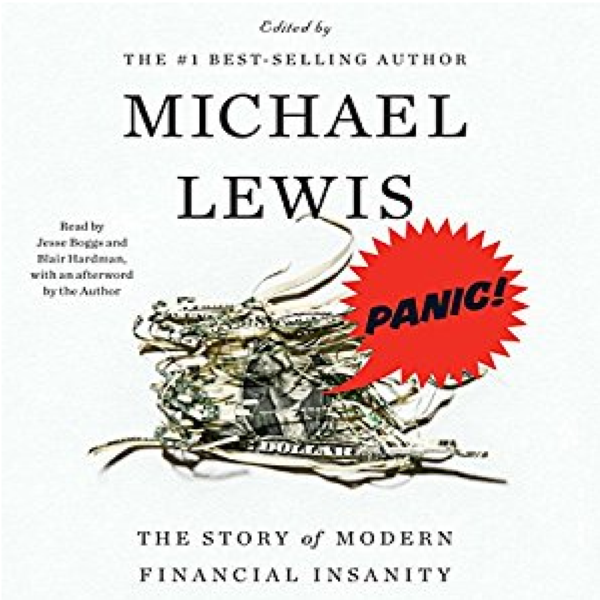
Panic!: The Story Of Modern Financial Insanity



Synopsis

The New York Times bestseller: A masterful account of todayÃ¢â ¬â„¢s money culture, showing how the underpricing of risk leads to catastrophe.When it comes to markets, the first deadly sin is greed. In this New York Times bestseller, Michael Lewis is our jungle guide through five of the most violent and costly upheavals in recent financial history. With his trademark humor and brilliant anecdotes, Lewis paints the mood and market factors leading up to each event, weaves contemporary accounts to show what people thought was happening at the time, and, with the luxury of hindsight, analyzes what actually happened and what we should have learned from experience.

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Customer Reviews

The book contains 56 different essays and articles on the main financial crises since 1987. Some of those pieces are just a couple of pages long; others are up to nearly 20 pages. They come from numerous well established sources such as Bloomberg, Businessweek, Forbes, Fortune, New York Times, New Yorker, The Economist, Wall Street Journal, and Washington Post among others. Some are extracts of books. Michael Lewis has written only a few of those 56 pieces.The quality of those articles vary somewhat. For the most part they are very good. Very few are terrible. And, some are outstanding.Just to name a couple of the terrible ones, there is one entitled ÃƒÂ¢Ã â ¬Ã Å"From the Brady Commission ReportÃƒÂ¢Ã â ¬Ã Â• that just narrates nearly hour-by-hour the level of the Dow during the stock market crash of October 1987. However, it provides no analytical insight whatsoever about what happened and why. Luckily, it is only 4 pages long. But, those 4 pages made for really miserable uninformative reading.Another terrible one is the one by Lester Thurow who attempts to demonstrate that ÃƒÂ¢Ã â ¬Ã Å“portfolio insuranceÃƒÂ¢Ã â ¬Ã Â• had nothing to do with the crash of 1987. Within this same book, other articles provide an abundant body of evidence (both explanatory and quantitative) that portfolio insurance caused a huge automated pipeline of stock sell orders that overwhelmed the markets, and caused a vicious downward spiral in the stock market. Lester Thurow opinion that portfolio insurance trading did not contribute anything to the crash of October 1987 is nearly as absurd as if he advanced the same opinion regarding High Frequency Trading and the more recent flash crashes the markets experienced just a few years back. For more on this subject, I recommend Michael Lewis excellent ÃƒÂ¢Ã â ¬Ã Å“Flash Boys.ÃƒÂ¢Ã â ¬Ã Â•Fortunately, the book is dominated by excellent articles that give you a contemporary analytical narrative covering the respective financial crises live in real time (at the time). And, it provides some very interesting insights. IÃƒÂ¢Ã â ¬Ã â„¢ll mention just a few of them below.The Economist article on the dysfunctional implementation of markets circuit breakers in 1989 is very interesting. Without going into details, those circuit breakers were structured in a very inconsistent way across different markets triggering both liquidity and volatility events (just the type of events that they were supposed to prevent). I trust that since then (nearly two decades later) those known flaws have been fixed.Robert Shiller writes an excellent piece in The Washington Post documenting how portfolio insurance did explicitly contribute to the crash of October 1987 and rebuts Lester ThurowÃƒÂ¢Ã â ¬Ã â„¢s position mentioned earlier. Portfolio insurance contributed an addition $6 billion out of $40 billion in sell orders on October 19, 1987. A factor that increases sell orders by 15% overnight is going to put very severe downward pressure on the stock market.One of the longest pieces is a Michael Lewis essay from the NYT on the demise of Long Term Capital Management (LTCM) called ÃƒÂ¢Ã â ¬Ã Å“How the Eggheads Cracked.ÃƒÂ¢Ã â ¬Ã Â• And, it is a classicÃƒÂ¢Ã â ¬Ã Â¦ very detailed, and very clearly explained. You have to remember that LTCM was headed by a former famous Salomon Brothers bond trader called John Meriwether. And, the latter was actually one of Michael Lewis boss when Lewis started his career at Salomon. Lewis will soon quit and write a bestseller ÃƒÂ¢Ã â ¬Ã Å“LiarÃƒÂ¢Ã â ¬Ã â„¢s PokerÃƒÂ¢Ã â ¬Ã Â• where he describes Meriwether in great detail. In any case, Lewis demonstrates an excellent technical grasp of what happened to LTCM. And, this essay is really fascinating to read.Another long and excellent piece by Michael Lewis is an essay about the dot.com bubble also published in the NYT called ÃƒÂ¢Ã â ¬Ã Å“In Defense of the Boom.ÃƒÂ¢Ã â ¬Ã Â• And, here he takes a positive take on this bubble. He makes a persuasive case that allowing for somewhat unrestrained form of high-tech innovation-capitalism has long term economic benefit for a society. The dot.com bubble generated a lot of new ideas and much new hi-tech infrastructure including a wild excess of fiber optics networks at the time (that will be eventually used up over time). Michael Lewis summarizes his theme as follows: ÃƒÂ¢Ã â ¬Ã Å“Failure in the valley was more honestly and bravely understood as the first cousin of success.ÃƒÂ¢Ã â ¬Ã Â•John Hechinger writes an excellent article on the abuse of real estate appraisals that contributed to the subprime crisis. But, what were appraisers to do? They were paid by the lenders who needed a specific valuation to fund the subprime mortgage and in turn securitize those pools of mortgages at a great profit by reselling them to Wall Street. If the mortgage lenders and bankers did not get the appraisal values they needed they would stop hiring the appraisers.Roger LowensteinÃƒÂ¢Ã â ¬Ã â„¢s article ÃƒÂ¢Ã â ¬Ã Å“Triple-A FailureÃƒÂ¢Ã â ¬Ã Â• in the NYT on the failing of the bond rating agencies in accurately assessing the credit risks of MBS and CDOs is probably the very best article in the book. For one thing, it focuses on the elephant in the room. The rating agencies have been mentioned in passing regarding the subprime crisis. However, if you understand their key role in passing junk debt for AAA rated ones, and their enormous conflict of interest (they were directly paid by the bond issuers), you realize they were truly the engine of the subprime crisis. With accurate ratings there would have been very little investor demand for subprime mortgage backed securities. Those would have been rated as junk bonds associated with a very moderate institutional investor demand. And, you would have had no subprime crisis period. When risk is priced accurately, everything is fine.A really funny and politically incorrect article is the one written by Michael Lewis titled ÃƒÂ¢Ã â ¬Ã Å“A Wall Street Trader Draws Some Subprime Lessons.ÃƒÂ¢Ã â ¬Ã Â• It is by far the most cynical article within the book. It is also one of the funniest ones (numerous of them have much humor). I wonÃƒÂ¢Ã â ¬Ã â„¢t repeat what this article says, I might get shot. You just will have to read it in secret yourself.Matthew LynnÃƒÂ¢Ã â ¬Ã â„¢s article titled ÃƒÂ¢Ã â ¬Ã Å“Hedge Funds Come Unstuck on Truth-Twisting, LiesÃƒÂ¢Ã â ¬Ã Â• on the real poor performance of hedge funds is also excellent.As you can tell, I have just mentioned a very small minority of the 56 articles included in the book. So, there is a lot more information and insights to be had from reading the whole book. I strongly recommend it.

Like countless others who have reviewed Michael Lewis' "Panic: The Story of Modern Financial Insanity", I didn't realize I was buying a collection of works of other authors in addition to Lewis' previously published pieces. However, it was interesting to get a glimpse into different financial eras to see how things have progressed over the past twenty years. Of the four sections, the Dot.Com was my favorite due to Lewis' defense of the entrepreneurial spirit within the Dot.com firms and criticism of Wall Street's post-crash, hypocritical stance of "don't blame us".What is very interesting and what I came away with from reading about these unique events is the realization that the panic in 1987, as well as the Asian Currency crisis, really didn't affect the average American. However, beginning with the Dot.com stocks and continuing into the current subprime crisis, the markets have evolved into such a far-reaching force that the actions of Wall Street have significantly impacted all income classes. Also, Lewis does a good job in selecting pieces that, as a whole, portrays the evolution of investment banks as firms focused on servicing individual brokerage accounts to fee-driven, relationship banks for corporate clients. This has created significant conflicts of interests with regards to investment banks pushing the sale of stocks of their corporate clients to their individual investors. I perceived an implication from Lewis, through his selection of some of the pieces, that he places a large share of the blame on Wall Street for all of these Panics.All in all, I felt the book was a good read that you can pick up over the course of a couple of weeks and read at your pace. However, there are articles that you will read and wish you had those ten minutes of your life back. I wish there would have been less focus on the Asian Currency crisis and more so on the current sub-prime mess but I suppose more time needs to pass in order to get a proper perspective on its historical significance.

Even though the book author is Michael Lewis, in reality he is the compiler of the information, because of this not all the articles are as interesting. I have to say the book is a compilation of published books, newspapers, magazines and interviews. The way it is organize, is by market crashes, starting with the crash of 1987 and ending with the subprime crash. Because of this organization the book is fairly easy to read, it is divided in months before the crash, during the crash and days after, giving the reader a chance to experience the articles and interviews that were shown at the time, thus allowing the audience to feel that a crash was imminent, helping to understand a little bit about why the crash had occurred.I recommend this book to anyone that is interested in knowing more about the recent market crashes, but I need to remind the readers that many of the terms used in the articles are financial terms, that not everyone understands.If you are looking for a good book recommendation and easy to read, I strongly recommend liar's Poker by Michael LewisÃ Â Liar's Poker: Rising Through the Wreckage on Wall Street, and also for the baseball fans MoneyballÃ Â Moneyball: The Art of Winning an Unfair Game.

Michael Lewis is one among the group of journalist writers (I mean non academic university type writers) who has written extensively on the functioning of the financial markets. I Like the ones that I have read. Due to his own experience in Wall Street his work is insightful. His informal narration makes his work easy to read. It tells you stories about the financial system that you would never get from any formal academic book. I would recommend this book and Liar's paradox to students and faculty of economics and finance.

Panic!: The Story of Modern Financial Insanity Panic Attacks Workbook: A Guided Program for Beating the Panic Trick Panic Stations Guide To Statement Analysis: Are they lying to you? (Panic Stations Guide to Life the Universe and Everything Book 14) The Panic Workbook for Teens: Breaking the Cycle of Fear, Worry, and Panic Attacks (An Instant Help Book for Teens) Financial Shock (Updated Edition), (Paperback): Global Panic and Government Bailouts--How We Got Here and What Must Be Done to Fix It Madness in Civilization: A Cultural History of Insanity, from the Bible to Freud, from the Madhouse to Modern Medicine Madness and Modernism: Insanity in the Light of Modern Art, Literature, and Thought FINTECH: Simple and Easy Guide to Financial Technology(Fin Tech, Fintech Bitcoin, financial technology fintech, Fintech Innovation, Fintech Gold, Financial services technology,equity crowdfunding) How to Have Outrageous Financial Abundance In No Time::Biblical Principles For Immediate And Overwhelming Financial Success: Wealth Creation,Personal Finance, Budgeting, Make Money,Financial Freedom The Dig Tree: A True Story of Bravery, Insanity, and the Race to Discover Australia's Wild Frontier The Insanity of God: A True Story of Faith Resurrected The Panic Virus: The True Story Behind the Vaccine-Autism Controversy The Panic Virus: A True Story of Medicine, Science, and Fear The Insanity Hoax: Exposing the Myth of the Mad Genius Hollywood, Interrupted: Insanity Chic in Babylon -- The Case Against Celebrity The Professor and the Madman: A Tale of Murder, Insanity, and the Making of the Oxford English Dictionary I Don't Suffer from Insanity Daybrightener Madness and Civilization: A History of Insanity in the Age of Reason Ten Days in a Mad-House: A Graphic Depiction of Conditions at an Asylum (Social Science - Insanity) The Insanity of Obedience: Walking with Jesus in Tough Places