

Demetri Kofinas: 00:00:00 Today's episode of Hidden Forces is made possible by listeners like you. For more information about this week's episode or for easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you listen to the show on your Apple Podcast app, remember you can give us a review. Each review helps more people find the show and join our amazing community. And with that, please enjoy this week's episode.

Demetri Kofinas: 00:00:31 What's up everybody? I'm Demetri Kofinas, and you're listening to Hidden Forces, where each week I speak with experts in the fields of technology, science, finance, and culture to help you gain the tools to better navigate an increasingly complex world, so that you're less surprised by tomorrow, and better able to predict what happens next.

Demetri Kofinas: 00:00:55 My guest this week is Grant Williams, who may hold the Guinness Book of World Records for longest interviews with macro fund managers, short sellers, and other iconoclasts of the financial persuasion. He is also the founder and editor of the popular financial newsletter Things That Make You Go Hmmm ... As well as a co-founder of Real Vision, a subscription level financial media company focused on bringing real conversations about markets and the economy to people from Beijing to Baltimore.

Demetri Kofinas: 00:01:28 I've known Grant for a good while now, so I couldn't help but reminisce with him a bit about some of our earlier experiences in financial media. We discuss how the media landscape has changed, including the role of social media, before delving into a series of topics ranging from the crisis brewing in emerging markets, the plight of cryptocurrencies, and the palace intrigues of Elon Musk. All of which exhibit the common feature of quantum weirdness at the zero bound, where the laws of classical economics break down, space-time preferences collapse, and quantum entanglements lead to spooky correlations and shadow risks that threaten the very fabric upon which markets are made, and prices discovered. And with that, let's get right in to this week's conversation.

Demetri Kofinas: 00:02:21 So, Grant Williams, welcome to Hidden Forces.

Grant Williams: 00:02:24 Thanks for having me, this is a real pleasure.

Demetri Kofinas: 00:02:26 I was telling you I'm nervous to have you on man, you're a-

Grant Williams: 00:02:28 You're an idiot then. What's wrong with you?

Demetri Kofinas: 00:02:30 You're an amazing interviewer. You're amazing. I was telling you before we started that watching your Real Vision interviews makes me feel poor.

Grant Williams: 00:02:37 Well, that's very kind of you. Completely unnecessary-

Demetri Kofinas: 00:02:39 For those who have-

Grant Williams: 00:02:40 And sort of deluded, but-

Demetri Kofinas: 00:02:42 For those who haven't watched Real Vision, I want you to tell them what it is, but you've been doing it for a while, but now these interviews have become these like epic things, with sweeping shots, and drone shots, and you like on some cliff looking over some majestic scene, thinking, contemplating, and then you find yourself in some gorgeous idyllic home or landscape, and you're talking for a full day with these people right?

Grant Williams: 00:03:06 Yeah, yeah.

Demetri Kofinas: 00:03:06 And you're editing it afterwards?

Grant Williams: 00:03:08 We try and keep the editing to a minimum. I mean we fight every time, cause I just want to leave it all in there. I mean to me it's just such fascinating stuff. But you know we're conscious of peoples' time, and so we try and get them down to 90 minutes minimum really, 90 minutes to ... one of them ran two and half hours, we split in two parts. But you know what, I've had more feedback, the interview with called Tony Deaton in Switzerland, than any other interview. People have watched it four or five times. Two and a half hour interview, and they've watched it four or five times. So you know I think when you give people a chance, as you do on this show, to sit down and really talk, it's amazing the kind of stuff you get out of them.

Demetri Kofinas: 00:03:41 Yeah. Well you and I are both in the same camp on that in terms of believing that there is an unserved demographic of people who are hungry for real quality stuff, and not just like you know, simple, trite ideas, or whatever else. And you actually said that on one of your most recent interviews, I think you made that point which was ... I forget who it was with, maybe it was William White. Which I was also telling you, amazing.

Grant Williams: 00:04:02 Yeah, he's a lovely, lovely man. And just such a great mind.

Demetri Kofinas: 00:04:04 Brilliant. All right. So we'll get through all that, cause there's so many things I want to talk to you about. But I realized, Grant, when I was preparing, this also for our audience, these are the rundowns. I'm actually showing the television audience. This is baby Grant here on the top left, I got this ... it's a family heirloom, it's a picture, it was sent as part of my research. But I realized that I don't know how you got your start. I don't know ... I mean other than that you're from England, I don't know much about you. And our paths have crossed a few times over the years, but we haven't spent too much time together. So catch us up a little bit on who Grant Williams is.

Grant Williams: 00:04:35 Well, I mean I'm not sure how interesting that's going to be. I'll try and get through it fairly quickly, but I've been in finance for thirty-five years now, which is kind of terrifying. And I started in the UK, in the mid '80s, straight out of school. I had the opportunity to go to college and study history, which I hemmed and hawed about, but I also had an offer of a job. You know not a great job, but a job, one partition wall away from what I wanted to do, which is be on the trading desk. And I ended up taking the job. And you could do that back then, you didn't need a college degree, particularly in the UK, to get a job.

Demetri Kofinas: 00:05:05 When was this?

Grant Williams: 00:05:06 This was '85. And so I found myself in close proximity to the job I wanted to do, but just frustratingly out of reach, you know just checking telexes and doing all this stuff, I'm just looking straight past it.

Demetri Kofinas: 00:05:18 Was that hard for you? Seeing it, and wanting it, and not being able to have it at the time?

Grant Williams: 00:05:23 Yeah, but I realized I didn't know anything about it, right? But it was what I wanted to do.

Demetri Kofinas: 00:05:25 You understood you were young-

Grant Williams: 00:05:26 Yeah. I was 18 at the time, I was a kid. But I really did want to do this, and the guy that ran the trading floor was a guy called John Galvinelli who was a legend in the London markets, an old-school '80s character, you know loud, smoked cigars in the office, drank at lunchtime, made inappropriate comments to everybody. He was an old-school ... and he was great, right-

Demetri Kofinas: 00:05:47 He wouldn't survive today.

Grant Williams: 00:05:48 Oh no, forget it.

Demetri Kofinas: 00:05:49 It's like bringing a T-Rex back.

Grant Williams: 00:05:51 But a great trader, a great trader. So I spent three months getting in to the office at 5 o'clock in the morning and waiting for him in reception and just saying every morning, "Hey John, have you got a job for me today?". And he spent a month breezing past me, ignoring me. And then after a month he said "What's your name son?" And then after that he'd say "Morning" with my name, a bit more positive. And one day after three months a whole bunch of people left, and spots opened up. And I ... you know I was there, and they knew I was hungry, and they gave me a slot. And it was a big break for me, and I grabbed it, and I wasn't about to let it go. And we were lucky, we were trading the Japanese markets which just went up every day, so it wasn't difficult to learn how to trade a bull market-

Demetri Kofinas: 00:06:28 So you got before '89-

Grant Williams: 00:06:28 Yeah, right. Well this was '86. So we had three years of a bull market, I went to Tokyo, spent three years in Tokyo trading the Nikkei right through the blow-off, and then the first year and a half of-

Demetri Kofinas: 00:06:39 You were in Tokyo for that?

Grant Williams: 00:06:40 Yeah, yeah, I was in Tokyo for that.

Demetri Kofinas: 00:06:41 Wow.

Grant Williams: 00:06:41 Twenty-two years old, no clue what the hell I was doing. But learning something every day. And I was surrounded by really smart people which was great. So yeah, that's kind of how I got my start, and the job has carried me all over the world ever since. And I've been happy to go wherever the job's led me, and I've had some amazing experiences. But to kind of tie into Real Vision, I've met so many brilliant people all around the world, and I've sat for hours listening to them. Not talking, I just want to listen and pick up what people are thinking.

Grant Williams: 00:07:09 And when Raoul and I sat down for dinner and kicked this idea around, back in 2013 I think it was, this was our premise. That we know these people are out there, they're all over the world, and they're brilliant, and they will talk about finance till the cows come home and you'll never step up from a table not having learned something, or not having figured something out,

or found something that makes you want to go and learn more about it. And that was kind of the genesis of the idea that we had.

- Demetri Kofinas:** 00:07:33 So let's take a step back before there, because you were writing Things That Make You Go Hmmm ... -
- Grant Williams:** 00:07:37 I was, yes.
- Demetri Kofinas:** 00:07:38 Right.
- Grant Williams:** 00:07:38 I was.
- Demetri Kofinas:** 00:07:40 So that's actually the name of the blog. I think you founded that in 2009?
- Grant Williams:** 00:07:43 That's right, yeah. 2009.
- Demetri Kofinas:** 00:07:44 And I had started seeing those articles, on Zero Hedge most likely, was where I saw them.
- Grant Williams:** 00:07:48 Yup.
- Demetri Kofinas:** 00:07:49 How did that ... the idea to write that, to come together ... and in fact I should also ask you, I assume you were writing before that, probably internally? Letters for the-
- Grant Williams:** 00:07:57 No, I wasn't. I really wasn't. Through a whole bunch of circumstances I found myself for the first time in, what at that point was a twenty-five year career, with a sales job. Which I've never had before, I've always been a trader. And I ended up doing a sales trading role, and had no idea how to do that. Having abused sales traders my entire career for not doing anything, I certainly found out how difficult the job is. And so I wanted to be of value to the people I was talking to. And I was fortunate from my days as a trader, so I knew a lot of the clients, and had a relationship with them so I could talk to them and ask them questions. And those questions were basically around how do I add value to you. And they get thirty-five morning run-downs, and they get thirty-five afternoon wrap-ups, and they read one of them. I sent them all that, but a question to figure out how this whole thing worked.
- Grant Williams:** 00:08:38 And at the time, financial media, the financial blogosphere, was kind of young, there wasn't much out there.
- Demetri Kofinas:** 00:08:46 This is what ... now what year?

Grant Williams: 00:08:47 This is '09.

Demetri Kofinas: 00:08:47 '09.

Grant Williams: 00:08:48 And it doesn't sound so long ago, but it really was the old-

Demetri Kofinas: 00:08:50 It was super young-

Grant Williams: 00:08:51 You remember the first Zero Hedge site? Which was like a WordPress site-

Demetri Kofinas: 00:08:53 Sure, yeah, yeah.

Grant Williams: 00:08:54 So I used to go around and dig around and riddle with stuff, and so I started to put together something for these guys that was stuff that they weren't going to find on the wallstreetjournal.com, and newyorktimes.com, and the Post. And it was just stuff that I thought well you know what, this is interesting, and here's why you should care about it. And so I started sending that note to people. And it, you know it was just one of those things that struck a chord. And people gravitated towards it, and they kind of helped me build it, which was a surprise to me frankly, but a very welcome one.

Demetri Kofinas: 00:09:20 Yeah it was an interesting time because so much has changed, right. When I got back into this media game, or whatever, in 2016 pretty much, 1) I thought my Twitter handle, which used to be a very effective tool for promoting capital account, and just interacting with people-

Grant Williams: 00:09:36 Yup.

Demetri Kofinas: 00:09:36 I found it was useless. I wasn't able to get the reach that I was before. And I think part of that was the change in the algorithm, it used to just be a straight feed-

Grant Williams: 00:09:44 Yup.

Demetri Kofinas: 00:09:44 Right. That changed. And also I realized, the way I used to sort of get the program out was to reach out to Zero Hedge, or to reach out to some of these other blogs and spread it out there. All these different blogs had influence. Then I realized that wasn't really happening anymore.

Grant Williams: 00:09:59 Yeah.

Demetri Kofinas: 00:09:59 That had changed. And like Facebook had really taken over. So the landscape had changed, but back then the blogs were really powerful, and if there were-

Grant Williams: 00:10:06 They really were, yeah.

Demetri Kofinas: 00:10:07 Like certain ... yeah, and if you had a way to reach people through that. And also Twitter was brand new, and it was amazing in a way that it just isn't the same way now.

Grant Williams: 00:10:14 Yeah, it's become much more of a jungle. It was easier to navigate back then, and it wasn't as sprawling. You didn't have to look too far to find interesting stuff. But you're right, the blogs were incredibly powerful then, and it was ... they were desperate for material. And so it was great to get picked up by some of these guys, and have your stuff out there. And it was just kind of cool you know, to see stuff out there.

Demetri Kofinas: 00:10:33 And it was a certain brand of material. It was basically the financial counter-culture.

Grant Williams: 00:10:36 Yeah, exactly right.

Demetri Kofinas: 00:10:37 And there were ... it was like a series of concentric circles, the way I would think about it. You had gold bugs, you had libertarians, you had people that were concerned with the lack of savings in the United States, people that were concerned over the debt, people that were concerned over inflation. You had all these different groups, right-

Grant Williams: 00:10:52 Everybody's concerned about something right.

Demetri Kofinas: 00:10:53 Everyone's concerned about something. Everyone's ... there was a strong just odor of pessimism in the air, and all these sort of intersecting concentric circles created this milieu where people were congregating online. That has also changed.

Grant Williams: 00:11:10 Yeah.

Demetri Kofinas: 00:11:10 Like that culture has ... crypto has also come into it, which didn't exist before. So all that stuff has changed, and it's just very interesting.

Grant Williams: 00:11:17 Yeah, you're absolutely right. The whole thing has changed. And it's funny because now those kind of disenfranchised groups you spoke about, to me they seem even more so. Because the narrative has come together, this positive narrative, that look

we as human beings are optimistic people by nature, so the overall narrative is always going to be popular, it's always going to be about markets going up. And so I think that the more Twitter reinforces it, and the more Facebook reinforces that, the more disenfranchised the kind of pessimists ... and look I count myself firmly among them, the more disenfranchised they feel. And it's been a very, very interesting dynamic to watch.

- Grant Williams:** 00:11:50 And as to your point earlier, we've seen some really smart people make names for themselves, and be able ... not just for them to be able to reach an audience, but for people to find them, where they never would have been able to do that before Twitter, for example.
- Demetri Kofinas:** 00:12:03 How do you feel like it's changed since that time? Since I guess between 2009 and 2012?
- Grant Williams:** 00:12:09 You know it's gotten a lot noisier. It's noisy. It used to be reasonably easy, if you were creating good content, it would find people. It would get out there and it would find people, because a) there weren't that many people looking for it, and b) you weren't competing with so many people. But now everybody has a blog, right. Everyone has a blog, and so the quality has to be really good to reach an audience, and then you have to be lucky, and you have to get the right guy to tweet something out. There's a lot more happenstance to it now, which I don't think there was back in '09. If you had quality content, you could feel pretty confident that you'd find an audience. But now that we're all swamped with information, and trying to shoehorn your way into peoples' already busy lives, and steal some of that time away from them, it's a big ask. It really is, make no mistake about it.
- Demetri Kofinas:** 00:12:54 The bears have also taken a big beating.
- Grant Williams:** 00:12:56 Yeah. Just a consistent slap round the face like every day, for years.
- Demetri Kofinas:** 00:13:01 Exactly, exactly. It's been brutal. And a lot of people ... I was at Jim Grant's conference a few years ago when Stanley Druckenmiller was there, and he made the point that he is just one example of a number of really brilliant investors that just had to close the fund.
- Grant Williams:** 00:13:16 Yeah.

Demetri Kofinas: 00:13:16 Because they couldn't figure out how to make money in this market.

Grant Williams: 00:13:20 Well what's interesting, when we talk about the bears ... and it is interesting, I mean I've thought a lot about this lately because I've found myself kind of sucked into the vortex that is the Tesla story, where you've got bulls and bears on both sides of this argument, increasingly heatedly. But the interesting thing about the bears is people assume that bears, if the market goes up, bears lose money.

Grant Williams: 00:13:39 You know that's not necessarily the case. Over the ... they're not going to make any money, but smart bears, yup they'll bleed a little bit of money, but they're trying to stay in the game long enough to make the big money when you get an '08 type of event, or an '87, or a '98 in Asia, whatever it may be. So there's this misunderstanding, and the bears get made fun of, and you know it's all in good sport. I mean the whole thing, if you think about, really boil down what we're all doing, which is trying to make a guess about the future.

Grant Williams: 00:14:03 You're right, you're wrong, how much of it is luck? Well let's face it, unless your insider trading, all of it. Right. So I find the whole thing kind of funny, that people ... here's the kid in the Simpsons, Nelson, "haha" when you get something wrong. It's a guess about the future.

Demetri Kofinas: 00:14:17 Right.

Grant Williams: 00:14:17 About what you expected. But I think the bears, everyone makes assumptions about the bears, I know some super smart bears who are great traders, and structure their trades so they bleed a little bit of money here, but it's nothing they can't handle, and they stay in the game and set themselves up for what they think will be a big payday someday. And I'm sure it'll come, it's a question of whether, like Stan, they just decide "You know what, I don't want to do this anymore" and just shut the shop between now and then. Which to your point, is happening more and more.

Demetri Kofinas: 00:14:39 I think there's also an understandable ... and again, the term "bear" is such a catch-all phrase, and it's overused and tired. I think there are a class of investors who have an appreciation for the risk that exists, right.

Grant Williams: 00:14:55 Exactly right.

Demetri Kofinas: 00:14:56 And risk is by definition, it's very difficult to evaluate it, and to prepare yourself for the unexpected events that can occur in financial markets. And because of the environment that we're in today, mentioning also William White's interview earlier, he made the point about where classical models of physics break down, and we're looking at quantum mechanics and subatomic particles act kind of weird down there. And things start getting weird. And it's hard to really understand what the effects of all that would be, because it's such an uncharted territory.

Demetri Kofinas: 00:15:29 How do you think about where we are today in financial markets, given the intervention of central banks and government after '08, and the fact that the debt has grown, debt's continued to grow, and that we have a Fiat monetary system that requires ever more debt for ever more growth. Right?

Grant Williams: 00:15:48 Yeah.

Demetri Kofinas: 00:15:49 How do you think about that? How do you navigate that landscape to actually make money, while at the same time not get murdered.

Grant Williams: 00:15:55 Well I think that is the question of our time, right. In a nutshell, you've boiled it down ... that's the question of our time. You spoke about risk there, risk used to be daily exercise. And now risk is some kind of overlay that you have some kind of macro risk, and the risk is essentially transformed from okay what are the risks to my portfolio, to my allocations down to individual stocks.

Grant Williams: 00:16:17 Now the risk is essentially, are the central banks going to keep bailing us out. And if you think they are, just belong, don't worry about it. When it happens, yeah you'll take a kick, but ... I think when you ask about this subatomic level, and it's interesting and Bill and I spoke about this, this idea of negative interest rates.

Grant Williams: 00:16:32 If we'd had this conversation twenty years ago and we'd been talking about negative interest rates, it would have been a ludicrous conversation. It would have been completely hypothetical, and at the end of it we'd have said "But of course that can never happen". But yeah, right now today, there's nine and a half trillion dollars of sovereign debt trading at negative interest rates. I mean think about that.

Grant Williams: 00:16:48 There was a story in Denmark last year where mortgage companies were paying people who'd taken a mortgage out. It was a small check, people were getting paid a check from the mortgage company for thirty bucks a month. I mean if you think about this stuff, it can't happen, right. So your point is well made, about things get kind of shady down at the subatomic level. Which is where we find ourselves now.

Demetri Kofinas: 00:17:08 And to further make that point, not only do things get weird objectively, but also your capacity to understand a quantum world is outside of the rubric of the human mind. Like we can't think about time premiums ... we can't think about a world where we actually have to pay someone to take a risk.

Grant Williams: 00:17:26 No, you're absolutely right. And something I've found when I've talked to so many of these great investors, you know the really great investors are uncertain, always. They feel like they don't know what's going on. And I think that's a very healthy attitude to have.

Grant Williams: 00:17:39 It's the guys who are absolutely certain about what's going to happen that tend to get carried out, because that's just not the way the world works. Sometimes they make money, but it's a dangerous thing to do, to be absolutely certain in your convictions.

Grant Williams: 00:17:47 And I've spoken to so many super smart investors, and they all say "Look, we have no idea what's going on down here. We have no idea how these negative rates are going to affect things. We have no idea what the rate hikes are going to do." And on the other side you'll see all these people saying "Well because the feds hike, and this is what's going to happen, here's the road bump, it's all going to work out that way".

Grant Williams: 00:18:05 It's not. I don't know how it's going to work out, but it's definitely not going to work out the way people are absolutely certain it will. And that has a lot to do with where we are, which is below the zero bound, we've been here for ten years. Things have happened that would have been incomprehensible a decade ago. Everything that's happened since '07, '08 is incomprehensible. We've never been here before, we've never tried this stuff before. So anyone that tells you they know how this story ends, is lying to you.

Demetri Kofinas: 00:18:31 I think one of the least appreciated, or spoken about impacts of this rate environment, and the QE is the desensitization, if that's the word ... the way that investors have been desensitized, and have sort of lost the skill, lost the smell test.

Grant Williams: 00:18:46 Yeah.

Demetri Kofinas: 00:18:46 How big of a factor do you think that is? And let's talk about some of these ... sort of follow through on this, quantum entanglements. What are some of the other areas of the market, obviously emerging markets, corporate debt, there are a number. You mentioned Tesla, Tesla's been able to finance itself in part because of this. Private placement is huge. Where are you looking at some of these weird areas in the market that have been influenced by these macro trends that we've seen since '08?

Grant Williams: 00:19:12 Well look, when you reduce the cost of capital to essentially zero, you effect every single financial transaction that takes place on the planet every day. So if you think you can do that, and not screw things up, you're out of your mind. So as I travel around the world, I pay close attention, and the one thing that I've seen more than anything else is just this massive construction boom. Everywhere. Everywhere I've gone.

Grant Williams: 00:19:37 I mean I was in Toronto recently, and I was astonished by the number of cranes in the middle of Toronto, number of buildings that have been torn down, that are going up. This is what happens when money's free. And you can see, if you've lived through any cycles at all, you know where we are.

Grant Williams: 00:19:50 This is malinvestment, except it's on such an enormous scale now that when this cycle turns, and it will turn, it will happen, it's gonna be chaos. I mean it really will be chaos. And again, everyone's going to look to the Bank of Canada, and the central banks, and the fed, and the Bank of England, and expect them now. Last time it was kind of "Well we're pretty sure we know what they're going to do". This time around it's going to be "Well they have to step in now, because this is going to be disaster".

Grant Williams: 00:20:16 And that to me is the root of all this, is that reducing the cost of capital to zero, you have everything that comes on top of that is distorted, and the further out you get, the bigger the distortions become.

Demetri Kofinas: 00:20:28 So let's talk about how the environment's a little different than it was in '08. There have been tighter banking regulations for example, like Dodd Frank, that's curbed what banks can do in terms of lending, and that's resulted in a lot of the corporates going into the bond market to fund themselves.

Demetri Kofinas: 00:20:42 When you look at the way the landscape has changed in some sort of other areas, where are you looking to see the impact of, let's say the rate rises, the rate hikes of the fed, or the balance sheet unwinding, or a change in sentiment. How would that manifest? Because a lot of people could have certainly seen the mortgage market collapsing in '08, but they wouldn't necessarily have seen all the systemic impacts, the knock on effects, and derivatives markets for all the investment banks. What do you think about when you look?

Grant Williams: 00:21:12 Well what's happened since the fed ... you know we saw the temper tantrum, which was the first kind of shot across the barrel, when they suggested the idea, and the markets really got wobbly. So then they realized that full guidance was absolutely imperative, so we'll calm the horses, and we'll just make sure everyone knows what we're doing.

Grant Williams: 00:21:26 And it's worked pretty well. Then they got round to tightening, and everybody said well as soon as they started tightening, the game's over. First hike came, we had a little bit of a wobble in the few months afterwards, but things calmed down. And with every successive hike, you've kind of seen people hide behind the couch and look out, and this is still going, we're still okay.

Grant Williams: 00:21:46 And I really get that sense that people are watching this and thinking, there's a line somewhere. There's a level where this doesn't work. Higher rates have always triggered recessions as we've gone through the cycle, so we know that somewhere out there, is it 3%? Is it three and a half? Who knows. But somewhere there's a level that this doesn't work anymore. And no one can really retreat to the safety of bonds now, so you're in the equity market because you kind of have to be-

Demetri Kofinas: 00:22:10 Why do you say that?

Grant Williams: 00:22:13 Well because there's no- [crosstalk 00:22:13]

Demetri Kofinas: 00:22:14 The counter argument would be ... go ahead.

Grant Williams: 00:22:16 The simplest chart I ever put together, and I was speaking to a group of people in Seattle in 2012, and I put a chart up that had two bars on it. The first bar was your interest on ten million dollars invested in two-year treasuries. You had ten million bucks, you put it all in two-year treasuries, completely safe. In 2007, you had half a million dollars a year. 2012 when we were way above where we are now, that went from half a million dollars to thirteen thousand dollars.

Grant Williams: 00:22:44 And I put that chart up, and I put the first bar up first and then I asked the audience to guess what the return was, and I put it up, and gasps went around the place. And I had someone come up to me afterwards and said "I didn't get it until I saw that chart". This guy spent his entire life building a business, and he said to me "I always swore if I could sell my business for ten million dollars, I was going to sell it and live like a rich man with a wife and go travel." And he'd done that the year before. Put the money in the bank, or somewhere, and he said "I'm not rich. My wife and I hadn't been able to take the holidays we thought, and it wasn't until I saw that chart that I realized."

Grant Williams: 00:23:16 And that has taken away ... anyone that doesn't want to play and just says "You know what I don't want to take risks, I've worked my entire life for this, I just want to protect it", that's not really an option anymore.

Demetri Kofinas: 00:23:27 Right.

Grant Williams: 00:23:27 And so everyone's kind of in the markets, and we're all watching the hikes to see where that trigger point is, and everyone's thinking "I've got one finger on the sell button, cause I'm going to get out of this. When I think it's going to go, I'm going to get out". And we've all been herded, in both directions.

Grant Williams: 00:23:40 And my fear has been ... and look I've been flat wrong for like three years, I'm very happy to say that. I've been flat wrong about what I think is going to happen happening, but I still think at some point it's going to happen. Is when this boat tips, and goes the other way ... I keep talking about how in a rising market I can always find you shares for sale. If you want to buy a share, 24/7 someone will make you an offer. But when the market turns, when you want to bid, oftentimes the bid is zero. Nobody wants to make you a bid.

Grant Williams: 00:24:07 And so I think when we see what we've seen, this trend following momentum, markets just inching up every day, when that shifts and the markets want to go down, and they're trying to go down every day, it doesn't work the same way. We don't go down in the same gentle fashion that we've gone up. And I think that's going to spook a lot of people.

Demetri Kofinas: 00:24:24 You know I think also the same principle that holds if you're an individual investor, and you're leveraged ... leverage allows you to grow fast, and you can collapse very quickly. I think the same principle holds for the broader market in general. I think that we are in a situation where we could see an extreme reversal, because of the fact that ... this is sort of a comment about the

wealth and income distribution. You've got so many people now that have so much money, and those people all they care about when they have all that much money, and things are going really well, is they want to just make more. They want to get some yield, because they're not able to get anything. So they take bigger and bigger risks. And they're willing to do that because that money's not really more equally distributed.

Demetri Kofinas: 00:25:07 So you've got huge asset price appreciation. But then the opposite thing occurs, in the reverse. Because at that point, they just need to save as much of that as possible. I just feel like if you had less of a concentration of wealth at the extremes, and less leverage, that would be less extreme, those reversals. Does that make sense?

Grant Williams: 00:25:24 Yeah, that makes all the sense in the world. I mean this bifurcation, this 1%, 99%, has become a real problem. And there are countless charts that show the magnitude of this and just how serious it's become. And you know you can see it, you can feel it, walking around the streets. You can feel it. You know I travel a lot in the US, here in New York for example, you can just feel it. It's amazing how many people are living on the streets, not just here but San Francisco, and Austin, and San Diego, and all these places I've traveled. It's a common problem now. And it's terrible for society, and the policies of the central banks, to keep the wheels on the system post '08, are absolutely responsible for this. The linkage is clear. So it is a problem. It's a big, big problem, and it's starting to manifest, though I suspect we haven't seen the worst of it yet.

Demetri Kofinas: 00:26:08 So let's talk about some specific examples. I mean the one that comes to mind when you're talking is Turkey, because they have ... well they've recently seen a major ... I don't want to say collapse, in the lira. But the lira seems to be at a place where it could go into free-fall. There seems to be that concern there. And they have a huge current account deficit, they depend on foreign inflows, and they have a very precarious political situation because Erdogan's been consolidating power. How much time do you spend thinking about Turkey, lately? I know you wrote about it in your newsletter. And how does that fit into all of this?

Grant Williams: 00:26:42 Well it's a sign of the disease. I mean if you look at what happened in Turkey, they had massive over investment, they had a huge booming construction sector, all the signs happened. And it's ironic that the trigger was standoff over a priest being taken hostage, and tariffs from President Trump against the Turks that kind of triggered this, but the kindling was

all there. Everything you just laid out was well-known, and it hadn't been a problem. I mean we could all see that they had all these problems. It just takes something, and you don't know what it is. And once these things get going, the responses that the Turkish central bank, and the Ministry of Finance, and the president had, were limited. And so these things get out of hand very, very quickly. Erdogan did themselves no favors talking about his potential solutions to this, but when there's-

- Demetri Kofinas:** 00:27:28 What does he put forward, as a solution?
- Grant Williams:** 00:27:29 Well he's told people to sell their dollars, and buy the lira. Sell their gold, and buy the lira. And the Turks are not selling their gold to help the central bank out, it's the only thing that's kept them solvent. Venezuela's another more, far more extreme-
- Demetri Kofinas:** 00:27:41 Oh that's a horrific case.
- Grant Williams:** 00:27:41 Example. Yeah. Of the same thing. And if you owned gold in Turkey, or Venezuela, as an insurance policy, guess what, it paid out in the last few weeks or months. But Turkey's not an isolated case. This is something that is happening in Argentina, Brazil, we're seeing these emerging markets. A lot of this is caused by the strength of the dollar.
- Grant Williams:** 00:27:59 And the dollar is ... it's something that everybody needs to be looking at, and everybody needs to think about. There are people that I have just the utmost respect for on both sides of this debate, there are guys who are brilliant who say the dollar is gonna go much, much higher, and there are guys who I think are equally brilliant that say it's peaked, it's gonna go much, much lower. None of us know. This is what we have-
- Demetri Kofinas:** 00:28:24 If you had to pick one person on either side of that argument that you think enunciates the argument as clearly as possible, who would they be?
- Grant Williams:** 00:28:31 Well I'll give you two on the bull side, both dear, dear friends of mine. Raoul Pall, my business partner at Real Vision, who has been talking about this for a long time, he's done a lot of work on it, and he writes and speaks brilliantly about it. And he's been right, and then wrong for a little while, and very, very right again, but he's been consistent throughout.
- Grant Williams:** 00:28:46 Brent Johnson, runs Santiago Capital out on the west coast, another dear friend of mine, and he did a presentation called the Milkshake Theory, which I think you'll find, it's certainly at

Real Vision, I think you'll find it online I'm not sure, explaining all the forces at work, which it's a very, very strong case.

- Grant Williams:** 00:28:59 And then you've got a guy like Mark Yusko who runs Morgan Creek, another great friend of mine and a brilliant man, who will give you all the evidence you want that the dollar's peaked out and it's gonna go lower. I lean towards the fact that because it's such a problem having a strong dollar, for so many people, that they will have to find a way of managing it down. Because if it gets out of hand-
- Demetri Kofinas:** 00:29:18 You think the fed will manage it down because of-
- Grant Williams:** 00:29:21 I think the fed, and all the central banks, will come together and will have some kind of accord put in place. And we've seen these before, there's plenty of precedent for these.
- Demetri Kofinas:** 00:29:28 Well you brought that up to William, that was one of your questions to William White.
- Grant Williams:** 00:29:31 Yeah. Yeah.
- Demetri Kofinas:** 00:29:32 And his answer to that was that he thought the fed would actually just really at the end of the day just focus on the US economy and not really work with the other banks?
- Grant Williams:** 00:29:40 Well, domestic policy always trumps international policy. When there's two problems to deal with, domestic always wins. But I think the fed has kind of created this problem for people, and it's kind of in their lap now, and if it really gets messy, they should try to help clear it up. Will they? I don't know.
- Demetri Kofinas:** 00:29:57 A perfect example though, that it's not very clear what's in the domestic interest, right? I mean in the Asian financial crisis the dollar was very, very strong, and as a result of that it had snap-back effects on US hedge funds and US investment banks right.
- Grant Williams:** 00:30:09 Sure. Yeah, sure. And look, you look at all the US manufacturing done overseas, you know we're getting into all these trade tariffs now, so we're starting to see the numbers about how many US jobs are tied to factories in China, and tied to the imports that they're bringing back into the country. So it's a very tangled web this. And so far, no real damage has been done. There's been a bit of tit for tat, and the Art of the Deal negotiating styles that Trump is using has got him some wins in various places.

Grant Williams: 00:30:38 But look, history is full examples, nobody wins in a trade war. There are no winners. And we saw this at Smoot-Hawley in the '30s, and we know what that led to. That led straight to the Great Depression. I'm not saying that's what's going to happen here, but we've been down this road many, many times and there isn't a happy ending to this. It ends in compromise, after a lot of milk gets spilled. And I feel like we're on the edge of that period where the damage gets done and then we have to scramble around and come up with a compromise solution.

Demetri Kofinas: 00:31:03 Right, things can get out of hand very quickly.

Grant Williams: 00:31:05 Very quickly, yeah.

Demetri Kofinas: 00:31:05 And I think that's even more concerning with the Chinese, right. Because the Chinese are such a huge geopolitical force.

Grant Williams: 00:31:12 Well this time around they're a little bit more bellicose. There are things they want now, they're not just kowtowing to the Americans. They feel that they deserve a bigger place on the world stage, and they won't just back down, and they will stand up for things that are important to them. I mean we haven't really seen that yet, we've seen billions here, and billions there, and it's gone backwards and forwards, but we haven't really got to that point where the Chinese are backed into a corner where previously they would have blinked and backed down. It's when we get there, and we see if their reaction changes that we'll know how things have changed.

Grant Williams: 00:31:45 And I know a lot of people that know China a lot better than I do, and they all say to me "Look, this is not your grandfather's trade dispute, this is a different animal." We haven't seen how different it is yet, but if the Americans keep pushing, then maybe we will. But again, China's so opaque that there are plenty of people that make a great case saying "No, no, no. China's in all sorts of trouble, this trade war's the last thing they want, they're going to back down." We don't know.

Grant Williams: 00:32:07 This is a guess about the future like all this other stuff is, and the reason I do the interviews I do, in the way I do, is because to me, I just want to get the best inputs I can, on both sides. I want smart people to tell me why I'm right, smart people to tell me why I'm wrong, and I want all that information, and then let me figure out where I down. But to sit there and say to someone "Okay, what's going to happen?" and they say "Well China's going to cave", and then you put all your chips on the table on China caving, it's just a foolish thing to do.

Demetri Kofinas: 00:32:37 Right. So by caving, you're talking about caving specifically in the negotiations, or is there also ... what about the other possibility that because of their precarious financial situation, the amount of outstanding loans, the amount of debt they've generated, talking about the construction boom, and the pent-up inflation in the yuan, that they might see a sort of political crisis in their home country and they have to attend to that and they really can't get too ambitious on geopolitical stuff?

Grant Williams: 00:33:07 It's possible, I mean a political crisis in China is a tough one for me to see happening, before we see one in Europe for example, or even here in the US. President Xi has got China nailed down pretty tight. It would take something extraordinary for him to kind of ... for his power to weaken. Having said that, the Achilles' heel in China is always inflation, food price of inflation. That's the thing that really gets people out in the streets, so that's the one thing you have to watch. But I just don't see that happening.

Demetri Kofinas: 00:33:34 But those investments need to pay off, right? Ultimately. I mean if enough investments don't pay off, that's going to be a headwind on political stability in the country.

Grant Williams: 00:33:44 Yeah. I don't disagree, but I think they have a degree of control over the people, and over the news flow, and over what really is the general understanding of the situation. Now that's why something like food prices are ... you can't spin that. You can't spin the cost of pork going up. You can spin all kinds of other stuff about overseas investments that people aren't really paying attention to, you can shut out Facebook, you can shut out the internet, you can ... they've got levers to pull that we in the west just don't have to pull. And so we don't really know with any certainty what advantage that gives them in the short term, and maybe disadvantage in the long term, but they have tools at their disposal that we can't even think about.

Demetri Kofinas: 00:34:21 Also the citizenry has a different set of expectations, to your point.

Grant Williams: 00:34:24 They do, yeah.

Demetri Kofinas: 00:34:24 And it's difficult to analyze China from a western perspective, even a westerner who's lived there. And most of us ... you've, I'm sure, been there often. I have not. And it's one more reason not to really opine about it.

Grant Williams: 00:34:37 Well I think part of the problem is today everybody feels as though they have to have an opinion about everything-

Demetri Kofinas: 00:34:43 Oh yeah, for sure.

Grant Williams: 00:34:43 You know what I mean?

Demetri Kofinas: 00:34:43 That's the worst.

Grant Williams: 00:34:45 We don't know about China. It is opaque. There are smart people that live there, and will give you an awful lot of input to try and make your decision, but just understand, we don't know.

Demetri Kofinas: 00:34:56 That's a really good point though, about people offering opinions. And that kind of takes me back to Twitter. One of the things that I've seen lately is there's a certain class of investors who use Twitter a lot. And they share their views on Twitter a lot. Active portfolio managers.

Grant Williams: 00:35:12 Yup.

Demetri Kofinas: 00:35:13 I can't understand how anyone can do that, and that not screw them. In terms of make them biased. Because you're putting your views out there, and all of a sudden now you're not just thinking about how to balance your portfolio, you're also thinking about how what you said might make you look stupid now if ... I don't necessarily think that that's a great idea, and that's a great segue obviously to Elon Musk, and his disastrous use of Twitter. But you know the president of the United States uses Twitter, lots of people.

Demetri Kofinas: 00:35:38 It's almost like it's one of those things where everyone's doing it, but it doesn't necessarily make it a good idea. You don't see Warren Buffet on Twitter. And I know it's a generational thing, but you don't see Howard Marks on Twitter, we talked about that before. You don't see these people spending all this time tweeting. How can they spend so much time tweeting, and the classic reason that they give that I've heard is "Well Twitter allows me to vent my ideas, and to hear what people have to say and take criticism", but I don't feel like that's what it is. I feel like it ends up just being a dick-waving contest.

Grant Williams: 00:36:08 I think it offers that. It does offer that ability to put your ideas out there and get people to-

Demetri Kofinas: 00:36:12 I thought you were going to say dick-waving contest. But no.

Grant Williams: 00:36:15 It does give you the benefit of that. But I think you nailed it earlier on there, when you talked about as soon as you put this thing out there, it's human nature to then defend it, and defend attacks against it. And we find it very difficult to admit we're wrong. And in finance particularly, as I said to you before, you're asking people to make a guess about an unknowable future. And so if you think about it, saying "You know what, I've got it wrong", should be the easiest thing to do in the world, but we're not wired that way. And so I think you're right, once you have an opinion out there on Twitter, it's not that you won't change, but you'll hold on to it longer than you should do.

Demetri Kofinas: 00:36:46 It depends also on how you're expressing it, right. Like someone like you doesn't do that. That's not your style. It's not your style at all. And also I assume, Grant, you come from the perspective of "I'm constantly looking to disprove my hypothesis". Right? Isn't that what you're constantly trying to do?

Grant Williams: 00:37:01 Always. If you're not doing that, you're out of your mind.

Demetri Kofinas: 00:37:04 If you're not doing that, you're more likely to lose money. You should be constantly trying to figure out where you're wrong. That also concerns me in terms of talking about over evaluations and bubbles, I've met so many investors, and so many portfolio managers who say some things that don't make any sense. And we can talk about that with Tesla, and we can talk about that with cryptocurrencies. These are two areas, tech stocks in general. But let's talk a little bit about Tesla, cause this is one place where you see this crazy ... you mentioned it before, this polarization, you've got the ... what do they call those? Teslemmings?

Grant Williams: 00:37:39 Teslerians.

Demetri Kofinas: 00:37:39 Teslerians.

Grant Williams: 00:37:40 Teslemmings, Teslerians. There's all kinds of pejorative names for- [crosstalk 00:37:40]

Demetri Kofinas: 00:37:40 Teslemmings is the derogatory term right. Teslerians, and then you've got like the Mark Spiegel's who like, they bang each other, they drive chicken right into each other every day on Twitter. Oh by the way, I'll say one thing, there is one person who I remember used Twitter so effectively back in the day, and that was Joe Wiesenthal. Joe was, back then he was the editor of Business Insider, I don't know if you remember how he used it, but he would write up an article, and then he would troll the

shit out of the community. So if it was like a gold, if it was like a gold article, he'd say some insane title, he'd put it on Twitter, and then he'd just say something, and then they'd fucking go crazy.

Grant Williams: 00:38:19 Just flock to it, yeah-

Demetri Kofinas: 00:38:19 And he loved it. And he would just literally just like crank in the money lever, it was genius. He was so good at it. So he used it to his benefit. But most people, I feel like they just get sucked in to arguments, and they get themselves in more trouble, like our friend Elon Musk.

Grant Williams: 00:38:33 Well look, I mean this is a whole other podcast. The Tesla story, I have to say for me, it's the most fascinating thing I've seen in thirty-five odd years in the security market. It really is. It's such a poster child for the situation we find ourselves in. You know this company, if money wasn't free, this company would not exist. If we didn't all have these lofty ideals about making the world a better place, and selling a dream of colonizing Mars, and going from San Francisco to Los Angeles in five minutes underground-

Demetri Kofinas: 00:39:03 Absolutely.

Grant Williams: 00:39:03 You know, these are dreams. And it's great to have dreams. It's great to have dreams. But when you are spending other peoples' money on those dreams, there's, to me there's a line. But let's put the moral side of it aside and just look at the company. It's remarkable to me, and I'm fascinated by it, it's the first thing I look at in the morning when I wake up, the Tesla Twitter, cause it's fascinating-

Demetri Kofinas: 00:39:24 Tesla, or Elon's?

Grant Williams: 00:39:26 Well it all comes in there, trust me. But you know what's interesting is you've got bulls and bears, and they are ... I mean so far apart. It's actually getting pretty nasty now, which is a shame because at the end of the day, it doesn't need to get nasty.

Demetri Kofinas: 00:39:39 It is nasty, and it is a shame. I agree with you.

Grant Williams: 00:39:40 It is a shame.

Demetri Kofinas: 00:39:40 That also is something, and not just to make the point, but this is a phenomenon across the country, and I think it's awful and it doesn't serve us well.

Grant Williams: 00:39:47 It is, but if you want to see it in all its glory, Tesla is where you go. It is a shame. But what I've noticed as I've looked, is that the bears in the Tesla community are not all, but almost all, hardcore finance guys-

Demetri Kofinas: 00:40:03 Value investors.

Grant Williams: 00:40:03 Right. The value investors. They've been through cycles, they've watched Enron, they've watched these big ... WorldCom, and they've watched Theranos, and they understand how these things happen. And on the bull side, you've got a lot of people who are either individual investors, or they're fans of Elon, or they've bought into the dream. And so the ... I don't want to say the quality of the argument is skewed heavily in favor of the bears, but the rigidity of the argument.

Grant Williams: 00:40:31 We did a piece on the Real Vision podcast about a year ago, about Tesla, and I got Mark Spiegel, who you mentioned before, to come on. And Mark's a great guy, he's a money manager, he's funny as hell, he does a lot of work, he really understands the company, and he's just great entertainment. And we had Mark on, and we talked about Tesla, and he took the thing apart. And I said "Look, at the end of the episode this is ... we don't pick sides. So we've done the anti-Tesla case. I'm now throwing the mic up," ... you know we had sixty thousand or so people who listen to this podcast, "email me, and if you want to come on and put the other side, the mic's yours. This is totally fair."

Grant Williams: 00:41:06 And I put that request out, five, six weeks in a row. And I had a bunch of emails come through, and you know I spoke to people, and I talked to them over the phone, I emailed them, and everybody I found, once you drilled down through the argument, you eventually get to "Well, Elon's gonna figure that out. You've gotta trust Elon."

Demetri Kofinas: 00:41:24 And Jeff Bezos did it. That's another one.

Grant Williams: 00:41:27 But it was more of a "We're backing Elon, not Tesla." And I said to these guys, and I spent a long time talking to them, I said "Look, I can't put you on. Because 1) You'll get shredded, by finance guys that will pick your arguments apart. And 2) I don't want to make it look like I'm stacking the deck by putting a

weak bull case." I want a good ... I really, really do want someone to make me think [crosstalk 00:41:46] yeah. This thing's going on. But I just couldn't find that guy.

Demetri Kofinas: 00:41:50 What do you think is going on? In all seriousness, cause we see this with cryptocurrencies also. Part of it, I don't know how much of it is this, but I want to float it out to you. I mean Tesla's not the complicated, cryptocurrencies are more complicated, but we've had a tech bubble in the past. We've had other technologies that were beyond the scope of what the average investor could understand. Were people ... maybe people were doing it during the tech bubble. But there seems to be this willingness to just say it's simple, it's this simple. Elon will just figure it out. I'm smart, I can buy an overvalued stock and still make money as it gets even more value because people don't understand that this is the Messiah. Elon Musk is the Messiah.

Demetri Kofinas: 00:42:31 And you had it even with Theranos, in a different way, where you had all these investors get suckered in to this girl who didn't even have a medical degree, and was claiming to do things that any hematologist would tell you were impossible. So is this a more extreme case of ... I think you referred to it in your newsletter as "denying" or "denialism". Is this more extreme than it used to be?

Grant Williams: 00:42:56 I think it is. I think it is. And I think a lot of that is the culture we live in, has developed in such a way that celebrities are very easy to build up. And they're very easy to worship, and it's very easy to create this persona that looks great on Instagram, and you control the PR very carefully, and you can create these personalities for yourself that are very seductive to people that are looking for, either a bit of light in a dark world, or someone who's got big dreams like them. It's not that difficult to do sadly.

Grant Williams: 00:43:27 And the cryptocurrency space ... and again, this is another subject that I have great friends who are brilliant on both sides, some of them say it's going to zero, some are saying it's going to a million bucks. And they both make very persuasive arguments. And I think this is another example, the difference has been ... particularly in Bitcoin, back in 2017 when we saw this crazy run-up, is that you don't even need to open an account with Charles Schwab to get into the Bitcoin market, you can do it on your phone.

Grant Williams: 00:43:54 And so people have been sucked into that in a way that dwarves what happens in stock bubble manias, when you've gotta go to ... and show your, fill you paperwork, and your KYC, and open a stock account, and then wait, and then fund it, and do all that

sort of stuff before you buy your shares. Now you can do it on your phone, and at least back then you could. It's much, much simpler.

- Grant Williams:** 00:44:11 And so people are jumping in, at all the wrong points, as always happens, you know where in financial markets it's the retail guys that always come in too late, and always end up losing money. And you can see this at the end-
- Demetri Kofinas:** 00:44:21 Except it was the retail guys that got in first in crypto.
- Grant Williams:** 00:44:25 Well yeah, I mean it was. But these were smart ... let's call them the retail geeks.
- Demetri Kofinas:** 00:44:30 A lot of people weren't smart and made a lot of money. Who was it that forgot his wallet, he was buying drugs, he forgot ... I actually heard a case about this. Some guy was buying drugs on the Silk Road, forgot ... he was so I guess fucked up that he forgot his password or whatever, his key, and he ended up having a wallet with millions of dollars, became a millionaire, because he just forgot the ... but to your ... but yeah I agree with what you're saying-
- Grant Williams:** 00:44:53 Well that's true. But it's the people that bought them on the credit card, and sold their house to buy Bitcoin, which you read in all the newspapers in December '17. We're not reading about those people now. Which is another interesting phenomenon if you think about it, the stories were great when they were all positive, and everyone's making money. But where's the interview of the guy that sold his house, mortgaged it and bought Bitcoin with it, or-
- Demetri Kofinas:** 00:45:09 Right.
- Grant Williams:** 00:45:10 We're not seeing those. It's interesting to me that those stories, those cautionary tales, we haven't seen them.
- Demetri Kofinas:** 00:45:16 Is there anything that's comparable to what you've seen here with cryptocurrencies? Anything that, let's say like in the '90s boom-
- Grant Williams:** 00:45:23 You know, look, I don't think so. Because the Japanese equity market boom was my first bubble, but it was a stock market bubble. We've seen them before. It was just share prices going up. Everybody knows what stocks are shares, everyone knew the Japan story, everyone understood the Japan story. Bitcoin is different. There's a leap in terms of the knowledge you need to

really understand it. And you have to commit to maintaining that understanding, cause it's constantly changing, constantly evolving. So if you really think you've got a handle on Bitcoin now, and I took you somewhere and gave you no internet for a month and brought you back in there, it'd be unrecognizable.

Demetri Kofinas: 00:45:57

So when you talk about cryptocurrencies ... let's take a step back, and tell me, what is it that you call cryptocurrency, and what do you understand about this market? How are you approaching it? And what is it to you?

Grant Williams: 00:46:06

I had some Bitcoin, I sold them far too early. I made decent money, and I sold them far too early. The idea of decentralized third ... the triple entry bookkeeping, is to me, game changing. But I don't know how that becomes a real world solution. And I understand the arguments as to why a place on the Blockchain is going to be incredibly valuable, I understand the arguments as to why they're going to zero. I understand both of them. If it's a case of pick a side, for me, I don't want to pick a side right now. If I get to a point where I'm more confident in one outcome or the other, I'll pick a side. But right now, I can see both arguments coming true, I can see it going to zero, I can see these things going extremely high. But I'm not seeing the kind of impetus behind them that they would need to have another run like we saw in 2017.

Demetri Kofinas: 00:46:55

Right. Well also again, to bring us back, cryptocurrencies are the classic case, where they're just ideological adherence. And Bitcoin in particular, I mean it's like gold on steroids.

Grant Williams: 00:47:04

Yeah, absolutely right.

Demetri Kofinas: 00:47:05

But what are the arguments that you hear, and is it just Bitcoin that you look at? Have you spent any time looking at Blockchain? And then even further, have you spent any time looking at the whole suite of distributed ledger technologies that basically build permission-less databases?

Grant Williams: 00:47:19

I've looked at this stuff on a very perfunctory basis, but I've got a lot of people I know who've done a lot of work on this, and so I talk to them and get their understanding-

Demetri Kofinas: 00:47:27

Have any of them told you that Blockchain is inherently incapable of scaling? That it has scaling limitations that make it unworkable, that it won't work simply because it just won't be able to scale?

Grant Williams: 00:47:38 No. Generally speaking, the unworkable side of it just becomes ... the whole thing is just air. And it's going to collapse because people are going to lose faith in it, and down it's going to go. And from the wreckage, does something come? Yeah, it probably does. But people aren't interested in that. Nobody wants to buy a Blockchain that's going to grow really slowly over the next fifty years, right. They all want to be gajillionaires next week. So for me, I don't have time to do the reading on Blockchain that I feel I need to be able to invest in it properly. I just don't have the time. And so I've got people I trust on both sides of the argument, and I talk to them regularly just to understand what's happening. But to me, investing in Blockchain right now, I'm playing at such a disadvantage to the guys that really understand the technology that it's not worth it to me right now.

Demetri Kofinas: 00:48:22 The other problem that this space has, is that there are so many people that have ... and particularly sort of the most egregious cases I've found, are crypto fund managers. People that have access to lots of money, have raised a lot of money, and either they're being slightly, or very dishonest, or ... about, primarily about what they know and what they understand. Because like this technology is so complicated, and you're talking about ... some of this stuff is like hardcore cryptography. Almost everyone has to take certain aspects of it on faith. But if you're taking someone else's money, you have to have the answers.

Grant Williams: 00:48:56 Or you have to know a guy who does. You have to employ a guy who does. And I think that's the thing, that's why to me, I know what I don't know. And I know I don't understand Bitcoin to the level that the other people who trade this thing in and out all day understand it. And I don't want to play on those playing fields. But I think the potential to make money in Bitcoin is clear. The potential for disruption and change is clear.

Grant Williams: 00:49:21 And so therefore, the potential to be ahead of game-changing technology is very appealing to people, and there are ... I've got good friends who I've got a lot of time for, and a great respect for, who are doing exactly what you're talking about. They're just trying to set up crypto funds, they're raising money to invest in cryptocurrencies. The difference comes between the guys doing the work and understanding it, and the guys doing the work and explaining it to the public, they're not the same people right, cause they can't be.

Demetri Kofinas: 00:49:47 No. Look, so I've spent a good deal of time researching this, in terms of people from the space, I've had Joe Lubin on, I've had Vitalik and Vlad on, I've had number of people on. And most of

that started because of some early coverage I did of their Hashgraph, which was a non-Blockchain technology. And what I have ultimately come away with, the conversations that I have around Blockchain just don't feel satisfying. The answers just don't feel sufficient, for the level of hype, and the level of investment, and the amount of money that's being taken by investors, it just doesn't feel like it's enough.

- Demetri Kofinas:** 00:50:22 So I don't really give my opinion on the show because what the hell do I know, but I tend to be generally bearish. And that's not to say that I don't see promise in some projects and applications in the space, I'm an investor in Hashgraph and some other projects, but for reasons that are unique to those particular approaches or solutions. And I think that some of those have an opportunity, but I think that they have opportunities for very different reasons, and I think that the vast majority of applications that are being supposedly built on top of Blockchain, I think that the jury's out about whether they're going to be able to actually run those applications on a permission-less database that uses a database architecture like Blockchain.
- Grant Williams:** 00:51:04 Well that's it, we don't know. This is again, I mean there's nothing more about the future than Blockchain. I mean Blockchain is this unknowable future that we've talked about several times in this conversation. Bitcoin is the epitome of that. Because not only is the future unknowable, but to most people the present is unknowable as well because it requires so much time invested to really understand the technology. But again, it's something that everyone feels compelled to have an opinion on. I choose just not to be involved because I just don't know, I don't know if it's going to go to a million bucks or if it's going to go to zero.
- Demetri Kofinas:** 00:51:34 So let's talk about some tech stocks that you might have an opinion on, like Facebook.
- Grant Williams:** 00:51:38 Yeah, I've written a lot about this. I write about it from the angle of the advertising agencies starting to struggle. This was a year ago, and WPP had some poor results, and if you look at the spent ... the ad spending as it goes through Facebook ... I joined Facebook years ago to spy on my kids basically, that's basically it, and I got rid of it a number of years ago cause I just found that it was a detriment to my life, sucking away time, and I just don't see the value in it. I've never clicked on an advert, I've never clicked on anything on there. It just drove me nuts in the end.

Demetri Kofinas: 00:52:06 You never downloaded Farmville?

Grant Williams: 00:52:08 No. No. My youngest daughter did, god love her. She's probably cursing it now, cause she was probably twelve at the time, and now she's twenty-one she would hate that, but ... so I think Facebook has got material problems. And I think it's a mood shift, and these companies are so predicated on mood, and we've seen that subtle shift with Facebook. It doesn't sound apropos, but if you think about what happened to MySpace, it wasn't cool anymore when Facebook came along, away it went.

Grant Williams: 00:52:35 Facebook's desperately clinging on to that, but the problems they've got with the data, and the GDPR, and the taxes, and all the rule makers going after them everywhere, they're going to struggle I think. I really think they're going to struggle. And it's funny how people talk about Facebook now, for the most part I find, in a derogatory fashion. People ... it's on the-

Demetri Kofinas: 00:52:56 No one likes Facebook.

Grant Williams: 00:52:57 As the Aussies say, "It's on the nose". Facebook is on the nose now. People are "Oh you still use Facebook? I don't like them, I don't like this", and we didn't see anything the first quarter, and then we saw obviously these numbers come out with a slight lag and the stock fell 20%, and I think there's going to be more of that to come.

Demetri Kofinas: 00:53:11 How much do you think that is actually like ... I think you're alluding to it, that there's a shift in social opinion, social mood-

Grant Williams: 00:53:19 That's exactly it. It's a mood. They're all predicated on mood, these sites.

Demetri Kofinas: 00:53:21 And also though, the other thing is that there's a heightened awareness by the public around privacy. Privacy is now becoming a thing that it wasn't before. And also at the same time, we have an increased number of cyber attacks, and that's becoming a much more real threat.

Grant Williams: 00:53:33 Well privacy's an interesting thing, because I think for our generation ... so I won't put you in my generation, you're far too young ... privacy was always a thing. The millennial generation didn't really care. They just wanted free, they didn't care who had what. But now I think a) the demographic on Facebook has changed, it's now become an older demographic as the younger kids have moved to Instagram, or Snapchat, or instasnap or whatever they're called nowadays-

Demetri Kofinas: 00:53:53 Took a dive also-

Grant Williams: 00:53:54 Right. Took a dive also, because Khloe Kardashian said "Is it just me that finds it lame?" and that was it, you know, 1.8 billion wiped off the market cap. But you've now got an older demographic left on Facebook who do value privacy, and so I think that's where the genesis of their problems are coming from. If anything's free, it's so easy to ditch. So Instagram, Snapchat, there will be something coming along where kids will just get bored, or whatever it may be. If you can't make hay when the sun's shining, and maximize your gains in these things when you're the hot app, there comes a point where people just lose interest. And I think these companies fair place have done a fantastic job in maintaining that interest a lot longer than I thought they would. But I think when it starts to go, it's the devil's own job to keep it.

Demetri Kofinas: 00:54:34 Yeah but the experience sucks.

Grant Williams: 00:54:36 It does, no it does. Of course it does.

Demetri Kofinas: 00:54:36 The experience of using Facebook sucks.

Grant Williams: 00:54:38 Yeah, it really does.

Demetri Kofinas: 00:54:39 I don't know anyone that actually likes it. But it's usually political trolls.

Grant Williams: 00:54:42 Yup.

Demetri Kofinas: 00:54:43 People that love to troll the shit out of other peoples' pages. And also they are ... it's so highly curated, and it's so manipulated. And I'm going to give you a great example; last week I had Jonathan Haidt on the show. While I was reading his book, which is called The Coddling of the American Mind, I put up a link to the Atlantic Magazine article that he and ... are we friends on Facebook? Did you see that?

Grant Williams: 00:55:04 No, I'm not on Facebook. But I've read that article, and I've tweeted it a hundred times, it's a fantastic article.

Demetri Kofinas: 00:55:05 Okay. Fantastic article. So this is the book, so I was reading the book and I was like man this is incredible, I didn't know about any of this stuff. I don't know if you've looked into this crazy stuff that's happened on college campuses, but like Evergreen, Middlebury, Yale, all sorts of crazy stuff. I was watching these

videos, I was like this is nuts. And I posted a non-political, and non-combative post. And I got trolled.

- Demetri Kofinas:** 00:55:31 And then I put up another one, cause at that point I was like alright, let's see what's happening. And then I put up another post which was a link to a Jordan Peterson article in the New Yorker, saying that Jordan Peterson has basically been unfairly maligned and like why is the left so ... why are they so quick to attack Jordan Peterson and ascribe to him the worst sort of motivations. And I put this post up, and again non-political, but I made some sort of open-ended questions. And again, I got trolled. And the next day, in the morning, I get onto Facebook ... I get trolled, but so to be clear I got trolled, I don't normally get trolled-
- Grant Williams:** 00:56:09 You're that kind of guy right, I can understand why people would want to troll you.
- Demetri Kofinas:** 00:56:11 I can be that kind of guy, I mean I've gone through phases. But I don't do that, right, and I don't really post political stuff, and the show doesn't do that, so it was out of character, and I have a lot of left-leaning friends on my Facebook. So I get up the next morning, I go to my computer and I open it up, and Facebook, when I go to log in Facebook ... or I'm already logged out, and Facebook says "We think that your account's been hacked". All right? And I'm like holy shit, my worst nightmare. I was like, I am literally like one of those people that ... I turn my Wi-Fi off when I check my password, I'm like what if there's a middle man attack, I don't wanna be ...
- Demetri Kofinas:** 00:56:45 So I log in, and they start taking me through these steps, and they're like ... I come to realize that they had no clear evidence for why it was hacked, they assumed I was hacked, and they said "We think that someone is posting on your behalf". They assumed I was hacked because I put up two articles that got me trolled by some people on the left, and that was out of character for them. And by the way, after the Jordan Peterson article, before this whole thing, I started getting all this really hardcore right-wing sort of advertising stuff. Like there was this guy, like jacked guy standing in the middle of some ... I don't know. I don't know what it was ... it was clear like conservative, you know what I mean?
- Demetri Kofinas:** 00:57:23 This is nuts. And not nuts just because like the algorithm was so stupid that it was like judging me in this stereotypical way. But the fact that it was so quick to do that, and that people live in these bubbles that are being curated by these algorithms, and

they're not actually experiencing the nuance of connection and ideas.

- Grant Williams:** 00:57:45 Ideas are things to be exchanged, right. That's what we're supposed to do with them. And that's gone. You can't exchange ideas anymore. I've believed my entire life that offense is taken, not given. You don't ... I mean I could offend you, it would be obvious I was trying to offend you. But if you infer offense from something I've said, that's on you, that's not on me-
- Demetri Kofinas:** 00:58:06 That's what's called a micro-aggression. Are you familiar?
- Grant Williams:** 00:58:07 I'm fully familiar with these things-
- Demetri Kofinas:** 00:58:07 I learned all of this from Jonathan Haidt's book.
- Grant Williams:** 00:58:07 No I'm fully familiar with this stuff. And to me, it's a true tragedy, that this ability to be offended and just kind of say "You know what, that offends me" and move on, seems to have gone. I grew up in the UK, in the sort of '70s and '80s, and it was a society and a culture where taking the piss out of people was ... that's what you did. You made fun of people, and you made fun of stereotypes, and you made fun ... but it was humor. And that has now been transformed into racism.
- Demetri Kofinas:** 00:58:36 Right.
- Grant Williams:** 00:58:36 And it's a shame. You know I hope this is just another one of those pendulums that will swing back the other way, because it's so extreme now, and the things people are getting offended about are ludicrous and you just kind of want someone, an adult to stand up and say "Okay, stop. Just stop."
- Demetri Kofinas:** 00:58:51 That's exactly what it's like though. It's like kids.
- Grant Williams:** 00:58:54 It is. It is kids.
- Demetri Kofinas:** 00:58:55 It's like he stole my toy, and the kid stole your toy cause he's trolling you. He's doing it to piss you off. And you're getting pissed off. And you're going to piss some other guy off who's next to him, who's seeing this happening, and he's going to blame you. And then it just feeds on itself, and you've got all these extreme people throwing ... it's like monkeys that throw shit across the park. You know what I mean? Like when they throw ... they just throw shit at each other. And if you're in the middle, you get hit. And then either you get radicalized, or you know I don't know, you just go away. Which is like what I think

you and I both tend to do probably, I assume you do the same thing. What I do is I just withdraw from that-

- Grant Williams:** 00:59:30 I've got better things to do with my time rather than get into arguments with people ... I'll get into any discussion you want, but getting into an argument with someone that's already made up their mind, it's just a pointless waste of time.
- Demetri Kofinas:** 00:59:39 Another great point, right. So this goes back, you're an amazing interviewer, I told you before, I think I've mentioned it again. You're just very personable, and they're conversations, there's not interviews, it's more conversations that you have with people. I want to ask you about this. I am so turned off from the structure of interviews the way they are done today, the classic example is like Hard Talk right, at BBC. Where it's like what's your opinion, what's my opinion, let's fight.
- Grant Williams:** 01:00:03 Right.
- Demetri Kofinas:** 01:00:04 Right. Like fight to the death, mortal combat you know, who's going to win. Why the fuck would I want to watch that? Why is that interesting? How does that offer me anything at all? I don't want to hear an argument, I want to hear a conversation. Cause an argument suggests that someone is wedded to a certain belief-
- Grant Williams:** 01:00:19 Correct.
- Demetri Kofinas:** 01:00:19 Like let's just come to a more coherent understanding of what reality is, and let's put our differences aside. We don't need to like measure who is closer to who at the end. You know what I mean?
- Grant Williams:** 01:00:30 That's exactly right. At the end of the day when you sit down with people and you ask them for their thoughts on a subject, if they differ with yours, that's great.
- Demetri Kofinas:** 01:00:39 That's great, cause you get to learn something.
- Grant Williams:** 01:00:40 That's the best thing in the world. And I think civility has gone. You ask someone for their thoughts on something, and then they share their thoughts with you, and you want to start fighting with them and disagreeing with them? It's just their thoughts right, it's okay that they're different to yours. But it's something I'm very conscious of, and when I have these conversations I hear things that I disagree with, or I want to follow up with, but you have to be able to do it in a respectful

way because that's ... respectful discourse is one of the building block of society, and I really genuinely feel as though that has been whittled away at to such a point that it's in danger of disappearing. And I think when that disappears, when you lose the ability to have civil discourse, you end up solving all your problems in the worst possible way by fighting, and I just think that's not good for society.

- Demetri Kofinas:** 01:01:26 My sub title for this episode Grant, I'm probably going to keep it, I don't always commit to them. But it's called "Quantum field reports from an adventure capitalist" cause that's what I think you are. You spend a lot of time with a lot of people that you really respect and think are really smart, and you get to learn a lot from them. And you listen a lot, and you have conversations, and I think that all of us who get to watch you do that on Real Vision now, are very lucky. Because you do it in the way that we discussed, it's an actual conversation, and it's not combative, and it's interesting, and you're there to learn. I think that's what's really cool about what you do now, it's that you basically put a camera on while you do what you do normally-
- Grant Williams:** 01:02:02 Right.
- Demetri Kofinas:** 01:02:03 But now we get to watch you do it.
- Grant Williams:** 01:02:04 I appreciate that, cause that's exactly what I'm trying to do. I'm just trying to give people a chance to be a fly on the wall in a conversation, that's all. It's not an interview. And the series is called "In Conversation With" very deliberately because I don't want it to be an interview, I don't want it to be an interrogation. I want it to be a conversation that ebbs and flows, and goes wherever it goes. I mean I know what I want to talk about, but I don't care if I don't get to most of those questions cause we go off in an interesting direction somewhere else.
- Grant Williams:** 01:02:28 And the business of finance has attracted the brightest people in the world for fifty years, because whether you're a chemist, or a rocket scientist, you know where you're getting paid is Wall Street. So all kinds of people went to Wall Street with all kinds of skills and degrees, and they've done some amazing things. But if you sit down with real finance people, and you ask them stuff, and you sit there and talk to them about things, you'll hear stuff that will challenge your assumptions, that will confirm your assumptions, that will give you things to worry about, give you things to be optimistic about. And being able to do that, in a comfortable environment, where people get the chance to just sit and listen ...

Grant Williams: 01:03:03 You know the one thing that I have to say, and we've got an incredible audience, I mean our subscribers are just phenomenal. The one thing that I will say that just drives me mad, is I'll sit down with someone for an hour and a half, and then the first comment will say "Well I didn't get any actionable trade ideas from that".

Demetri Kofinas: 01:03:17 Oh my god.

Grant Williams: 01:03:18 I wasn't trying to get those.

Demetri Kofinas: 01:03:21 You and I talked about this.

Grant Williams: 01:03:21 I wasn't trying to get those. There's a time and a place, and I think if you really listen to smart people, you'll find all the actionable trade ideas you want, they'll just be in your own head, and they'll be the product of that information.

Demetri Kofinas: 01:03:31 Doesn't the parable ... I guess it's a parable. Of teach a man to fish, he can catch his own fish basically-

Grant Williams: 01:03:37 Yeah.

Demetri Kofinas: 01:03:38 I butchered the parable, but-

Grant Williams: 01:03:40 You did a pretty bad job of that yeah. I think it's give a man a fish he'll eat for a day, give a man a fishing rod and he'll eat for life.

Demetri Kofinas: 01:03:48 Something like that. Whatever. But the trade idea is like giving someone a fish. That's one fish, you're not going to get it again, it's one trade idea-

Grant Williams: 01:03:55 Look, you're right, but it's ... I think the beauty of what we do is, we do cater for people that want-

Demetri Kofinas: 01:04:01 You guys do that already-

Grant Williams: 01:04:01 Okay let's hear a trade idea. And I might disagree with you and think you're an idiot, but I want to hear the trade idea. For me, that's not the value for me. The value I take is from really hearing how somebody thinks. I'll come up with my own trade ideas. But tell me how you think, tell me how you've become that person, give me the experiences that have shaped the way you think, because that to me is like the fishing rod. I can take that and apply it to my own thinking, to situations I find myself in, and I can really use that for the rest of my life. Whereas if

you tell me that I need to buy Apple ahead of next quarter's results-

- Demetri Kofinas:** 01:04:35 Where is Apple going to be at tomorrow Grant?
- Grant Williams:** 01:04:37 Yeah right-
- Demetri Kofinas:** 01:04:38 You're not going to give us some price quotes-
- Grant Williams:** 01:04:40 No, I'm not going to guess about the future. But you know what I mean. And that's a useful thing for me for the next two weeks, but after that it's completely useless to me, where Apple's going to be in two weeks is useless in three weeks. Knowledge is priceless.
- Demetri Kofinas:** 01:04:54 Were there any great interviewers, or journalists, or people that you followed in media ... either that you follow now, or you used to follow, that you think about or that you've-
- Grant Williams:** 01:05:06 Oh man, I've gotta say ... to me, people have been incredible nice about what I've done, which is hugely flattering, and humbling, and embarrassing at the same time because I'm not trying to interview people, I'm just trying to talk-
- Demetri Kofinas:** 01:05:20 Right.
- Grant Williams:** 01:05:20 And so I don't feel like there's an art to what I do. I genuinely don't. I'm genuinely curious about what these people think. And when I sit in that chair, I'm the audience, I'm watching the interview as I'm doing it, and I'm just fortunate in that I'm the guy that gets to say "Oh that was interesting, let's follow up on that". I'm just trying to have a conversation that I'm genuinely interested in, and I think that genuine side of it comes through.
- Grant Williams:** 01:05:44 Not just in that, but anywhere today, if you see something that's genuine, you know. In this day and age, if something's genuine, I think there's something about it that makes it stand out. And so in a world that in many ways is so fake, just to have a genuine conversation, or genuinely be interested in something someone's talking to you about, is a rare thing. And I think that's perhaps why it resonates with people, is because you've nearly always got an angle today, it's about self-promotion, it's about this, it's about that.
- Grant Williams:** 01:06:12 I say all the time that the one challenging thing about doing these interviews is for four years I've been the dumbest guy in every conversation I've had, and that's confronting, but it's

fantastic. Cause these guys aren't learning anything from me, but I'm learning a ton from listening to them, and it's a genuine privilege for me.

Demetri Kofinas: 01:06:27 Well on that note Grant, I want to thank you for coming on the show. It was a great conversation.

Grant Williams: 01:06:31 Are you kidding, anytime, I've loved every second of it. Thanks for having me.

Demetri Kofinas: 01:06:32 Thank you man, thank you.

Demetri Kofinas: 01:06:34 And that was my episode with Grant Williams. I want to thank Grant for being on my program. Today's episode of Hidden Forces was recorded at Edge Studio in New York City. For more information about this week's episode, or if you want easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you're a regular listener of the show, take a moment to review us on Apple Podcasts, each review helps more people find the show and join our amazing community. Today's episode was produced by me, and edited by Stylianos Nicolaou. For more episodes, you can check out our website at hiddenforces.io. Join the conversation at Facebook, Twitter, and Instagram @hiddenforcespod, or send me an email. As always, thanks for listening. We'll see you next week.