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I'll just put this out there:

1. This is classic liquidity crunch and has happened many times.

2. RH/etc. will turn out to have made mistakes, didn't plan for any of this, ultimately lose big.

3. Reform will center on how services are offered/advertised to retail investors.

4. Lots of coverage will center on class warfare narrative and the 'game being rigged'.

5. That same coverage will make 3 seem like the answer and a fair resolution to the problem.

6. The real culprit, as always, was leverage and incentives.

7. In the US financial institutions that accept deposits insured by the federal government (FDIC etc) are allowed to hold positions in risky assets, though this is regulated.

8. Other even less regulated institutions (funds etc) hold shares in the guys referred to in 7.

9. The REAL problem is those institutions are allowed to make leveraged bets that, if they go badly enough, could affect the value of 'safe' assets like savings accounts and pension funds.

10. Thus the ultimate incentive problem: Big funds ultimately insured by taxpayer dollars

11. Ultimately the ONLY real reforms that matter are:

i) Reserve requirements, i.e. how much banks/funds/etc are allowed to borrow to invest in risky assets

ii) Trade restrictions, i.e. some institutions (commercial banks) not allowed to hold some assets/positions (short)

12. Both are tricky, because (surprise!) a great way to make money is to invent new types of tradeable assets or new classes of institutions/funds to circumvent these rules. And ultimately the funds have a LOT more resources to work with than the regulators.

13. One of the proposed solutions is always to rule out certain assets or positions. This time it's shorting. Other times it's options or spreads.

14. That's probably really dumb because while those positions could contribute to a crunch they can also help CREATE liquidity.

15. The root cause of liquidity crunches is almost never a particular type of asset structure. It is ALWAYS leverage. As my old colleague Doug Diamond said in 2008, "follow the short term debt". Crunches happen because somebody borrowed and couldn't pay up. It's that simple.

16. If there IS a class warfare narrative here, it's simply that when big institutional investors get crunched, we often end up having to hold our noses and bail them out. But that's not any hidden rich people conspiracy, it's the simple incentive problem we talked about above.

TL;DR if you care about financial reform, don't listen to any of the fiery rhetoric. There's no one bad guy. Michael Lewis et al get a lot right but ultimately they had to sell books/movies and blaming rich people and big banks is a great way to do that.

The system IS rigged but not how you think. It's rigged because big financial institutions effectively get free insurance. The only way to UNrig is smart, well funded, aggressive financial regulation.

Like a lot of other things, we know HOW to fix the system- We CHOOSE not to.