Panderer to Power

Frederick Sheehan
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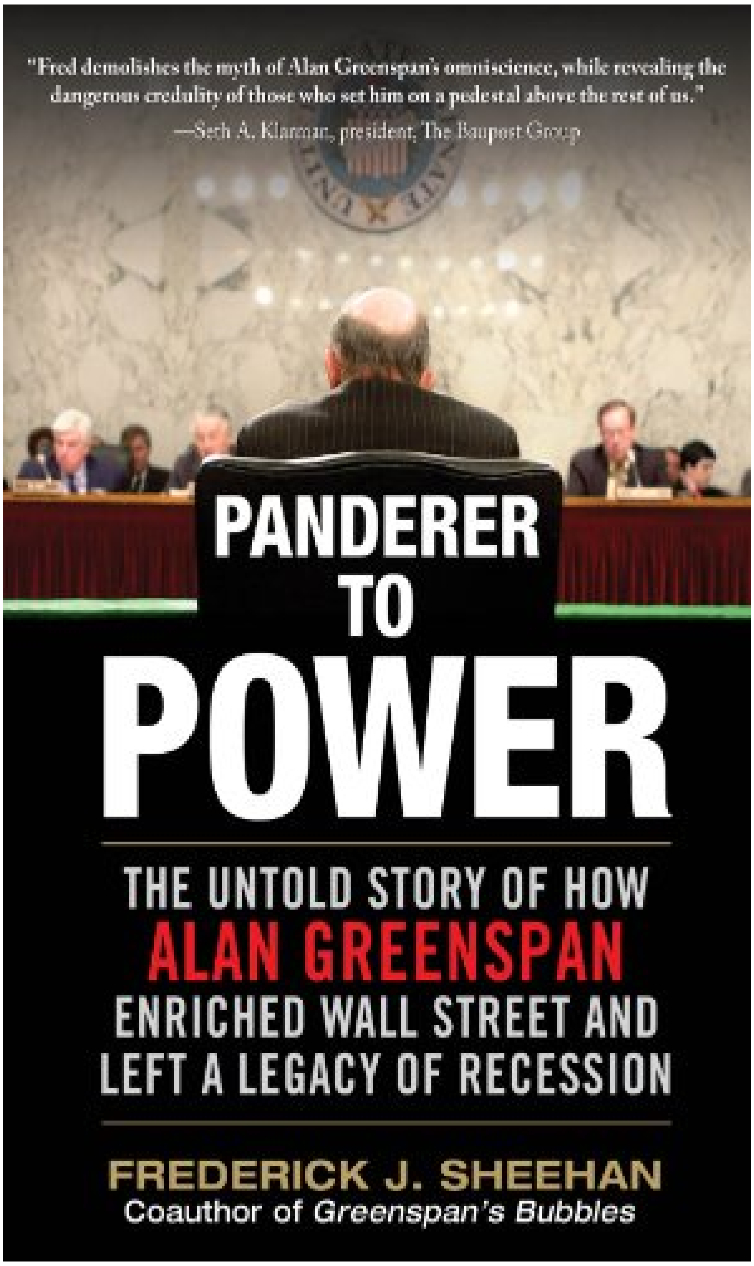

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Frederick Sheehan : Panderer to Power before purchasing it in order to gage whether or not it would be worth my time, and all praised Panderer to Power:

1 of 1 people found the following review helpful. Naked GreenmailBy Steve DietrichOutstanding book detailing the intellectual and moral bankruptcy of Greenspan's regime.The potentially unrecoverable damage done to the American

financial system over the past 10 years is becoming apparent to writers on all sides of the political spectrum. Much of the blame for that damage rests in Greenspan's lap. At times it's hard to separate pure bad decision making from decisions made based on bad information from those around him and those to whom he listened. Somewhere in this informational/idealogical wasteland his moral compass appears to have gone astray- seeking opportunity not truth and rationale not reason based on facts.Pilots look at the energy state of an airplane and the length of time available for correction. If you have energy and time for correction you will probably survive, If not you will die. We're probably walking the economic tightrope between the two states. Without change our economy will dieIt's interesting that criticism comes from all sides. Devout Keynesians like Nobel Prize winning Economist Joseph Stiglitz (Freefall) to the far more conservative economists on the right . Greenspan's folly includes spending way too much time listening to the wall street bankers, politicians in their employ and Wall Street "upper crust". All at a time when the pie was being made with rotten apples that were readily identifiable.Just prior to the great debacle I watched what then appeared to be somewhat unrelated events occur. UCLA Prof. Steve Cauley addressed the Business School's real estate conference (primarily real estate finance oriented) and noted that his numbers showed that a 40% adjustment to housing prices was necessary to restore affordability. Not comfortability but the ability to continue to make mortgage payments while skimping on all but the most necessary expenses. Why were people spending so much money on homes - for two reasons a) the financial institutions would give them the money and b) as long as financial institutions would continue to pour money into housing people would see their neighbors making more money on their home than they were making from their job. At 20% inflation the home would pay for itself in 5 years.I was one of the few development types on the committee working on the next financial event for the school. I asked one of the top people from the finance industry if they had any concerns about the industry's stability and the answer was no, they had commitments for $500 bil of opportunity money to support the market. As one of the participants noted, "If I have a SFR loan with a LTV of 130% I have a problem, if I have 10,000 of them I have a marketable security."A few weeks later I met with a recent grad from the School's MBA program to review his new business plan. It came in a three ring binder divided into two sections. The first took the real estate business from the real estate broker's meeting with the potential buyer until the closing. We were both familiar with the process and the shortcomings of the industry. There were the precursors of failure at every step of the way. Properties were market up, double escrowed and large amounts paid to various parties including the buyers, often with the knowledge of the firm underwriting the deal. Either the borrowers were encouraged to lie on the loan application or the brokers simply entered the numbers working backwards from what was needed to qualify.The loan originators only held the loans for the briefest time; a seasoned loan was one on which the borrower had made the first payment, often from escrow. The large banks and Wall Street sucked up the loans by the billions as the feedstock for the securitized mortgages which involved a process of taking a loan worth X and converting it into parts that had a value of 1.2 X. People did not want to understand that in the process you actually reduced the value of the security during the securitization process. It was like building new max performance passenger airplanes by removing the landing gear, as long as they were in the air they were an economic miracle. However, a safe landing was unlikely.The second part of the business plan was Greek to me as it entered the intellectual world of using the securitzed loans in combination with financing and a host of products including CDS and other risk sharing (gambling) devices. But nobody seemed concerned that the pie was made with rotten apples.The young MBA was not the only one to see the trainwreck ahead but within 8 months he had gone from an idea to one of the best performing hedge funds in the world. Others with the same conclusions went to their Wall Street friends to create securities guaranteed to fail and then sold them to the public.Rather than let the too big to fail banks fail and be carved up into smaller banks Greenspan and others took the attitude that the large, generous banks and Wall Street firms must survive even if it meant destroying the economy. His monetary policies have been focused on that goal, not the security of the American economic system and financial system.Current policies are stuffing profits into the same banks that raped the nation and which have been repeatedly been shown to have engaged in highly illegal operations. Thanks to his activities "good lenders" have been penalized and bad lenders rewarded.The world is responding to America's fiscal and monetary irresponsibility through new relationships were trade is done without dollars.What could be done?a) Force America to come to grips with the vast spread between what we produce and what we spend or promise to future generations. b) Restore integrity into the financial industry - Eliminate the insider deals to major donors, eliminate too big to jail, cooperate with investor recovery efforts , support resurrection of RICO laws with respect to business transactions,In the 1989-2001 era we saw dozens of top executives marched from their offices, in handcuffs. However, this time around(with far more corruption) no perps are being prosecuted. There are no household names like Milken, Keating, Boesky, and a host of others. In past times it was the senior executives of the major electrical manufacturing firms including GE who were marched off to jail for price fixing or other crimes It's an essential part of the cleansing process.Somehow we need to sever the Wall Street/ Wall Street law firm connection to the White House and Congress. America can no longer afford the best government Wall Street can buy.Like a family that's spending 160% of its income we need to have a national discourse on our priorities and the consequences of various adjustments.17 of 17 people found the following review helpful. Insightful Account of Greenspan's Failed ReignBy Michael E. LewittThis book is an insightful study of the profound failures of Alan Greenspan's tenure as

Federal Reserve Chairman. Fred Sheehan clearly articulates how Greenspan created a system that privatizes profit and socializes risk. In doing so, he performs an extremely important task in speaking truth to power about a man who was unquestionably revered by virtually every powerful sector of the financial sector. Mr. Sheehan shows why this was the case - because Greenspan was serving the interests of Wall Street at the expense of Main Street. This book provides an indispensable explanation of the Greenspan years, and serves as a bold warning regarding the misguided policies that continue to lead this nation down the wrong path. Mr. Sheehan deserves great praise for this book, which should be read by every person who wants to understand what is happening to our system.7 of 7 people found the following review helpful. Greenspan ExposedBy Kindle CustomerFor roughly 30 years, official Washington and the business press lauded Alan Greenspan as a supposedly infallible central banker. That's a remarkable fact, given that central bankers regulate the money supply and the direction of interest rates -- not exactly a sexy patch, even in wonkish Washington. With political power that increased over the years, Greenspan, who was a self-styled acolyte of Ayn Rand, used his position to advocate a highly doctrinaire vision of markets, that they were always right, that regulators were almost certain to be wrong to intervene. And because the United States was fortunate enough to experience a period of general prosperity from the mid-1980s until 2008 (albeit one funded by enormous increases in personal and corporate debt), it appeared that Greenspan's political and economic views were indeed sound policy.In particular, Greenspan became a cheerleader for the stock market, for consumers to use their homes as a source of wealth for consumption (via increased leverage), and for the unregulated use of derivatives. He helped lead the fight against regulation of derivatives, he refused to exercise the Fed's regulatory power to rein in the excesses of the mortgage boom and he repeatedly claimed that the banks' internal risk assessment models would keep them safe from danger.In the wake of the financial cataclysm of 2008, all of these claims proved to be disastrously untrue. And in late 2008, testifying before Congress, Greenspan belatedly admitted that he had placed an excessive and unjustified faith in the ability of major financial institutions to self-regulate to avoid the risks of a global financial disaster. As reported in the New York Times, Greenspan testified: "I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such as that they were best capable of protecting their own shareholders and their equity in the firms." Greenspan said. Referring to his free-market ideology, Greenspan added: "I have found a flaw. I don't know how significant or permanent it is. But I have been very distressed by that fact." In the wake of 2008, it is clear that Greenspan's place in history is in the process of being reassessed, and not in his favor.Despite Greenspan's confession, however, he has continued to travel an unrepentant path and has claimed that nobody could have seen the mortgage meltdown that ensued. That claim is nonsense by itself; a small but significant number of academics and investors saw the dangers that were beginning to arise by 2005 (and even earlier) and spoke out against the risks of a real estate crash and an overleveraged financial sector that was grossly overexposed to derivatives. But their voices were drowned out by the prevailing orthodoxy of the day, of which Greenspan was perhaps the most respected voice.Now comes Frederick Sheehan to paint a far different picture of Greenspan than the prior conventional wisdom. In Panderer to Power, Sheehan makes a convincing case Greenspan, far from being the omniscient master of economic theory, owed his rise more to traditional Washington glad-handing than intellectual acumen, and that the actual policies he pursued led directly to the current financial crisis. Sheehan shows how Greenspan's predictions for the performance of the economy were systematically wrong (meaning worse than other economists) and how he developed theories that were essentially unsubstantiated by the data to support his political and policy decisions, such as his largely discredited theory that technology advances had vastly increased US productivity. More importantly, however, Sheehan shows how Greenspan's policies were fundamentally designed to accommodate Wall Street, first by undisciplined expansion of the money supply during the 1990s, which allowed the bull market of that decade to blossom into a bubble, and then, when the equity markets could no longer be prodded, by providing the similar flood of easy money that led directly to the mortgage boom (and bust) of the 2000s. Rather than worrying about the real estate bubble, Greenspan was again its cheerleader and, on now-discredited intellectual grounds, led the fight against reining in the out-of-control Wall Street mortgage machine.Sheehan's work is backed by detailed investigation; he cites data, Greenspan's own speeches, notes of the Fed Open Market Committee, etc. and relevant economic data. It is clear from the outset that Sheehan has profound contempt for Greenspan's policies, and Greenspan's remaining supporters may object that this is hardly an objective work. But it is a rigorous and thorough one and Sheehan makes his points convincingly: while he is hardly the only critic of Greenspan, this book is effective because it is so thoroughly researched and consistently argued. A very worthwhile read.

A critical look at the man behind the bubble economies of the last two decades In his critically acclaimed Greenspanrsquo;s Bubbles, coauthor Frederick J. Sheehan exposed the starring role played by former Fed chairman Alan Greenspan in virtually every economic calamity of the past 19 years. Now Panderer to Power reveals the mix of towering ambition and poor judgment that compelled Greenspan to set policies that enriched Wall Street at the expense of the American economy.

About the AuthorFrederick J. Sheehan is a former director of asset allocation services at John Hancock Financial

Services and the coauthor of the critically acclaimed Greenspanrsquo;s Bubbles. He has written for Marc Faberrsquo;s Gloom, Boom Doom Report, Whiskey Gunpowder, and the Prudent Bear Web sites. He serves as an advisor to investment firms and endowments. He lives in the Boston area.