

Selling Shorts Out Naked in the Cold

By [The Mogambo Guru](#)

05/11/09 Tampa Bay, Florida In a bit of good news, NyTimes.com had the headline “Goodbye to Naked Shorting” by Floyd Norris. He reports that it looks like “naked shorting – the practice of selling shares short without borrowing them – is almost gone.”

Thank goodness! As a greedy optimist, one can certainly understand the attraction of naked short-selling because (for one thing), “Naked short-selling can save a trader the costs of borrowing shares.”

Instantly, I thought of myself and my job in the context of my employer trying to cut expenses, since everybody is seemingly losing sales, losing jobs, and the old “pre-Clinton” way of measurement of the unemployment rate is now running at 12% or more! Some estimate up to 18% unemployment!! Yikes! Double exclamation points!

From the depths of my sudden despair, I realize that I could use this to my advantage! On the wall of my office I wrote, **“Since a reason for allowing naked short-selling is because it saves a greedy trader a necessary expense (the cost of borrowing shares), then it must be similarly okay for me to lie to customers about the ownership of assets in order for customers to give me money!”**

I love it! I love the simplicity of it! No accomplices to pay off, no bribes to pay, no more spending night after night in some desperate blackmail scheme, watching somebody’s house until you catch them doing something bad, and then, when you finally face them in your moment of ultimate triumph and hit them with the sordid evidence, they turn around and whip out those old photos of you with that Swedish ballerina in the storage locker, and they laugh at you when you try to explain, for the thousandth time, “You should have seen her right BEFORE this photo was taken! It was her idea! She was lovin’ it, I’m telling ya!”

Since my career as a competent employee long ago turned into a farce and my backup plan as extortionist extraordinaire now lay in flames, too, my new plan is to simply negate contracts with customers, keep the money the suckers already paid us, sue them for more money, and then reluctantly settle at the last minute by paying the whining and litigious customers back with shares of stock, which I don’t have, either! I love this naked-short thing! Hahahaha!

Additionally, the article notes that naked short-selling “can make it possible to short a stock where borrowing is very difficult because so many others want to sell it short,” which is a weird situation, and, I admit, the whole reason that I formed Mogambo Enterprises, a company long reviled by Wall Street and small-minded people who wouldn’t know quality pornography if it came over there and squatted down on their faces.

But the idea is that Mogambo Enterprises would be a small outfit with an incompetent, corrupt management, zero capital or assets, mysterious liabilities, a total capitalization of 100 shares of

almost worthless value and zero float (since nobody in their right mind would buy any shares), but which could (and this where it suddenly gets interesting!) suddenly have thousands of its shares sold short if there were a rumor that the price of the shares would plummet from almost-zero to absolute zero. Tens of thousands of shares could be sold short! Millions of shares!

By this time I am screaming in glee **“Billions of shares of Mogambo Enterprises could ‘exist’ by virtue of being sold naked-short!”**

There is, obviously, no upper limit on the number of shares that can exist if you allow unlimited naked short-selling, which is Very, Very Interesting (VVI) since there would theoretically be a Huge Freaking Squeeze (HFS) on short-sellers, driving the price of the entire Mogambo Enterprises shares to astronomical levels, if Mogambo Enterprises suddenly declared a dividend of \$5 per share!

Instantly, the stock would rise in price from almost zero to at least \$5 per share! The stock would go to the moon if there were only 100 real shares to satisfy a billion short positions that need to be filled! The moon, I tells ya! Hahaha!

Not surprisingly, since one of the Laws Of The Jungle (LOTJ) is that the majority of investors must lose money or purchasing power, or both, **“the primary evidence of naked short-selling is a large number of trades where shares were not delivered on time, causing a ‘fail’ in Wall Street jargon.”**

We all admit that “A large number of fails does not prove naked short-selling, since there are other reasons for trades to fail” but even the *NY Times* admits, “such a number does indicate it is likely.”

Then Mr. Norris says, **“Critics of naked short-selling often say it produces ‘counterfeit shares,’ but that term is misleading.”**

I naturally leap to my feet and shout, like a whiny little kid, **“No it is not! It’s a blatant, state-sanctified fraud against the guy who contracted in good faith to buy a share of stock, but received only a promise of a share of stock! Ain’t the same thing!”**

It’s the same thing with the blatant naked-shorting of gold on the Comex, but that is a whole other story, when we should be paying attention to gold, which is apparently a favorite of Mother Economic Nature in that, historically, gold has won every time against everything else over the long-term.

Whee! This investing stuff is easy!