capacity to specifically target a group that you're after. But social media is another instance where it can be it can be highly targeted. And so with that in mind, I decided to do an experiment and I created a podcast series, I call it business jive. What I did was I decided to kind of start with the end in mind, I thought what would be the most interesting and valuable potential audience to have? I kind of figured that would probably be like CEOs and future CEOs of high growth companies. These are ultimately the people who are going to have the most control over spending. So if you are a b2b company, and you want to get your message in front of and you want to do business with high growth companies, which have funding which have capital, then you would, this would, you know, in theory, be the person or somebody an upper management or one of these kinds of companies. So I kind of then thought, what do these people like to listen to? Well, they probably like to listen to the stories of other entrepreneurs, specifically hear about their failures. Now, these are successful entrepreneurs who could look back and talk about their failures. And so with that in mind, I decided to do a podcast series where I went, and every week I interviewed a different CEO of an interesting company. And one of the people that I that I interviewed along the way was, was Patrick Byrne, who's the CEO of overstock.com. Now overstock is a software company. There aren't a ton of big companies in Salt Lake and the problem whether you'd expect but overstock is one of them. So I was shocked when he allowed me to come in and take some of this time, we were going to talk for a half hour turn into four hours. And over the course of that conversation, he told me, taught me some very interesting things. So I'm going to tell you

a little bit about what Patrick Byrne taught me right now.



04:25

He taught me about legitimate short selling now, I'm only telling you this because I'm going to tell you about illegal short selling what comes next. So I want to explain to you how this works. Now, I probably would not go into so much detail, but I know that you guys are business students, so a lot of you probably had financed and so I think you might find this interesting. And anytime anybody tries to explain how short selling works it they always say, well, there's person one here person two, it's always kind of confusing, people kind of get lost. So I've chosen to use four different people to explain how this how this works, and you'll understand why. So this guy is short.



05:00

Okay, so you're not gonna have to say which one was short again, okay? You know he's short. Okay? So many short. These two in the other hand are long, okay Yao Ming and Abraham Lincoln. And of course, Chuck Norris is whatever he wants to be. So keeping that in mind,



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this is how legitimate short selling works. Let's take the example of Dell. Now back on January 6, Dell was trading at \$11. So let's say Yao Ming has a share of Dell. Okay? And sort of Chuck Norris. Now Abraham Lincoln has some money, and many, many has a few cents. Now many of you thinks that the price of Dell is going to go down. Make note that for the purpose of for the microcosm that we're examining here, there are two shares of dough. Okay, now, mini me says, Hey, yummy. Why don't you let me borrow one of your share of Dell. And I'll send you you know, a few cents in return. And so yummy says fine, I'm just going to be holding on to it anyway. So he does that mini me then immediately turns around, and he sells that share, that he just barfy me to Abraham Lincoln, who buys it for two, Abraham Lincoln's and went toward Washington. So then two weeks later, Dell is now down to \$10. This is where it was. And now you look and you see there are essentially three shares now, in the sense that Yao Ming still believes he has a share. Okay, he doesn't think that's should change. In fact, his brokerage account still shows he has his share. Abraham Lincoln believes he has a share, and Chuck Norris is holding on to his share, so that there are essentially three shares. Now, this is the sort of pivotal point in shorting. This is called covering. So at this point, now that Dell is down to 10. Mini me asks Chuck Norris, if he could buy his share for \$10. Chuck Norris says, okay, mini buys it for 10

and then returns it to yummy. Okay, now we're back down to two shares where we were before, mini me has \$1 left and every so everybody's happy where they are, this is the way that you can make money when the price of the stock goes down legitimately. Okay, the price of stock and the pressure, really anything is sort of think of it as like a balance, okay? And is there more sellers, the price of the stock will go down until the price gets low enough that it incentivizes people to buy, and then then equilibrium is resolved. Similarly, if there are more buyers and sellers, the price goes up, right until more and more buyers are finally incentivized to sell and take their profits, then you have sellers who are eager to step it up, and then you reach equilibrium again, in legitimate short selling, the short seller has a slightly depressive effect on the price. But because every legitimate short seller eventually has to buy a share to cover the one they borrowed.



07:34

That is evens out. Okay. So in the very short term, you could say, short selling has a slightly depressive effect on price. But because every short seller eventually becomes a buyer, that's evened out, right.



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Of course, when this trade happens, it's not many me going to Yao Ming, and talking directly they go through their brokers, so many might be with JPMorgan and Yami with with Goldman Sachs. And so their brokers, the one that actually do do the deal, but it's out in truth, it's a little more complicated than that. Because you have four individuals that are all involved in this transaction. And so because many transactions are complex like that, the many broker dealers have banded together, they created another company called the depository trust and clearing Corporation, this is probably the most important organization in the United States that you've never heard of. This is where the vast majority of stock transactions actually take place. So all the different brokers have their accounts within the dtcc, where they have money and they have stock. Many trades happen during the day. And then at the end of the day, the dtcc sort of next them out. So most of the transacting that happens in the stock market, the clearing and settling actually happens in the depository trust and clearing Corporation.



08:46

Now, you know how legal short selling we're talking about illegal short story. Okay, so it's the same situation, everybody, everything's the same. All right.



08:57

Now,



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get to this point, now comes a time to cover this is where it becomes illegal. Instead of covering minmi decides he's going to remain uncovered. The opposite of covered is naked. This is where you get the term naked short selling, if you've heard this before, instead of borrowing a share, he's going to instead send what essentially amounts to an IOU. It's called a share equivalent. It's basically the system allows for some slop to take place such that if you and I've done a stock transaction, and I for some odd reason, can't get my certificates to do immediately. There is a way for me to give you an IOU that in your brokerage account statements would suggest that those that you have those shares, you can actually sell those IOU



09:44

and you don't know that's what you have, but that's what you have. There are some certain hedge funds that have figured out a way to use this to their advantage. Use it illegally and improperly to just send out I'll use Okay, so they'll do it and they'll get paid. And so Abraham Lincoln like another



10:00

Because that's where you go, he gets paid. Now we're up to five shares. Now we're up to six. Now we're up to seven, you get the idea.



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Now everybody knows that there's a in economics, you have supply and demand curves. And where they intersect is where prices. The reason why this is a problem is that the market views those I'll use as actual shares, because they can be traded, they can be bought and sold, and there's a supply goes up, price will always come down, okay, until ultimately, you're dealing with a penny stock.



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This kind of short selling produces so much downward pressure on price that eventually



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the scale breaks, and stocks go into freefall, and they fail. The reason why this is the perfect crime is that nobody really knows that this is what's happening at the time, because the SEC has gone so far out of its way to protect short sellers from ever having to disclose what they're doing. So as far as you a US somebody will, how did this company diagnose a well, they they ran out of cash? Yeah, they ran out of cash because their stock price fell so low, they could no longer go into the market to borrow to grow. There could be no secondary offerings, etc. So especially with high tech companies, biotech companies where cash is so crucial, and especially on growing streams of cash built in their business model, they lose the ability to do this, you can basically get to a point where in some companies, you might have more of these fake shares more us trading than legitimate shares. And this all takes place within the depository trust and clearing Corporation. So keep that in mind, because we will come back to that in just a moment.



11:33

In about 2005, the SEC made an effort, sort of a tepid effort to try to address this problem. They passed a law called regulation show or reg show. Now keep that in mind. As you listen to the comments that follow here by Dr. Robert Shapiro. He's got a PhD in economics from Harvard. He is an expert in this problem. He is former secretary of the US Department of Commerce. Here's what he says about the problem.



11:58

We're under Secretary of Commerce Robert Shapiro works as a consultant for lawyers representing alleged victims of naked short sellers. He says as many as 1000 public companies were damaged by naked shorting in the decade it took to get read show into the rule books, a lot of these companies are gone. A lot of them died.



12:18

This was a fatal, fatal attack. Now, some of them were weak when they were attacked. Some of them would have failed anyway, others wouldn't have. Again, it's not up to the naked short sellers to decide.



12:33

It's up to the investors to play by the rules.



12:38

Know that two of the most important events of the last of 2008 were the failures of Bear Stearns and Lehman Brothers. Now after Lehman Brothers failed the CEO of Lehman Brothers Dick Fuld was, was asked to testify before Congress about this. He said naked short selling contributed to both the collapse of Bear Stearns and Lehman Brothers naked short selling is an invitation to market manipulation. Now, the reason he knows that naked short selling contributed to the collapse of Bear Stearns is because Lehman Brothers was one of the brokerages that was used by hedge funds to carry out the attack on Bear Stearns. So he says this from a very unique and interesting perspective.



13:17

I will now want to look for just a moment also at the example of the failure of Bear Stearns. This chart demonstrates the relationship between price and fail. So when I say fails, that means fails to deliver. In other words, that's the number of IOUs that are there injected into the system. So price in blue, fails in red. Something really interesting happens when you see that the that the real spike in the naked shorting began on the 12th of March 2008. Well, something really, really interesting happened on the 11th of March 2008, there was an unusually high, very unusual purchase of put options put options are another way to profit when a stock goes down. And it was so strange, there were stories that ran saying who traded 55,000 Bear \$30 puts on shoes. I mean, there were stories out there saying, who understood this, this was insane because the stock was trading at 65. And these puts were going to expire in seven days. The stock was trading at 65 somebody was betting that within seven trading days, that the stock was going to be below \$30. It was gonna have to drop \$35 whoever did this, and we don't know who it was. But if you subscribed to the right service, you only know that these these were sold. I mean, this is literally no different from me taking out an insurance policy saying I bet that within seven days there will be a terrorist attack out on the plaza right there. Okay. And I mean, you know, any insurer is gonna say, sucker bet whatever. Sure. I'll you know, we'll write that policy, and then it happens. Okay. So they essentially had seven days for the stock to go down \$35 which was about 65% in seven days. And well, because we know, that's exactly what happened. Whoever bought those puts. They knew that the next day, this naked short attack was going to



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happened and that the result would be the destruction of Bear Stearns. So, you know, somebody knew what was coming. And what they what was coming was this spike in the illegal shorting. Now, Lehman Brothers, here's another example. You see that that correlation between



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that, you know, there's this correlation between the price and the number of fails with number fails at the end spiking in such a way that on its last day, one out of every four shares of Lehman Brothers that was trading was was a was a failed trade was one of these IO use. And the truth is, it makes it and probably traded within the first couple hours, so much that it would produce such a downward trend that people would find that overwhelming, and ultimately starts selling their own shares, resulting in a real panic. Well, because of that final week, it throws the scale of this completely off. I, I actually said, Let's cut that last week. And just look at what happened for the final few days, you can see that there was substantial naked shorting going into that so so essentially accompany the entire downward trend. So you see that, you know, you basically you have a point also you can see these rough as these these inverse relationships is the degree of shorting begins to back off, the stock steadily begins to trend up, then it's it picks up again, the stock starts to fall again, every instance of extreme volatility, you can see here, just about coincides with with what was going on there. Now we're gonna we're going to zoom in and just look at the last week, you see that there's an interesting point here, where there's all of a sudden this rally right there, all of a sudden it comes up, but then it goes back down, if you were paying attention, but that happens to be the week that the SEC put a temporary ban on naked shorts. So it went up. And then as soon as abandoned, it started again, you see here, and then it came back down. So and then at the time they did that the SEC actually said the commission action aims to stop unlawful manipulation through naked short selling that threatens the stability of financial institutions. So they Yeah, they banned it for about 17 trading days or so. And then when it ended, that's when they finally put Lehman away. Okay. And we know that that the result of that was, is the Wall Street Journal said Lehman's demise triggered cash crunch around globe, the economic problems we're having right now are consequence of this. Okay, so



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now, one could say that, and this is completely true that Lehman had made some very unwise decisions, particularly with regard to subprime the subprime mortgage thing. And

complete truth for that, these guys, there were some real potential liabilities on the books, it was a house of cards, you could say, in fact, it's not even like that kind of House of Cards. It's more like this kind of House of Cards. That, by the way, is the largest house of cards in the world. That was, uh, but markets have ways of working these things out. And so it's a sort of thing with, you know, potentially maybe these guys could have had a soft landing. But we'll never know, because the naked short sellers did this to the house of cards. In both cases, during the course of a week, billions of dollars of of liquidity were essentially burnt. So Patrick Byrne, that he taught me about all those things. Now, when you take out some of the other things he's been saying, this is a little quick kind of a three minute video sort of a compilation of things that he has been saying going back to 2005. Naked shorting plus too much cheap credit, is going to equal disaster.



18:19

I think that this is the just the tip of a much bigger scandal. That is I want to stop, I think that there is something going on in the American marketplace that has to be stopped when it comes to light is going to be something that makes Enron look like a tea party. That's powerful thing to say. I mean, Enron was well, 100 plus billion dollar company. This is bigger, regional.



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As I've become convinced over the last year, that there's some kind of systemic risk. At work, there's a chance that we've got, you know, a dozen Rothko's or more buried in the system, and they're all and if they read code, we're going to see an Enron like collapse.



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From overstock has nothing to do with OLED. I'm involved in this because of I think that there's a systemic risk here. We're very tested.



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I think that we're living at the edge of a 1929 kind of disaster, I'm in the wrong place to say that. I think that we've been living in a house of cards for about six years. I think that the American economy is like an old man and oxygen is flooded with oxygen and keep them up when you turn off the oxygen who paid very quickly for the cheap oxygen and our system has been cheap credit cards, I think our economies that house of cards that we're

looking at yet



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brands have a global financial meltdown. I believe you're expecting recession in the US and you calling it a meltdown? Yes. In fact, I think that the statistics that are coming out from the government now are basically half free. I always judge the market based on what it does to self evident machine. I don't claim to be any good. And if you look at the past five years, they have been spectacular.



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So I find it curious that you don't see that, or they don't give that more credit. Well, they I mean, I give the markets credit in general, the markets with economic prosperity? Well, I think that prosperity has largely come from we've been writing the checks on the bank account of future people, in one way or another. The Fed and the Treasury have been inflating this economy with cheap credit for about five years longer than they should have. And I think it's all going to come to a pretty ugly end.



21:02

Hear the real issue here is the United States is like a it's like an old man in an oxygen tent, that you flood with oxygen and incomes, you think he's okay, well, if you turn off that oxygen, he's gonna fade much quicker than anybody thinks. And our case, the the oxygen has been cheap, cheap money, or something just like the mortgage, the mortgage backed security crisis. And that is basically some banks have been caught selling the same shirt stock, right, five different things that he hates.



21:30

This is what he was saying. Now, one of the reason why you probably didn't hear much about this was because this is how the media was portraying what he was saying. And this goes, this was a this is kind of an old picture, Patrick, the New York Post did a story about these things he was saying, and they photoshopped it literally to look like this.



21:49

Here's another one.



21:51

This is this is a picture of Patrick holding on something that overstock sells. In one point, Patrick did a kind of high profile presentation where he basically compared the way hedge funds were operating, they working in a coordinated way to destroy these companies. He, he compared them to being like, he used the term Sith Lord, referring to you know, kind of a shadowy figure who kind of coordinates him from the suffering, you know, from the Star Wars, movies. And so the New York Post with no disclaimer, anything, this is how this is how they they photoshopped the image.



22:21

And so that's reality. And that's reality on the New York Post. The reason why you haven't heard about this, in part was because this is how the the financial press, specifically New York financial press, have taken and basically repackaged and presented what Patrick's had to say for the rest of us. Well, there were there, many people were aware of this problem. And they got fed up with trying to get the message out through traditional channels. So they started blogging, they they were very critical of the of the financial press, they were very critical of the dtcc. And the other laws that made this possible. There's a huge one particularly called the sanity check, which was just shockingly successful and popular, none of them called investigate sec.com. Well, so they started really, they became very prominent trying to raise attention of these problems. Well, about that time, these same journalists that they were complaining about, they got kind of tired of that. So they actually there was a conference that was held. It was helped by the Society of American business editors and writers called Cebu. And they had a whole panel just on this idea of how to combat these terrible bloggers. We knew this was happening. So we actually sent somebody in covertly to record the thing. And it is, it is amazing. I mean, and I wish I could play the whole thing for it. But I've never gotten to one clip free now. This guy, Dan color Russo was the business editor of the New York Post, the same paper that put those doctored images of Patrick Byrne up, this is what he had to say we're talking about how to deal with these, these terrible blogs. and by extension, Patrick Byrne, who everybody believed was the one who was actually behind all of them.



23:55

Think about Patrick Byrne. I mean, yeah, we have



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stacks, and all the resources



24:07

are



24:08

crushed.



24:11

We're gonna crush Patrick Byrne for these things. This is what the business end of the New York Post said.



24:16

Okay, well, then on January 22 2006, many things changed on that day. First one is about the spelling Gary Weis. He's a guy who who had been a senior writer at Businessweek. He wrote a very important article. I mean, one that's very important terms and it's referenced frequently come up the mob on Wall Street. He wrote a book called born to steal again about the mafia on Wall Street, and another one called Wall Street versus America. And he also at one point in his business week, wrote an article, a commentary called don't force the shorts to get dressed. It was essentially in defense of naked short selling



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the 19th of January 2006, he started this blog. And for the first two or three days he just kind of blogged about general sort of business he thinks, you know, like so and so has a great column here she says this, etc.



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cetera. But then on the 22nd of January, all of a sudden, he took a very strange turn in a different direction. He started talking about naked shorting.



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And his position is basically best summarized here, it's highlighted. First, let's be clear about something short selling naked or not, is good for investors. And then he goes on to make a case for why making short selling is great. And why anybody who says otherwise is crazy. They're probably actually a fraudster really, they're just trying to otherwise defraud you by inflating the price of a company and naked shorting is the only way to defeat that. This is when everybody first kind of became aware of it, like Who on earth is talking this way? It was very strange. Well, then that same day, all of a sudden, the New York Post reviews Gary weiss's forthcoming book, it hadn't been published yet. But the New York Post have reviewed it nonetheless. Now there's one this paragraph is interesting, the most provocative argument in this book, is it naked shorting or short selling a company stock without being able to borrow it first? PR long standing rules is not only a good idea, but a necessary one. And then he goes on to write. This is guaranteed to send overstock CEO Patrick Byrne and other disciples of his stock naked, short selling crusade. Weiss dismisses a lot is a Bologna brigade into further spasms. Now, what's really interesting is he says coming soon, that book was not to come out for two and a half months. Now that's ridiculous. Nobody reviews a book two and a half months before it comes out. Nobody goes I've spoken with with publishers, they say that's actually a bad idea. And Ronnie Boyd, the guy who wrote this happens to be the same guy who wrote those two stories and his bosses Dan colusa. Okay, kind of beginning to see a friend here. So then, on the same day, on the Yahoo stock on a Yahoo stock message board,



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Lamborghini 751 was that account was created. And the first thing he does is point everybody to the review of The New York Times review of weiss's book. But then it's interesting is he went on during his career, he would say interesting things like lice is one of the most respected financial journalists in the country, talking about Gary Weis, and then he would say things like, Weiss is a distinguished investigative reporter who has an untouchable reputation is no kind of real consistent, interesting theme like that. The next day, on the 23rd of January, the dtcc, all of a sudden, starts putting out written rapidfire press releases about naked short selling, attacking critics of naked shorting, basically saying things like regulation show was working.



27:20

They put it out again the next day. Then the next day. Weiss also blogs on the dtcc out of nowhere, basically saying you know, to staid Wall Street processing collections that is a

Boogeyman for many a naked shorting fantasy that's interesting. So then, the next day to dtcc, they they're criticizing somebody I mean, out of nowhere, like some an academic put out a paper that criticized the dtcc handling of naked shorting. So they put out another press release attacking back three days later. The dtcc corrects misrepresentation on naked short selling litigation. That same day, Carrie Weiss, once again, he's blogging about the dtcc press release. And



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then a couple weeks later, another blog shows up nobody's ever heard it before. The blog is called mediocrity. it spends most of its time actually criticizing media that it views as being too pro Palestinian on the Israeli Palestinian issue. And so then out of nowhere, it comes up and says, starts attacking Patrick Byrne. Patrick Peroni again, goes on to another block of Israel pundit and says, One frequent locale of anti semitism on the web is stock messageboard of overstock.com, who CEO is the anti Israel, Yahoo, Patrick Byrne, who is this guy and who's who's all of a sudden this person finally Patrick Byrne, anti semitic. Nobody ever heard of this blog before. Meanwhile, on Wikipedia,



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there's an article on naked short selling on January 27, of oh six, somebody shows up and starts making substantial changes to it makes it instead of being an illegal practice, it's now a controversial practice. Instead of considered a device to depress stock prices, it's now viewed by its critics, his device, and then However, its alleged depressive effect upon share prices has been wildly exaggerated. So there's obviously these odd kind of, and this is basically this is sort of echo through the rest of the article on naked short. And then at the very end, he adds some external, who you know, this editor added some external links, including a Business Week article and make it short selling by Gary Weis and two other links, which both go to dtcc.com. One of the things that makes Wikipedia so compelling for me is that it keeps a very thorough record of every benefits taken place, the time it took place, and the substance of the Edit. Now, if you've been on Wikipedia, if you actually create an account, every edit that you make is attributed to that account. And so you'll see for example, by Donnie, you know, who said it was by Madani This is by Matt and Marlon, but then if you haven't logged in, or you haven't created an account, it's attributed to your IP address. Well, the person who made all those edits I just pointed to on on the naked short selling article was



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Initially only identified by an IP address. That's what it was. This was the final edit of that IP address. And then a few minutes later, the first edit of mantan Moreland is registered Manta Marlin just picks up right where the IP address had left off. And it's it's it's obvious if you look at it that mountain Marlin was that IP address. Okay, so that a Pedro said, I'm really having fun here. I might as well create an account. And so when credit account named Samantha Marlin, and then when they continued on like that, I was very curious about this at the time. And I actually had a sense, just based on the fact that he was he was linking to Gary weiss's blog. And then also the senator linked to the dtcc. on two occasions, Gary Weiss had been blogging about the dtcc that same day. So I decided to do a little experiment. Gary Weiss has he moderates his blog comments, which means you can make a comment, but he reviews them before they go up. And so it gives them a chance to just even disregard any that didn't agree with them. I put a comment up, which included a link to business jive, you know, my website. And and I kind of formed the link in a very specific way with certain letters and uppercase and certain letters and lowercase. And then figured that because he moderates his blog comments, he would be the first if not only person to click on that link. And then I can go look at my, my server logs and see what IP address clicked on that link. And so I did that. And sure enough, that that that link came back with a very specific letters and uppercase and lowercase and it could have just been some person typing in like that. It was it was the same IP address from Wikipedia. I said, okay, because now I know mantan Moreland is that guy who's Gary Weis. So then I did the same thing. I thought, well, if he's done at one place, he's probably done it another, I do the same thing. I go to the message boards. And I figured out how to disguise links using like short URL comm and things like that. But the problem is because you couldn't be certain that only the person you were hoping would click it would be the only one you'd get a lot of clicks. I did on three different occasions, I put it up and have it linked to a page that had some kind of anti naked short selling information in it, and then wait for Lamborghini 751 to come back and say, ah, more bullshit from you, you psychotic people. And then I would compare the timing of his comment with the timing of the hits on my server log. And I could I could I figured out again, that same IP address was also Lamborghini. 751. That was him.



32:27

And there were others too. Now, we know that as far as blogs are concerned, he had Gary Weis calm. Okay, that's where he does his blogging. What about mediocrity? Is there any chance that was going to? Well? Yes, I'll show you how I figured that.



32:43

Gary Weiss in 1995. Put on did an article in fact, it was a cover story in Businessweek. All about online investing. And down way down toward the end, he writes my AOL address, and this is 1995. I mean, I don't think had any idea what he was doing. He's giving everybody his his email address. In the article. My Garrett, my email address is Gary w. bw@aol.com. Well, about 10 years later, in 2005, he starts using Gary ww when he's posting on, on Usenet, discussion groups, okay. And nothing about finance. It's mostly been about Arab Israel issues. So let's create WW. Well, if you look at Usenet posts, if you look at the header, there's a way you can see the IP address of the poster. Okay. And so I was able to see that Gary ww was also username Phaedra mask and the mask is always kind of saying good job Gary WW, you know what you're talking about, and on and on. And then, and then they do Mansky, then we'll also at times share the same IP address within the same few minutes as Ted declare, was his name. Ted declare would do the same with cat allergist.



33:49

Then cat allergist also share the same with Rick Ruby. Rick Ruby was on Usenet saying, oh, by the way, I just started this message this new blog called mediocrity. Now, it gets even more interesting than that, because it turns out cat allergist was the nickname of Marty Ross Amazon reviewer Marty Ross. Who it just happens. Love Gary Weiss this book gave it five stars. Because it's definitely a case of ready in fire. Why scores on both? Okay, so that's that's Marty Ross. He loves Gary watches both of his books. And he hates all the books of all these people that Gary Weiss argued with publicly, you know, in other settings. Well, interestingly, there's also an Amazon reviewer named Ted tickler, who loves Gary weiss's books. Now, there's also a guy who just goes by George, and he loves Gary weiss's books, and he hates all the same all the same people who've written books the Gary white doesn't like. Now there's also another Amazon reviewer named Chuck Tatum, who is interesting because if you look at mediocrities, Technorati profile, you know, this mediocrity blog was claimed by Chuck Tatum. So we have another connection there. And then Jim O'Reilly is another Amazon reviewer who



35:00

If you look at his Amazon profile, and then you have an option to click on his wish list, you see that it actually says this is Gary watch this wish list. And there were actually several others too. So the majority of the positive reviews of Gary weiss's books were actually written by Gary Weiss himself. Now that doesn't offend me quite as much as the fact that these are the same identity secret on Amazon but then go and absolutely thrash the books, you know, put just terrible reviews of people that Gary Weiss had issues with in his in

real life. So time went on. between February and may of oh six, Gary Weis managed to retain control of the naked short selling article, he gained control of the articles on Patrick Byrne and overstock.com. He created the article on himself and took complete control over it. He went to Wikipedia adding dozens of links to his book. I mean, anywhere he could find excuse to put them again. And then he got friendly with slim virgin. I'm going to tell you about slim virgin. You thought this was all interesting up till now? No, I'm just getting started. But anybody here ever played World of Warcraft? You know how it works you like the more you play, the more experienced you get, the more powers you get, etc, etc. Well, before I talk about sin virgin, you need to see this little clip from an episode of South Park that was actually about



36:15

about world Warcraft.



36:18

Oh, crap. It's that guy again.



36:23

This is the guy that kept killing us last night after he went to bed. He's a way higher level of enough it isn't fair. It's all right. He can't tell us unless we agree to do. Oh,



36:34

oh my god, he killed Kenny, you



36:43

don't you have better things to do than going on like killing people.



36:55

So on in World of Warcraft, that guy essentially is mirrored on Wikipedia by slim virgin. Now, this is the actual image she uses for herself. This is her username. Slim virgin. Okay, in that. If you go into watch that, that episode of South Park, you see that that one of the

real vexing issues with this guy, she's become so powerful, that even the administrators of the company that they put people behind world Warcraft, he's so powerful, they can't even control him. And so it it hilarity ensues. It's a really funny episode, you should watch them anyway, just to just to get an idea about the nature of slim virgin. And I'm going to come back and explain more of this later. This is this is an editing pattern. This is kind of a technique I developed for kind of trying to figure out with two people claim to be different people Wikipedia the same ones. And that's where you where you take their whole edit history. And you put the time of day



37:46

along that along the x coordinate and the date on the Y. And then you just do a simple scatter graph. And you'll see that you know people have to sleep. You see that like this is basically this is sleep. All right. This is wake and in this whole thing is pretty typical. That's pretty normal. Now, I'm going to show you some Virgin's editing pattern. That's it. There's no identifiable sleep pattern. No a pattern that is crazy. This was her approach to Wikipedia. Basically, it was nonsense. There were there were many times where we found you're editing up to 27 hours in a row with no more than a five minute break. You remember like a few years ago, you'd always hear about some kid in Korea who would fight so much weather Warcraft, he'd die in front of the thing we kept waiting for that to happen to her because it was like she was so obsessed with it. She just added all the time and became overtime so unusually powerful in a strange way she gained, kicking you know, advanced new levels, given new abilities to to delete things and to delete people and block people and all that.



38:46

Now at the same time, the way she got in the way Gary Weis kept filming, some virgin is he was helping to create when he wasn't working, when he wasn't editing the naked shorting stuff. He was editing stuff relating to Israel and the Arab Israeli conflict. And he at one point,



39:03

got together some Virgin and they work together to try to create a category in Wikipedia called anti semitic people. If they labeled somebody anti semitic person, there would actually be a little label put on that person's article that says this is an anti semitic person. And so they created that for a while. They put people like they actually got Martin Luther, not Martin Luther King, but Martin Luther, added to it, Mel Gibson, a message on from

Iran, which is probably he probably laid himself back. But you know, but so, you know, like, Louis Farrakhan they worked really hard to get that that to essentially make it sort of official so Wikipedia officially views this person as anti semitic. That's how Gary Weiss and slim virgin got to be good friends. They Gary was always kind of there to get her back. And he was sort of the grenade lager when something just too extreme for her to do.



39:52

I when they kind of had an aha moment when I was looking at this and I realized what's happening here Gary Weis is preparing away



40:00

to officially labeled Patrick Byrne anti semitic, I realized that's what he was gonna do. And that's what you know, the stuff that's happening with the mediocrity blog, etc, it all kind of came together he was trying to find a way to get to Wikipedia to officially label Patrick Byrne is anti semitic. And you can imagine the effect that would have on somebody trying to navigate their way through Wall Street, whether Jewish or not. And that's like, if I didn't know any better, and I heard someone who's anti semitic I that would propel me. So this is what was happening. This is what he was trying to do.



40:30

So I decided I had to do something about it. So I created my own account. Word bomb is what I called myself. And I just said that I needed to out Gary Weis as Manson Moreland, and get him away from a piece where he couldn't do what I could see he was he was intending to do. But this brings up a really kind of a difficult paradox in Wikipedia, there are two rules or conflicting rules, one says that you cannot be have a conflict of interest in your editing. So and up to that point in 2006. All the media never heard about Wikipedia was so and so was caught editing throw an article, you know, you can't do that. I heard about this all the time. But so there's a rule that says no conflicted editing, but there's another rule that says you can't out other editors, you can't assign their real name. I don't know if you can tell me how how those two rules can coexist. They can. But I didn't know about the no outing thing. So I just went out and I did it in a real clumsy way. I didn't know any better. I didn't go about it the best way possible. But I basically went and I edited the Gary Weis article to say, and he's also Wikipedia editor Manson Marlin. Well, I don't know where it comes slim virgin. Okay. And what I since figured out is Gary Weis had gone and asked slim virgin for help. And in terms of which of these two was, you know, the no conflict with editing versus nomadic, which of the two was going to be enforced? Well,

they weren't going to force conflicted editing, which means that I was the one technically in violation based on that interpretation, which means that I was immediately banned, like, like 30 minutes into my editing career in Wikipedia, I was banned. And Gary Weiss was essentially had this forcefield of protection put around him, he became officially under her protection. Based on this no outing rule. He became immune. But the problem is I realized now that I wasn't going to be able to just take out greenwash now I had to first take out slim virgin, which is like trying those kids trying to take out the guy with you know, I'm like, there's no way.



42:21

Well, that's, you know, right about that is the time I created my own blog, anti social media dotnet, figuring there's got to be a way to sort of document these abuses that are taking place on Wikipedia, on blogs, etc. That's what I created.



42:35

But I thought Well, anyway, let's see if we can pull this off. Well, going back to when I first started paying attention to Wikipedia, I noticed they have these, their licensing requires that they they make all the content in Wikipedia complete with every edit, it has to make available on a regular basis. That's kind of a requirement of the of the the licensing, I would go and I would, I would intermittently download those things. So one day, I'm going to be very glad I have an entire record of how Wikipedia looked the entire thing on this day. Okay, I didn't know exactly how it was gonna become useful, but I knew someday it would. And it did. What I was able to do was go back and I would look at look at an old version of Wikipedia, compare it with the current or intermediate version, I put it in a database. And, and then it was able to find that over time certain edits because it has to keep track of every individual edit, certain edits would be removed, very quietly, no note would be made of it. What was done intending for it to be a way of obscuring misbehavior on the part of whoever did it ended up for me being a great very convenient red flag saying Look at this, you know, whatever has been removed here, there's something there's something you have to you have to look at. So I did this, I did this and I found it in the case of slim verge, and it was very revealing. I put up a post called the skinny on slim version, sock puppetry. Sock puppetry is where the same individual pretends to be more than one for the purpose of feigning support for surfing and making it look like there's more support for something that there really is.



44:03

And on Wikipedia is considered a big no no, you're not supposed to. So I went through when I, I looked at how at the original record and Wikipedia and then it compared the same set of edits the same article without looked on that day. And saw there were several that were missing. Starting to hear the earliest there was an IP address, and then slim v became sin, Virgin, etc. Now, the reason these were gone was because it would become obvious to anybody looking at like I was that, that this, you know that that IP address was slim v who was also some virgin. Now if you go and look at another completely unrelated article, you see the same sort of thing happened only in that case, it was another user called Sweet blue water. Sweet blue water and slim virgin were the same and they on other occasions would would you know pretend to be different people. So slim virgin I caught her doing exactly the same thing. She's She's banned. Dozens of people for doing in the past. So



45:00

I blogged about this. And even though she's a powerful she she still has some enemies. In fact, maybe for that reason, sort of became this incident where they, they said, Look, this is a violation of policy. And so they were linking to anti social media dotnet. Anybody who's who knows Wikipedia very well knows this is sort of the way the market, which demonstrates when changes have been made. So what's in red here is what's missing there. And this was one of some vergence biggest offenders. And you see that she would, they would come up at any time anybody would link any social media, they would immediately come in, you see, look at the time, it's within the same minute, they would immediately come in and remove the link. And so that was a little annoying. And they knew that they couldn't keep up, they basically couldn't keep up that pace all the time. So they decided to formalize it.



45:42

So what they decided to do was, was basically codify the fact that not only would they go up and immediately delete any reference to any social media, but they wanted to make it official by actually creating a script, which would automatically ban anybody who added onto social media dotnet to Wikipedia. Now, just to add some context here, it's okay to link to nambla. Right, which is a site nambla.org, probably, which is a site that basically promotes pedophilia, that's okay. And it's okay to link to a site called Stormfront, which is a white supremacist site. And they're big, there have been big debates on that. And ultimately, they said, it's okay. And it's okay to link to other sites, which espouse all kinds of misogyny, anything you can imagine. They wanted to make anti social media dotnet, the only website that you could not link to from Wikipedia, so much so that it wouldn't

even be a matter of somebody coming up and cleaning up after you do it. But that a script would automatically ban you no matter who you are, if you did it. I mean, it was a strangest thing. So so they instituted this whole process, they call it bad sites, the sites that can't be linked to. So they, they what they did first was they blocked, they made it so nobody could edit from my neighborhood, or I was working@overstock.com or overstock.com. So nobody, nobody in my neighborhood could edit Wikipedia, nor could he do it from overstock.com.



47:03

And so anybody who tried to basically got this warning, which said, Sorry, you're blocked from editing, because this is a favorite open proxy in a bad way. So my neighbors, my neighbors are trying to edit Wikipedia calling me wondering why they can't because of me, you know, and my co workers too. And the person who did that is this guy named David Gerard. He's the he's the Wikipedia press spokesman in Europe. He's also like, he's executive director of the, of like the Wikimedia Foundation chapter in the UK. Does anybody recognize the guy sitting next to? That's Jimbo Wales, he's the founder of Wikipedia. Okay. So then they, they created an article on me, they put a link and a social media dotnet in it, then they immediately removed the link and then launched arbitration in order to brand into social media that the first bad site, okay. And then they went through and banned pretty much anybody who dissented was immediately banned. And I'll show an example that in there, but what's even better is that they also said even though we're debating at a social media dotnet, the prohibition against linking or mentioning as a social media dotnet was still in place. So you have this huge debate over things that nobody can mention. Now, there was a one of the people who took a dissenting voice on this, made herself heard, her name was g dead. And she she kind of challenged would have wanted some vengeance friends on this by basically saying, Would it be fair to say that Wikipedia is current working definition of a word bomb sock puppet? Is anybody who's edit focus, either holding apart or naked short selling related articles and who opposes Manson morlin and semi semi Harris was also Gary Weis. And so the other guy said, basically, yes. She says, of course, they're coming traits. My question is whether there are enough for positive ID. He says I would say so. In other words, they were banning people only because of their opinion, or if their opinion mirrored mine on this issue. That was enough for them to be eliminated from Wikipedia. Okay.



49:01

So then, along the way, slim virgin create the private email list. It got so ridiculous and people started giving me the email that was sent back and forth on this. On one occasion,

Jimbo Wales wrote, I just want to go on record as saying I believe that Manson morlin is in fact very wise. So he knew, okay. But about a month and a week later, when somebody else was kind of trying to make an issue of it. Jimbo Weiss, Jimbo Wales showed up and basically stop the debate and for this guy, I fear you've been manipulated by lying stalkers and trolls. And if you read the context that you know, flying stock controllers mean, so publicly, he's saying I'm lying, and I'm a stalker to troll for claiming Gary Weis has meant Moreland. But privately he tells everybody he knows it's true. This is Jimbo Wales, the guy who the creator the founder of Wikipedia.



49:51

Well, ultimately wise to have his downfall and I'll tell you how it happened. A few months later, finally, the situation got so bad



50:00

It was agreed that there was going to be an official kind of an arbitration to look at all the evidence on that Gary Weis meant more than so many people came out. And we all found ourselves with with an odd challenge. And that was because of the the anti social media, the fact that there was the ban in place, you couldn't mention it. You know, could you mention any of the any of the evidence that I had put up on any social media. So nothing that I had used to prove this so far could actually be published, could actually be put up on Wikipedia, you couldn't do it. So we had to go find all new evidence to demonstrate this, this link. And we had all these guys, all these statisticians came up. And they did all these analyses. And they created all these graphs demonstrating the likelihood that, that these people are believed to be Manson morlan, Carrie Weiss was the same person that they would add it together was so high, the, you know, the coefficients probabilities. I mean, it's more than I even understand. But it was it was very everybody agreed This is more than ever been done, ever been undertaken at any time to try to prove this sort of thing. But the one that ultimately did it was when we put out there this thing that showed his editing habits, is that in patterns, and the fact this really this that that anomalous pack, like there, turns out during that exact period, Barry Weiss was in India, and we know that because he wrote a column for Forbes, right? Then we're here with dateline varkala, India, right during that period where he, he goes on to talk about why he's in India. So his editing shift from that point to coincide precisely with the time zone in India. And so this was the thing that finally finally convinced people that that of what we had been that that mantan Moreland was, in fact, very wise, this was a thing that finally did it. And so everybody's really excited thinking this was going to be it. And what we were hoping was that the simple solution would be Gary Weiss would be blocked from having access to any

of the 2 million articles on Wikipedia. That was just on the verge of happening. But then Jimbo Wales shows up, nobody asked him but he still said, I personally have seen no persuasive evidence that Gary Weis is banned from Mormon. And that was essentially his way of saying You better not do this. Instead, the solution they came up with was, it wasn't a matter of blocking Kerry Washington, those two main articles, instead, a little piece of Wikipedia was put off over there, and everybody else was blocked from it, they made it so they said, in order to edit those four articles, you have to jump through all these hoops in order to do that those rules only apply for those for for nobody else. Consequently, nobody wants to touch them. And so to a large degree, they still reflect the floss that Carrie Weiss put there. So that was their solution that they came up with was the information to insert into those four articles was was going to persist. Now the good news is,



52:40

everybody else was convinced of what I'd been saying. Consequently, even slim virgin found him a little too radioactive. And she even withdrew her support from him, he lost his little forcefield of protection. And he was on his own. And fortunately, about three weeks later, he screwed up. And he accidentally let his IP address show through. And so on March 12, of 2008, that was it. He was finally banned. So Gary Weis took all that effort, we had to first take care of some Virgin and then we could finally take care of carrier wise, but we did it. So now the question becomes one of motive. A lot of people wonder why we go to all this trouble? Well, the answer to that can also be found in Wikipedia, in the editing history of a an article on a certain Catholic parish in Greenwich Village. Anybody who analyzes Wikipedia editing histories, would look at this and tell you what I'm about to tell you. Anytime you see an article, you know, created by one person and edited exclusively by that person, except for one IP address kind of tucked in the middle. That is this person who forgot to log in, for some reason for so for some reason, they didn't log in, and so their IP address showing through. Does anybody want to guess what that IP address belongs to?



53:56

It is



53:58

the depository trust and clearing Corporation.



54:01

This place is Fort Knox. I mean, you can't it has armed guards you cannot sell it. You can just show up and say hey, let's go to lunch. I'll sit and play Solitaire while I'm waiting for you. And maybe I'll edit Wikipedia. It's so secure. Gary Weis was using a computer at the dtcc Okay. So we were basically able to put it all together and realize this is our theory that the dtcc but they were tired of getting battered by all these bloggers. And they realized they had to put together PR offensive to counter the way they were getting hammered on the naked short selling issue. They decided to recruit a blogger of their own.



54:37

That blogger was very wise. They then went further and said okay, now so you know you blog about us, link your blog to us, keep talking about us, you know, make it relevant, go into the message boards, go into Wikipedia, etc, etc. which also explains why he is so pro make a choice. This is the same entity that knows exactly who's doing the naked short selling, that's the hub in the wheel. Very so when we when we figured this out. I was I blogged about it, and I am



55:00

began. I asked the dtcc spokesman for comment. Well, it didn't come. It didn't come after days and days and days I kept bugging him kept bugging him. If he didn't come,



55:11

he would send me an email, but it would there be nothing in it. And I kept bugging him kept bugging him. Finally, I got the response from the dtcc. But this is probably the weirdest thing I've ever seen in my life. It didn't come from the dtcc. It came from Ronnie Boyd, who, as you'll recall, is the same guy who wrote those stories and whose boss is the one who says they want to crush Patrick Byrne. And he wrote me and he said, john, I spoke to Corporate Communications at dtcc. They told me on the record that y says not there's ever been employer to use, I mean, just over the top denial. They categorically rejected the law. They say that's a big hump for real reporter to get over. Let me put this politely as an investigative reporter laughably for Patrick Byrne, you're really a much better PR person. Now the day a journalist is I consider myself in this context gets official comment on something not from the person who from whom you're seeking to comment but from another reporter. Keeping in mind again, Ronnie Boyd is also the guy who wrote that he wrote the the two and a half months early review, okay weiss's book, he just kind

of keeps showing up in this and his editor keeps showing up. And you know, with certainty, something really strange is happening there. So, here are the lessons to be learned from others.



56:21

The real strength of web 2.0 is the fact that anybody can participate.



56:26

The real weakness of web 2.0 is that anybody can participate.



56:30

What's at risk our reputations? Now, it's easy to do damage. It's difficult to do repair work. We need much better truth filters out there. And another thing to consider is you're kind of creating business plans around this you have to understand something that content contributors are different kinds of people. So when you're making your plans, keep in mind, sim version is different. Carrier license, different kind of person, I'm a different kind of person, we all kind of came together and it turned into this big thing. So just keep that in mind as you do your planning. But all the normal models they don't always apply when it comes to contract contributors and website settings. Thank you very much and I'm happy to answer any questions.