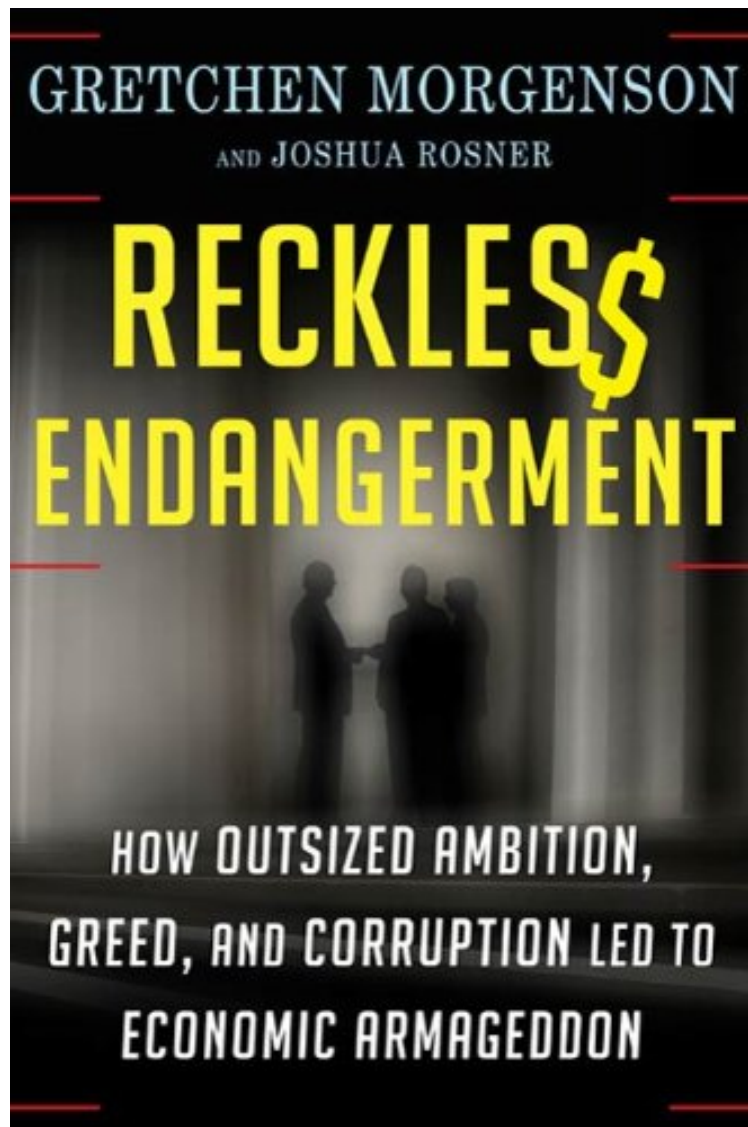


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Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon

Gretchen Morgenson, Joshua Rosner
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Gretchen Morgenson, Joshua Rosner : Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon before purchasing it in order to gauge whether or not it would be worth my time, and all praised Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon:

558 of 588 people found the following review helpful. We need more watchdogs like Gretchen and Josh!By Srikumar

S. Rao I have long admired Gretchen Morgenson and cheered when she was awarded a Pulitzer. Perhaps this book in conjunction with her hard-hitting NY Times reporting will garner her another one. She deserves it. The authors echo my sentiments precisely in their introduction "...felt compelled to write this book because we are angry that the American economy was almost wrecked by a crowd of self-interested, politically influential and arrogant people who have not been held accountable for their actions." And the people who did it "...continue, even now, to hold sway in the corridors of Wall Street and Washington." I have nothing against the vastly wealthy and sometimes - OK, frequently - dream wistfully of joining their ranks, but I do care about how this wealth is accumulated. Entrepreneurs who build companies, executives who take these companies to the next level and the one after that, highly talented and gifted persons - in arts and sports - who command premium remuneration all enrich society. Many financial titans, on the other hand, do not create wealth. They are unusually adept in extracting it for personal gain while simultaneously impoverishing society and holding it hostage. They operate on the principle that "My gain is mine and only mine. My loss is actually yours." And they know how to spread enough largesse that enablers like accountants, rating agencies and regulators fall into line and they buy off politicians with consummate skill. They try - increasingly ineffectively - to justify their existence by claiming that they perform crucial service by "allocating capital" and "increasing efficiency." They further claim that they should not be regulated because they can do a better job of regulating themselves. The fish is starting to stink pretty bad. What makes this book a valuable read is that the authors explain exactly how this process works and they are not shy about naming names. For example, you learn how James Johnson, the erstwhile CEO of Fannie Mae built it into a colossus that gradually jettisoned all prudence in lending and vastly enriched himself and a bunch of cronies. He also suborned powerful legislators like Barney Frank, the powerful Massachusetts Democrat. And, lastly, he looked on and encouraged Wall Street firms to do the same and used that as justification to increase the scale of his own operations. And, Oh! I almost forgot, he also admonished fresh graduates to pursue their careers with "honesty and integrity". When Johnson left Fannie Mae, a senior executive recalled "...we always won, we took no prisoners and we faced little organized political opposition." He continued to be politically influential and was an adviser to the current president until forced to resign because it surfaced that he had received sweetheart loans from a leading purveyor of toxic financial junk. Did you ever feel that "You scratch my back and I'll scratch yours" is the norm on Wall Street? Consider this: Stephen Friedman, former CEO of Goldman Sachs was a director of Fannie Mae when the directors improperly allowed company executives to set earnings targets that they could meet. Federal investigators concluded that "As a direct result, senior management reaped ongoing and extensive financial rewards through accounting manipulation." Johnson was then inducted to the board of Goldman Sachs - when Hank Paulson became CEO - and promptly made chair of the compensation committee. He dispensed some of the richest paychecks on Wall Street and these became the norm as other firms played catch-up. In fact, Johnson chaired the compensation committees of every board he sat on. Angelo Mozilo, founder and CEO of Countrywide, was a good friend of Johnson's and used his methods to grow the cancer that was Countrywide. The company made it a policy to give sweetheart loans to persons in power - these VIP loans were informally known as Friends of Angelo loans. Richard Holbrooke got such a loan. So did Senators Chris Dodd, Kent Conrad and Barbara Boxer. So did Donna Shalala, former head of Health and Human Services and Alfonso Jackson, secretary of HUD. And Countrywide hired sons and daughters and relatives of the influential and made sure that they were not fired during mass layoffs. Do you think it is possible, just barely possible, that these policies are what enabled that tumor to grow so large without surgery even being considered? There were people who tried to stem the disastrous tide such as Mark Kohodes the money manager who shared damaging information about NovaStar - a Countrywide clone - with the SEC to no avail. And Armando Falcon, the regulator who tried to rein in Fannie Mae and was bludgeoned for his pains. And William Brennan of the Atlanta Legal Aid who drafted tough anti-predatory-lending legislation and then had it go nowhere. This book will make you well informed. It will also make you sad because not much has changed in the system and the same players are still active. Can someone please tell me why we "respect" these CEOs instead of crossing the street when we see them coming our way? 22 of 22 people found the following review helpful. A Scorecard of those Responsible for the Economic Crash By Eclectic One Gretchen Morgenson and Joshua Rosen have dug through all the mounds of conflicting information, "All's well" press releases, investigative reports that hit the problems of the time head on, and were subsequently buried, and research reports that were little more than home-grown "Atta boy" analysis, which were widely distributed, to find the dirt behind the economic mess we are in today. In going back to the beginnings, all the way to the '80's in some cases, they bring us the true foundation of the homeowner crisis. Important contributors are clearly identified in "Reckless Endangerment" including names, dates, times, and places. Congressman Barney Frank's initial support for homeownership for all, following Clinton's push on this front, was enough of an excuse for the markets to loosen up their funds and buy mortgages. As the volume of mortgages picked up, Jim Johnson and his Fannie Mae realized that in order to keep their spot on this merry-go-round, they would have to loosen their purse strings. Not to be outdone, the "Too big to fail" banks piled in, each creating its own brand of mortgage investments, each more toxic than its predecessor. As I was reading this wonderful book, I had a sense of dread for the future, just from the chain of events as provided by these two great authors. I know the outcome from my perspective of today, I believe I could have concluded the outcome had this work and information

been available 5-10 years ago. I would have liked just a bit more about the media in the chain of events, particularly the role played by CNBC. The network that advertises itself as "First in Business" was a cheerleader for the toxic loans, investment banks who sold the CDO's to unsuspecting customers, and Cramer's wildly supportive interview with Mozillo seemingly only a few months before the crash. Or Rick Santelli's famous rant of how it was all the homeowners fault. Sadly, there was so much ill-gotten money that ended up in the lobbyist hands and congressional pockets, that little has changed. Jim Johnson and Frank Reines of Fannie should be in jail for fraud. Chris Dodd read the handwriting on the wall, and wisely left congress for a private sector job. Barney Frank is still in Congress, none the less for wear. Mozillo of Countrywide, one of the largest players in the fraudulent loan market, instead of being in a cell, got off with a \$67 million fine, most of which Bank America paid. The leaders of the companies forced out of business or to the brink, like Fuld of Lehman or Thain of Merrill, received huge golden parachutes. Blankenship (We're doing God's work) of Sachs, and Dimon of Morgan continue at the helm, earning record salaries and bonuses. And no amount of disdain is too much for Hank Paulson, GW Bush's secretary of the treasury and former Goldman Sachs CEO. He looked away far too long, and allowed this disease to grow uncontrolled for several years. At the last minute, when forced into an economic corner, he created the infamous TARP bailout for his "Too big to fail" friends on Wall Street. Only slightly less clueless were Bernake and Geitner of the fed, and their leader, Greenspan. These three held an absolute faith that the "Banks would always do the right thing." We now know how that worked out. "Reckless Endangerment" is a hard book to put down for those interested in the roots of our current economic crisis. There are many good books out there about the crash, foreclosure crisis, and the resulting economic crash. I have read many of them. What this book does that no one else has clearly written about is the why's and wherefor's of how it all began. I found this to be a compelling read, and would recommend it to any serious reader of the times. 1 of 1 people found the following review helpful. Slow read but well worth it ! By D. Aziza Gretchen is a mainstream author from New York Times, but I really liked her book. If you take all the books on the financial crisis there is a lot of overlap; in other words, authors talking about the same thing. But her book has less overlap than any other book on the crisis like regarding the Basel capital requirements and how asset backed securities came with lower capital requirements which created a feeding frenzy of demand because these asset now freed up capital. It shows the insanity of banks. If sewage lowered capital requirements these guys would be in the porta john business tomorrow morning. These people are insane about their capital set asides. So, I learned a lot reading this book because it does have some depth. I read this thing about 2 mph; it's slow readin' -- took me about a week, but for me it was worth it. I had this book on my shelf for over 4 years from time I bought it til I actually read it. I dreaded reading it; it's not an easy read, but she sure did her homework. Very informative book. One thing I didn't like about it is no chapter titles. No table of contents. Never seen that before; maybe they are getting lazy over there at Henry Holt. Chapter titles I thought that was the fun part. Also, she spends a lot of time talking about Fannie and Freddie. I think if FF never bought one shoddy mortgage, you still would have had a financial crisis. But they certainly added fuel to feeding frenzy. I'm a financial crisis junkie - this is one of the better ones. Don't bother buying Too Big To Fail, it's a book that lost its editor; they're still lookin' for him. This book is just the right size; Well done, Misses Gretchen.

A Washington Post Notable Nonfiction Book for 2011 One of The Economist's 2011 Books of the Year The New York Times's Pulitzer Prize-winning columnist reveals how the financial meltdown emerged from the toxic interplay of Washington, Wall Street, and corrupt mortgage lenders In Reckless Endangerment, Gretchen Morgenson, the star business columnist of The New York Times, exposes how the watchdogs who were supposed to protect the country from financial harm were actually complicit in the actions that finally blew up the American economy. Drawing on previously untapped sources and building on original research from coauthor Joshua Rosner, who himself raised early warnings with the public and investors, and kept detailed records; Morgenson connects the dots that led to this fiasco. Morgenson and Rosner draw back the curtain on Fannie Mae, the mortgage-finance giant that grew, with the support of the Clinton administration, through the 1990s, becoming a major opponent of government oversight even as it was benefiting from public subsidies. They expose the role played not only by Fannie Mae executives but also by enablers at Countrywide Financial, Goldman Sachs, the Federal Reserve, HUD, Congress, the FDIC, and the biggest players on Wall Street, to show how greed, aggression, and fear led countless officials to ignore warning signs of an imminent disaster. Character-rich and definitive in its analysis, this is the one account of the financial crisis you must read.