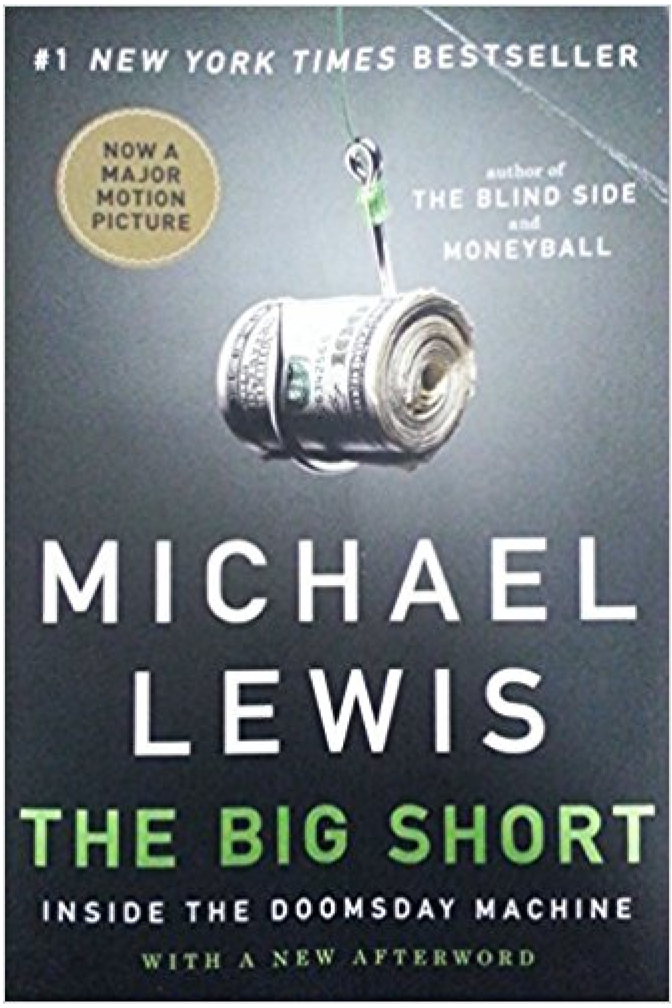
# The Big Short: Inside The Doomsday Machine



## Synopsis

The real story of the crash began in bizarre feeder markets where the sun doesn’t shine and the SEC doesn’t dare, or bother, to tread: the bond and real estate derivative markets where geeks invent impenetrable securities to profit from the misery of lower--and middle--class Americans who can’t pay their debts. The smart people who understood what was or might be happening were paralyzed by hope and fear; in any case, they weren’t talking.   Michael Lewis creates a fresh, character-driven narrative brimming with indignation and dark humor, a fitting sequel to his #1 bestseller Liar’s Poker. Out of a handful of unlikely--really unlikely--heroes, Lewis fashions a story as compelling and unusual as any of his earlier bestsellers, proving yet again that he is the finest and funniest chronicler of our time. The #1 New York Times bestseller: "It is the work of our greatest financial journalist, at the top of his game. And it’s essential reading."Ã¢â ¬â •Graydon Carter, Vanity Fair

## Book Information

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## Customer Reviews

Although Lewis is perhaps best known for his sports-related nonfiction (including The Blind Side), his first book was the autobiographical Liar’s Poker, in which he chronicled his disillusionment as a young gun on Wall Street in the greed is good 1980s. He returns to his financial roots to excavate the crisis of 2007Ã¢â ¬â œ2008, employing his trademark technique of casting a microcosmic lens on the personal histories of several Wall Street outsiders who were betting against the grainÃ¢â ¬â •to shed light on the macrocosmic tale of greed and fear. Although Lewis reads the book’s introduction, narration duties are assumed by Jesse Boggs, a veteran narrator of business titles (including Lewis’s own 2008 book Panic!). Boggs’s rich baritone is well suited to the task and trips lightly through a maze of financial jargon (CDOs, derivatives, mid-prime lending) and a dizzying cast of characters. Lewis returns on the final disc for a 10-minute interview about the crisis’s aftermath, including a savvy assessment of the wisdom of the financial bailout and where-are-they-now updates on the book’s various heroes and villains. A Norton hardcover. (Mar.)

--This text refers to the Hardcover edition.

Michael Lewis has written from the perspective of a financial insider for more than 20 years. His first book, Liar’s Poker, was a warts-and-all account of Wall Street culture in the 1980s, when Lewis worked at the investment bank Salomon Brothers. Everything Lewis has touched since has turned to gold, and The Big Short seems to be another of those books, combining an incendiary, timely topic with the author’s solid, insightful, and witty investigative reporting. Only the Pittsburgh Post-Gazette criticized what it felt was a rush job of writing and a failure to integrate the individual stories. Few readers will care for the message here (despite laugh-out-loud moments of absurdity), but Lewis is a capable guide into the world of CDOs, subprime mortgages, head-in-the-sand investments, inflated egos--and the big short. However, as Entertainment Weekly points at, if you’re only going to read one book on the topic, perhaps this should not be the one. --This text refers to the Hardcover edition.

I said I love it, but I also sort of hate it. The book is well-written. Michael Lewis appears to be an excellent writer with a great eye for detail, the ability to humanize and bring his Subjects to life, and a talent for describing what are frequently very complicated and confusing ideas. Nevertheless, reading Lewis’ books can be an exercise in anger management.If you want an idea of what happened in the last 10-20 years and why we’re still suffering the effects of it and why we’ll probably keep suffering in the future, you’re going to need to read this book, as well as Lewis’ Boomerang, which I am finishing now. I suspect you’ll also need to read his other book, Flash Boys, which I shall be reading very soon.

I first read Michael Lewis’ ÃƒÂ¢Ã  â ¬Ã  Å“The Big ShortÃƒÂ¢Ã  â ¬Ã  Â• in 2010. I went and saw the movie version a few weeks ago and decided to read this book again. I probably got a little more out of it having seen the movie. Also in order to better understand the exotic financial derivatives I took a lot of Khan Academy classes in their economics division which covered mortgage backed securities, collateralized debt obligations etc. That made understanding the book a little more easy.The book covers the stories of several different investment fund managers who recognized the coming implosion of the housing market of the mid 2000s and figured out a way to profit from the collapse of the financial instruments which had put the money into the hands of recent home buyers who in any other time of less easy credit would not have been lent the money. These managers were believed that the coming collapse in housing prices, defaults, and repossessions would dwarf even the Great Depression. They basically bought insurance that would pay them if the housing bonds they owned or were betting against were to lose their value. Huge entities who supposedly hired the best and brightest financial minds agreed take their insurance payments with the promise to pay off the fund managers the value of the bonds if they lost money. The amount of money these ÃƒÂ¢Ã â ¬Ã Å“insurersÃƒÂ¢Ã â ¬Ã Â• were obligated to pay in was many times their liquidity, but they blindly continued to write these credit default swaps which made the fund managers fabulously wealthy when the bonds collapsed in 2007.The book covers the dysfunctional position that investment banking has taken in our economy and the way in which it has evolved from efficiently collecting and allocating capital , to a highly leveraged house of cards , offering products which do little to help customers , provide an outsized share of the GDP to financial firms while providing little of value to the overall economy.Reading this book makes one wonder about the future of the economy , considering the concentration of wealth in the top 1%. The trillion dollars that went into bonds that funded housing from 2000 to 2007. We now all know that many many people who ended up borrowing that money to move into homes ultimately could not afford those borrowing costs. And yet the economy of the early 21st century in America was driven by the overheated housing market. Many , many carpenters, cement finishers etc were put to work building those houses for people who ultimately couldn’t afford them. How much GDP was driven by home equity loans ÃƒÂ¢Ã â ¬Ã â œ people borrowing on unjustifiable rising house values, buying boats, vacations, kitchen upgrades on borrowed money. So now look at the scenario where that trillion dollars isn’t made available for housing, where does that money go? If only the top 20% can afford to carry loans for houses, where is that trillion dollars invested in order to move the economy along? Is our problem that not enough money is in the hands of potential consumers? Charles Murray in his book thinks that our societal problem is more an 80-20 problem with the top 20% pulling so far away from the bottom 80%. At any rate if not enough money is in the hands of consumers, then not enough is invested in serving them, nor are the rates of returns on invested money very attractive to the majority of middle class investors (via 401Ks) that need the investments to work in order to fund their longer life spans after their working lives end.

I saw the movie first and was so impressed/interested I decided to read the book and I'm very glad I did. It can be hard to keep up with all the financial jargon of all these complex instruments but it's meant to be that way. As the author expresses Wall Street makes things complicated so that outsiders will think they are the only ones smart enough to make sense of it. The scary thing this book illustrates is that they made it so complicated even they had no clue what was going on. Only a hand full of people that did the detective work to figure out what was really happening were the ones able to profit from this nightmare scenario. It's sickening how all the people who destroyed our economy not only got away with it but walked away with huge sums of cash and taxpayers in the end paid the price. I loved this book for delving so deep into this unfortunate situation. The only way to learn from mistakes is to truly understand what you did wrong in the first place.

Or maybe not. Home ownership is not for everyone. The initial lack of affordability is just the first hurdle to overcome. After that comes property insurance, taxes, repairs, cost of furnishings, and general upkeep. First time homeowners, even if they would qualify on a regular loan, may find themselves getting behind if interest rates change, property insurance rises, utility costs go up, or the roof needs repairs (etc, etc, etc.). But the Great American Dream is home ownership, and darn it, we're going to see that everyone has that opportunity.What a wonderful opportunity for everyone in the real estate industry to make money off unqualified home buyers and speculators. The real estate agents, banks and mortgage companies, property appraisers, local governments (through property taxes), home builders and subcontractors. Then Wall Street realized that they could package these "collateralized" home loans and sell them to investors. Even though the subprime loans (no money down, no verification of income, lack of loan documentation) were only backed by the value of the homes, Wall Street managed to get these collateralized home loans rated AAA, the same rating that United States government bonds receive. Unbelievable amounts of money are being made by all the players in this market. The only problem was the lack of sufficient numbers of loans to be packaged and sold off as mortgage bonds. So lending standards became even easier to meet. Not only were two year low rate teaser loans offered, but buyers could choose to actually defer the interest due instead of paying it and have it added to the principal amount of the loan. And since the supply/demand situation in the housing market kept home prices rising, the banks started pushing home equity lines so that people could tap the phantom equity in their home to build a pool, buy a new car, or take that trip they'd always wanted. So now home buyers with no money down, no verifiable income, and possibly not even paying interest on their primary mortgage, were literally given the additonal equity in their homes by the lending institutions to do with as they pleased.The Wall Street firms, never able to ignore easy profits, kept investing more and more of their capital into these potentially worthless loans. Many of these firms leveraged their capital so that $1.00 would control up to $40.00 of these assets. The CEOs and investment bankers were making fortunes for themselves as each quarterly report outdid the previous one. Unfortunately when housing prices began to fall, they were liable for the whole $40.00, not just the $1.00 they put up. The sad part of this is that the executives, virtually to a man, walked away with millions of dollars while their firms failed and hundreds of thousands of employees lost all or most of their pension funds. Only a very few bright and insightful money managers managed to identify this crisis before it unfolded and made billions of dollars off the catastrophe. This is their story. I hope that you find it as fascinating as I did.

Inside (Of China: A Year Inside, Of Iraq: A Year Inside Book 1) Bendy and the Ink Machine- An Animator’s Tale: Book 1: Welcome to Joey Drew Studios! (Bendy and the Ink Machine - An Animator’s Tale)