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## Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself

Sheila Bair

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**Sheila Bair : Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself:

11 of 11 people found the following review helpful. It's hard to be humble when you're nearly perfect By Interested customer Of interest to those trying to understand the crony capitalism and revolving doors which have become the strategy of our government. I found this a mildly interesting memoir of a bureaucrat's struggles to remind other

bureaucrats that their function is to protect the public, not to enrich those temporarily at rest in a regulatory agency, on their way to Wall Street. What it does make clear to all who will see is that the cozy relationship between Wall Street and the regulators is not a function of which party is in power--both of them are staffed mostly by resume burnishers who are just biding their time until they can put their presumed connections and inside knowledge to work. Bair is not the best writer of all time. She has a tendency to describe her own conduct in glowing terms, and that others in a somewhat less positive vein. Which is fun to read when she's talking about one of my many betes noires, but a bit ponderous when she effuses about herself. 21 of 22 people found the following review helpful. Good book about the crisis. Even better, it tells how the banks derailed reform . Best of all SHE PROPOSES GOOD SOLUTIONS By Contrarian Good book about the crisis. Even better, it tells how the banks derailed reform . Best of all she proposes solutions. This has three parts: - 1) an insider's view of the crisis and bailouts. This is excellent - 2) an insider's view of the reform efforts and how the banks, helped by Geithner and others, undermined the efforts at reform. - 3) proposed solutions The first part is very good but there isn't much that is new. There are a lot of good books about the crisis. I don't have time to read them all. This one focuses on the regulatory side of things and has some good inside insights there. It doesn't cover what was going on at the banks, rating agencies, etc. So, for this story, you are better off with a more general book such as 13 Bankers: The Wall Street Takeover and the Next Financial Meltdown (Vintage) But there are few books about the reform efforts and discussion from the inside how they were derailed. This is mostly a Washington, DC story and this book does it very well. Bailout by Neil Barofsky Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street is also great on the subject of how the money was squandered in the later parts of the bailout and how Geithner and other folks at Treasury but doesn't cover the Dood-Frank and other reforms. Payoff: Why Wall Street Always Wins The Payoff: Why Wall Street Always Wins also seems worth reading (I'm just in the middle). Part 3 is unique and wonderful. This is the first book I've seen that gives real comprehensive solutions. There are other efforts (Squam Lake Report) but they don't really cut to the heart of the problem. Sheila's proposals really would make a HUGE difference. I would quibble and the margins. But, if her proposals were enacted we would have a much better, fairer financial system that would serve its intended function -- financing useful activity. Here is her plan: . Things that will Make our financial institutions work better . - Raise Capital Requirements . - Break up the Megainstitutions . - Require Securitized to Retain Risk (don't let banks issue securities where they don't care if they fail) . - Require Insurable Interest for Credit Default Swaps (that is, let them be used to hedge but not speculate) . - Impose a tax on large financial institutions -- they impose costs on us, they should pay for them . Things that will make our regulators work better . - Keep the Consumer Financial Protection Bureau . - Restructure and strengthen the Financial Stability Oversight Council (group that is supposed to monitor systemic risk) . - Abolish the Office of Comptroller of the Currency (bank regulator that proved ineffective) . - Merge the SEC and CFTC (the split creates infighting and opportunities for regulatory arbitrage) . - Give the SEC/CFTC independent funding (insulate it from political pressure) . - End the revolving door . - Reform the Senate Confirmation Process . Things that will make the entire financial system work better . - Abolish Fannie Mae and Freddie Mac . - Stop subsidizing leverage through the tax code . - Tax earned income and investment income at the same rate . - Reduce the national debt I don't agree with every single proposal, and I'd add a few. But we'd be much better off if it were implemented as is. We need to put intense pressure on the President and Congress to do so. Fabulous book. Read it. Give it to your friends. Get involved in the political process and/or protest movements to make it happen. 2 of 2 people found the following review helpful. FINANCIAL BALANCE By hassel hill jr If you have limited time and want an understanding of the 2007/8 financial mess, you should read this by Blair and the one by Geitner. His belief was that the US economy could only be saved by saving Wall Street and her belief was that we should be a lot more focused on Main Street. The Obama administration basically followed his way and to a degree the recovery was slow and Wall Street bad guys were not sufficiently punished.

When Sheila Bair took over as head of the U.S. Federal Deposit Insurance Corp. in 2006, the agency was probably better known for the FDIC's logo on the doors of the nation's banks than for anything it did. Now Bair is at the center of the financial crisis, speeding the takeover of failing banks and pressing the mortgage industry to ease loan terms . . . winning praise from Democrats and Republicans. BLOOMBERG NEWS, October 3, 2008 Sheila Bair is widely acknowledged in government circles and the media as one of the first people to identify and accurately assess the subprime crisis. Appointed by George W. Bush as the chairman of the Federal Deposit Insurance Corporation (FDIC) in 2006, she witnessed the origins of the financial crisis and in 2008 became along with Hank Paulson, Ben Bernanke, and Timothy Geithner one of the key players trying to repair the damage to our economy. Bull by the Horns is her remarkable and refreshingly honest account of that contentious time and the struggle for reform that followed and continues to this day. A level-headed, pragmatic figure with a clear focus on serving the public good, Bair was often one of the few women in the room during heated discussions about the economy. Despite her years of experience and her determination to rein in the private banks and Wall Street, she frequently found herself at odds with Geithner. She is withering in her assessment of some of Wall Street's finest, and her narrative of Citibank's attempted takeover of Wachovia is a stinging indictment of

how regulators and the banks worked against the public interest at times to serve their own needs. Bair is steadfast in her belief that the American public needs to fully understand the crisis in order to bring it to an end. Critical of the bank bailouts and the Can. \$29.99 lax regulation that led to the economic crash, she provides a sober analysis as well as a practical plan for how we should move forward. She helps clear away the myths and half-truths about how we ran our economic engine into the ditch and tells us how we can help get our financial and regulatory systems back on track. As *The New Yorker* said, "Bair has consistently stood out for her skepticism of Wall Street and for her eagerness to confront the big banks. A Kansas Republican, she has become an unlikely hero to economic liberals, who see her as the counterweight to the more Wall Street-centric view often ascribed to Timothy Geithner, the Treasury Secretary"; (July 6, 2009).

"When Sheila Bair took over as head of the U.S. Federal Deposit Insurance Corp. in 2006, the agency was probably better known for the FDIC's logo on the doors of the nation's banks than for anything it did. Now Bair is at the center of the financial crisis, speeding the takeover of failing banks and pressing the mortgage industry to ease loan terms. . . . winning praise from Democrats and Republicans." (Bloomberg News) "The FDIC's influence has grown in the past year because of Ms. Bair's willingness to challenge her peers, as well as her agency's central role responding to the financial crisis. Ms. Bair warned about the housing crisis before many of her colleagues." (The Wall Street Journal) "Bair is everything you'd want in a public servant: thoughtful, practical, independent-minded—a straight shooter with political savvy who can manage the details of policy without losing sight of the big picture. She's no grandstander, but she isn't shy about going public with concerns if she thinks it will help her inside game. She never forgets that her most important constituency isn't the thousands of banks she regulates but the millions of Americans who use them." (Steven Pearlstein Pulitzer-prize winning Washington Post columnist) "During the worst economic crisis since the 1930s, Sheila Bair has been the little guy's protector in chief." (Time Magazine) "A crisp, telling and often funny narrative of the 2008 meltdown." (John Wasik Forbes) "By the Horns is the story of financial calamity seen from the perspective of this public servant, rendered from detailed notes. We learn with whom she met, what was said, what decisions taken, and how things turned out. . . . This is a book for aficionados of infuriating detail. Yet beneath the froth of facts courses an epic struggle. It pits Sheila Bair and the civil servants of the FDIC on one side and [Timothy Geithner] on the other." (James Galbraith) "A useful, corrective addition to the already extensive literature on the crisis." (Foreign Affairs) About the Author Sheila Bair is the former Chairman of the FDIC (Federal Deposit Insurance Corporation). She has been covered—and lauded—everywhere from *The New Yorker* to *The Washington Post* to *The Wall Street Journal*, and in 2008 and 2009 *Forbes* named her the second most powerful woman in the world. Prior to assuming her post at the FDIC, Bair served as assistant secretary for financial institutions at the US Department of the Treasury and as senior vice president for government relations of the New York Stock Exchange. Excerpt. copy; Reprinted by permission. All rights reserved. By the Horns Prologue Monday, October 12, 2008 I took a deep breath and walked into the large conference room at the Treasury Department. I was apprehensive and exhausted, having spent the entire weekend in marathon meetings with Treasury and the Fed. I felt myself start to tremble, and I hugged my thick briefing binder tightly to my chest in an effort to camouflage my nervousness. Nine men stood milling around in the room, peremptorily summoned there by Treasury Secretary Henry Paulson. Collectively, they headed financial institutions representing about \$9 trillion in assets, or 70 percent of the U.S. financial system. I would be damned if I would let them see me shaking. I nodded briefly in their direction and started to make my way to the opposite side of the large polished mahogany table, where I and the rest of the government's representatives would take our seats, facing off against the nine financial executives once the meeting began. My effort to slide around the group and escape the need for hand shaking and chitchat was foiled as Wells Fargo Chairman Richard Kovacevich quickly moved toward me. He was eager to give me an update on his bank's acquisition of Wachovia, which, as chairman of the Federal Deposit Insurance Corporation (FDIC), I had helped facilitate. He said it was going well. The bank was ready to go to market with a big capital raise. I told him I was glad. Kovacevich could be rude and abrupt, but he and his bank were very good at managing their business and executing on deals. I had no doubt that their acquisition of Wachovia would be completed smoothly and without disruption in banking services to Wachovia's customers, including the millions of depositors whom the FDIC insured. As we talked, out of the corner of my eye I caught Vikram Pandit looking our way. Pandit was the CEO of Citigroup, which had earlier bopped its own attempt to buy Wachovia. There was bitterness in his eyes. He and his primary regulator, Timothy Geithner, the head of the New York Federal Reserve Bank, were angry with me for refusing to object to the Wells acquisition of Wachovia, which had derailed Pandit's and Geithner's plans to let Citi buy it with financial assistance from the FDIC. I had little choice. Wells was a much stronger, better-managed bank and could buy Wachovia without help from us. Wachovia was failing and certainly needed a merger partner to stabilize it, but Citi had its own problems—as I was becoming increasingly aware. The last thing the FDIC needed was two mismanaged banks merging. Paulson and Bernanke did not fault my decision to acquiesce in the Wells acquisition. They understood that I was doing my job—protecting the FDIC and the millions of depositors we

insured. But Geithner just couldn't see things from my point of view. He never could. Pandit looked nervous, and no wonder. More than any other institution represented in that room, his bank was in trouble. Frankly, I doubted that he was up to the job. He had been brought in to clean up the mess at Citi. He had gotten the job with the support of Robert Rubin, the former secretary of the Treasury who now served as Citigroup's titular head. I thought Pandit had been a poor choice. He was a hedge fund manager by occupation and one with a mixed record at that. He had no experience as a commercial banker; yet now he was heading one of the biggest commercial banks in the country. Still half listening to Kovacevich, I let my gaze drift toward Kenneth Lewis, who stood awkwardly at the end of the big conference table, away from the rest of the group. Lewis, the head of the North Carolina-based Bank of America (BoFA)—had never really fit in with this crowd. He was viewed somewhat as a country bumpkin by the CEOs of the big New York banks, and not completely without justification. He was a decent traditional banker, but as a deal maker, his skills were clearly wanting, as demonstrated by his recent, overpriced bids to buy Countrywide Financial, a leading originator of toxic mortgages, and Merrill Lynch, a leading packager of securities based on toxic mortgages originated by Countrywide and its ilk. His bank had been healthy going into the crisis but would now be burdened by those ill-timed, overly generous acquisitions of two of the sickest financial institutions in the country. Other CEOs were smarter. The smartest was Jamie Dimon, the CEO of JPMorgan Chase, who stood at the center of the table, talking with Lloyd Blankfein, the head of Goldman Sachs, and John Mack, the CEO of Morgan Stanley. Dimon was a towering figure in height as well as leadership ability, a point underscored by his proximity to the diminutive Blankfein. Dimon had forewarned of deteriorating conditions in the subprime market in 2006 and had taken preemptive measures to protect his bank before the crisis hit. As a consequence, while other institutions were reeling, mighty JPMorgan Chase had scooped up weaker institutions at bargain prices. Several months earlier, at the request of the New York Fed, and with its financial assistance, he had purchased Bear Stearns, a failing investment bank. Just a few weeks ago, he had purchased Washington Mutual (WaMu), a failed West Coast mortgage lender, from us in a competitive process that had required no financial assistance from the government. (Three years later, Dimon would stumble badly on derivatives bets gone wrong, generating billions in losses for his bank. But on that day, he was undeniably the king of the roost.) Blankfein and Mack listened attentively to whatever it was Dimon was saying. They headed the country's two leading investment firms, both of which were teetering on the edge. Blankfein's Goldman Sachs was in better shape than Mack's Morgan Stanley. Both suffered from high levels of leverage, giving them little room to maneuver as losses on their mortgage-related securities mounted. Blankfein, whose puckish charm and quick wit belied a reputation for tough, if not ruthless, business acumen, had recently secured additional capital from the legendary investor Warren Buffett. Buffett's investment had not only brought Goldman \$5 billion of much-needed capital, it had also created market confidence in the firm: if Buffett thought Goldman was a good buy, the place must be okay. Similarly, Mack, the patrician head of Morgan, had secured commitments of new capital from Mitsubishi Bank. The ability to tap into the deep pockets of this Japanese giant would probably by itself be enough to get Morgan through. Not so Merrill Lynch, which was most certainly insolvent. Even as clear warning signs had emerged, Merrill had kept taking on more leverage while loading up on toxic mortgage investments. Merrill's new CEO, John Thain, stood outside the perimeter of the Dimon-Blankfein-Mack group, trying to listen in on their conversation. Frankly, I was surprised that he had even been invited. He was younger and less seasoned than the rest of the group. He had been Merrill's CEO for less than a year. His main accomplishment had been to engineer its overpriced sale to BoFA. Once the BoFA acquisition was complete, he would no longer be CEO, if he survived at all. (He didn't. He was subsequently ousted over his payment of excessive bonuses and lavish office renovations.) At the other end of the table stood Robert Kelly, the CEO of Bank of New York (BoNY) and Ronald Logue, the CEO of State Street Corporation. I had never met Logue. Kelly I knew primarily by reputation. He was known as a conservative banker (the best kind in my book) with Canadian roots—highly competent but perhaps a bit full of himself. The institutions he and Logue headed were not nearly as large as the others—having only a few hundred billion dollars in assets—though as trust banks, they handled trillions of dollars of customers' money. Which is why I assumed they were there, not that anyone had bothered to consult me about who should be invited. All of the invitees had been handpicked by Tim Geithner. And, as I had just learned at a prep meeting with Paulson, Ben Bernanke, the chairman of the Federal Reserve, and Geithner, the game plan for the meeting was for Hank to tell all those CEOs that they would have to accept government capital investments in their institutions, at least temporarily. Yes, it had come to that: the government of the United States, the bastion of free enterprise and private markets, was going to forcibly inject \$125 billion of taxpayer money into those behemoths to make sure they all stayed afloat. Not only that, but my agency, the FDIC, had been asked to start temporarily guaranteeing their debt to make sure they had enough cash to operate, and the Fed was going to be opening up trillions of dollars' worth of special lending programs. All that, yet we still didn't have an effective plan to fix the unaffordable mortgages that were at the root of the crisis. The room became quiet as Hank entered, with Bernanke and Geithner in tow. We all took our seats, the bank CEOs ordered alphabetically by institution. That put Pandit and Kovacevich at the opposite ends of the table. It also put the investment bank CEOs into the "power" positions, directly across from Hank, who himself had once run Goldman Sachs. Hank began speaking. He was articulate and forceful, in stark

contrast to the way he could stammer and speak in half sentences when holding a press conference or talking to Congress. I was pleasantly surprised and seeing him in his true element, I thought. He got right to the point. We were in a crisis and decisive action was needed, he said. Treasury was going to use the Troubled Asset Relief Program (TARP) to make capital investments in banks, and he wanted ...