Griftopia: A Story of Bankers, Politicians, and the Most Audacious Power Grab in American History Study Guide

Griftopia: A Story of Bankers, Politicians, and the Most Audacious Power Grab in American History by Matt Taibbi

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Plot Summary

"Griftopia" by Matt Taibbi is a detailed account of the causes behind the recent financial collapse that helped to bring down America's economy. The book begins in 2008 at the Republican convention when Matt Taibbi, a reporter for the Rolling Stone, was covering the campaign. He and the other reporters were breathing a sigh of relief that finally things had settled down after the bitter 18-month long Republican primary season. No one there including Taibbi knew at the time that just two short weeks away the American economy and even the world economy would be on the brink of disaster.

As a young man in New York, Alan Greenspan was a huge fan of writer Ayn Rand who was infamous for her hatred of government. Alan became part of the Collective, her inner-circle of like-minded intellectuals who agreed with her libertarian views. Despite his anti-government ideology, Greenspan pursued a political career and served in the administrations of Nixon, Ford and Reagan. He aggressively sought and finally secured the chairmanship of the Federal Reserve during the Reagan administration. Though he was lauded as a brilliant economist, many of his policies led to the financial destruction of America's economy culminating in 2008.

Greenspan's policies and deregulation and the easing of governmental oversight of banks and financial concerns during the Reagan and George W. Bush administrations led to the "scams" that were being perpetrated on Wall Street. Legislation was passed that abandoned the Glass-Steagall law that had been put in place after the Great Depression to prohibit banks from merging with insurance companies due to the risk of conflict of interests. But by the late 1990s, greedy investment bankers and hedge fund managers on Wall Street were allowed the freedom to create illegal operations with impunity which ultimately led to the dotcom and the housing-market bubbles that in 2011 the country still suffers from.

There were many bad players in the downfall of the economy but the worst by far was Goldman-Sachs, an investment bank that had been established in the late 19th century. Their greed and lack of concern for America's economy and the struggles of the ordinary citizen led the economy to the brink. Goldman-Sacks and other Wall Street denizens not only bilked people out of their investments and savings, when they faced tremendous loss they were given billions in bailout money from the taxpayers because they were "too big to fail." It was common knowledge that the federal government would bailout Goldman-Sachs no matter what the circumstances. And the reason for their special treatment was the large campaign contributions they made to politicians who were only concerned about keeping their jobs.

Goldman-Sachs committed fraud and participated in criminal activity but they came through the disaster relatively unscathed. When they did appear before the Congress and were publicly scolded for their actions, they were stoic and unapologetic. They really didn't care about the damage that they caused and instead, they only cared about making more money. Goldman-Sachs is still in business today. They are thriving and creating new money-making schemes. No one seems to have the ability or will to stop them.

Chapter 1: The Grifter Archipelago; or, Why the Tea Party Doesn't Matter

Chapter 1: The Grifter Archipelago; or, Why the Tea Party Doesn't Matter Summary and Analysis

Reporter Matt Taibbi of "The Rolling Stone" magazine, was at the Xcel Center in St. Paul, Minnesota, on September 3, 2008, listening to the acceptance speech of Republican nominee for vice president, Sarah Palin. Taibbi was exhausted after the eighteen month-long campaign that was filled with anger and bitterness. No one knew that in two short weeks the American economy would implode. During the first half of the year, Lehman Brothers and Bear Stearns lost most of their value. Lehman would file bankruptcy in the next two weeks and set off a global economic crisis. A Ponzi scheme surrounding the American real estate market and investment fraud would later be identified as the culprits behind the economic collapse.

Matt looked at McCain's choice of Palin as a desperate move. She seemed to be a glorified flight attendant for a commuter airline. He noticed that presented herself as a populist who was confident and eager to level low-class slams on candidate Obama. She had made the transformation from "unknown" small-town mayor to attack dog. Most national nominees usually stayed above the fray. The crowd loved her mean-spirited remarks.

Nixon had capitalized on the "forgotten Americans" or the poor and middle-class southern whites who most politicians had ignored. The push to gain these voters was known as the "southern strategy." At its core, this strategy aimed to use white resentment and pit whites against government and immigration and make them long for the old American values that had disappeared. Palin had taken this hatred to a new level. No one before her, including Reagan, had been so galvanizing. It was an odd speech in that it wasn't designed to win over fence-sitting independents; rather, it seemed that its purpose was to introduce a new political celebrity and a narrow style of campaigning. Her speech was short on substance and policy but noted that her idol worshipers didn't seem to care.

The truth about American national politics is that it really doesn't matter who's elected president. Even though we root and campaign and vote for our candidate, we know deep down that our lives will not change substantially no matter who is elected. The presidential campaign occurring every four years is entertaining and always becomes the national obsession—but its outcome is not life-changing. The dream of a great America was abandoned by our leaders long ago. They envision a future in which the country plummets to third-world status. The goal of the leaders is to stay in power and grab as much cash as they can. The triggering mechanism for this collapse is bubble economics which places wealth in a relative few hands. The wealthy become more powerful and everyone eventually accepts their dominance. We don't get real political movements instead we get moderates like Barack Obama or false movements for the peasants like the Tea Party that got its energy that night in St. Paul when Palin spoke.

The top one percent of Americans own almost 40 percent of the wealth. Political parties are not aligned economically. The Tea Party distracts its followers from the real villains of Wall Street by convincing itself that it is big government who is the enemy. By putting forth uninformed and intellectually-challenged leaders like Palin and Michele Bachmann, they have made anti-intellectualism in vogue. These "leaders" who aren't equipped to understand complex economics blame government for all the country's problems and miss the impact of bubble economics which is wrought with crime and fraud and has made the denizens of Wall Street tons of money over the last decade. The fundamental problem with the Tea party's approach is to devise simplistic solutions for complex problems which miss the point and are completely ineffective. They throw the Constitution at everything. They want to shut down the EPA and the Federal Reserve. Their solution to the huge and complex immigration problem is to build a fence.

Traveling around Nevada with Bill Parsons, a Tea Party member, Matt realized that none of the Republican candidates were willing to talk about the collapsing economy. Their focus remained on taking down big government. They took cover in the Constitution no matter what the question was. The Tea Party believes that the economy is self-correcting as long as commerce and government are separated. Such a policy is not grounded in reality and has zero chance for success.

The tea party is not especially wrong but it's an anachronism. Their ideas are from another era, another time. They're fighting issues from long-ago that have been resolved in most people's minds. While the Tea Party is obsessed with yesterday, the crooks who are ruining our economy go undetected. The power brokers are using the Tea Party fanatics by encouraging their outrage while it is the very power brokers that they should be channeling their rage at. The Tea Party got its name from CNBC economic analyst Rick Santelli who in February 2009 became an Internet hero by ranting about Obama's plan to help families facing foreclosure. In his raving, he called for a new tea party. But CNBC is nothing but a propaganda organ for Wall Street and Santelli had no intention of helping the little people he just wanted to draw attention away from his wealthy friends. This "bail-out" for home owners was not even a hundredth of the cost of the Wall Street bailout but Tea Party founders failed to note that detail. The problem with the homeowners' bailout was that money would be going to the wrong people - the little people and not the power brokers on Wall Street.

There was an admission that speculative bidding had caused the prices of food and other commodities to soar worldwide, plunging third-world countries into starvation. This man-made financial crises was causing the starvation and death of people around the globe. Many of those who would be helped by Obama's plan to help prevent foreclosures were minorities. Santelli subtly evoked racism in people who were outraged that they were going to have to help "lazy black people" save their homes. It wasn't long before the new Democratic administration was being referred to by Tea Party members as "Marxist" and "socialistic." Everything was blamed on Obama while the Tea Party members conveniently forgot that it was the Bush Administration that first embarked on the bailout trail.

At the root of the economic turmoil was the lack of regulation in banking and business. Wall Street was making tons of money on housing market speculation. During the Bush Administration, lobbyists convinced the then SEC Chairman to nix the "net capital rule," which limited speculation. Santelli's rant removed focus from Wall Street and placed the blame for the economic collapse on poor people. Interviewing a Westchester County Tea Party member, Matt learned that many members believed that Wall Street deregulation was the correct move but just implemented too quickly—a concept that has no basis in reality or common sense. Some Tea Party members have been outraged by local government regulation and transferred that anger into a hatred for the federal government. Tea Party members listen to Fox and CNBC and believe that they are the victims of big government when in reality, it is Wall Street bigwigs who are destroying the middle-class.

Chapter 2: The Biggest Asshole in the Universe

Chapter 2: The Biggest Asshole in the Universe Summary and Analysis

It doesn't always take a bad political system to make a society fail and sometimes it's the rise in power of just one bad individual. In the case of the economic collapse of the United States, that individual is Alan Greenspan, former head of the Federal Reserve. In his twenty years of power, which he attained through deception and cunning, he was able to turn the Federal Reserve into a bail-out mechanism for the ultra-rich. During his reign, political power shifted from elected government to the private sector which was wrapped in self-interest. Profits fell to the rich while losses were shifted to the public. But this transformation was hidden behind a man who was responsible for the stewardship of the economy and who was purported to be a "technocrat" and totally apolitical.

While Greenspan presented an aloof demeanor, seemingly untouched by special interests, he was in fact very focused on the welfare of a select few. His public preaching of a "sink-or-swim laissez-faire capitalism" (36) was just a public posture. In reality his actions were highly interventionist on the behalf of the super-wealthy. Born just before the Great Depression, Greenspan came from a middle-class Jewish family, attended NYU and had his first brush with the rich and powerful as a summer intern at an investment bank. Greenspan pursued a doctorate in economics at Columbia University.

One of young Greenspan's heroes was author Ayn Rand who was famously anti-government. He became part of her circle called the "Collective," which was dedicated to relentless self-interest also known as "objectivism." The group also served to raise Greenspan's presence in society's upper-crust. The tenets of the Collective would have enormous and lasting impact on American culture.

Rand was a Soviet refugee who was an author and eccentric, self-important and self-proclaimed intellectual who was the leader of the objectivism movement. The movement was focused on good vs. evil and voiced uncompromising rhetoric—which is reminiscent of that of today's Tea Party. In "Atlas Shrugged," a group of men break off on their own and form a free-market society. Those they left behind—the lazy and the stupid—of course were destroyed. Many of Rand's lengthy, tedious and wordy passages were reflected later in some of Greenspan's public statements as Federal Reserve Chairman. The fundamental belief of objectivism is that self-interest is a normal human state and interventionism by the government is unnatural and evil. "Objective reality" translates to "My facts are facts and your facts are not facts." (41) Further, taxes and regulation had no place in society's political structure.

Rand's answers to the gaps in her dogma and there were many was to ignore them. Bottom line, her ideology was incoherent, subjective and collapsed under scrutiny. Her followers were seen as possessing infinite integrity but in truth they did whatever they wanted to do. Ironically, when Greenspan was part of Rand's inner-circle, he was a staunch opponent of the Federal Reserve. Inexplicably, Greenspan joined the Richard Nixon campaign in 1968, a move that was totally anathema to the ideology of the Collective. He was named to Nixon's Bureau of the Budget and was associated with the administrations of Ford and Ronald Reagan. Rand wound up concluding that Greenspan was a social climber. He positioned himself by inventing a reputation as a brilliant economist who was so brilliant that most people didn't understand what he was saying. He enjoyed the attention of the media having dated three prominent news women and eventually marrying NBC correspondent Andrea Mitchell.

The PR was that he was the smartest man in the world but his predictions have been more wrong the right. He predicted recessions right before booms and vice versa. All economists admit that economic predictions are difficult to make but Greenspan's errors indicated that he had a fundamental misunderstanding of economics. He told Congress in 1994 that the risk involved in derivatives was "negligible" - yet they were the root cause of the financial disaster that nearly sunk the world in 2008.

Greenspan was not appointed Fed Chairman because of his skills and talents, he had worked the political circuit and had aggressively sought the position. Greenspan recommended the Reagan era increase in Social Security tax—the rate went from 9.35% to 15.3%. This tax increase did not impact Wall Street hedge fund managers because they make their money in interest and capital gains thus avoiding "payroll" taxes where Social Security taxes are assessed. Money that was to be set aside for Social Security recipients was used by all the presidents from Reagan on to fund other programs leaving the Social Security war chest empty. Based on Greenspan's recommendations, Social Security taxes were hiked by a trillion dollars to keep the system viable but the money was used for other programs. Greenspan announced that the system was not working and recommended cutting benefits. When Reagan grew disenchanted with the current Fed Chairman, Paul Volcker, he gave the job to Greenspan. Reagan wanted someone who would work more closely with the White House.

The bubble economy created under Greenspan worked like a casino. The major investment banks and brokerages were the "house" while investors bet wildly on everything from the housing market to Internet stocks. The "winnings" were imaginary, on paper while real money went to the investment banks in the form of fees. When the bubble burst, the investment bankers borrowed from the state and lent out more money to investors to begin the cycle again. Greenspan printed more money and dumped it back into Wall Street encouraging the same doomed behavior. But eventually, the investors were at critical mass and went belly-up and the Wall Street bubble burst. But the rich got into the coffers of the middle-class investors through their 401Ks and savings to "pay" for the losses and the rich just got richer.

The Fed is responsible for monitoring the economy and fighting against both recession and inflation. It can infuse money into the economy in two ways: lending banks money and purchasing US Treasury Bills or banking bonds. Large private banks known as primary dealers can sometimes resell T-Bills back to the Fed. Greenspan focused on manipulating interest rates to control the economy. He used the Fed as a central casino instead of a central bank, and turned one industry after the other into a Ponzi scheme and then kept the bubble alive by pumping more money into it.

Greenspan opened the flood gates by keeping the interest rates low for five consecutive years. He encouraged the ordinary person to participate in the stock market. Wall Street got richer but then when he finally increased the prime rate, average people began to see their savings and investments taking the hit. Greenspan himself admitted that the Fed recognized that the markets had "grown accustomed to an unsustainable combination of high returns and low volatility" (58) and a rate change could destabilize the economy. Greenspan assured the Congress that there was no danger of a bubble at the same time he privately told the Federal Open Market committee that there was. His biggest crime was that he didn't warn the country that the stock market was over-valued.

Greenspan said that "irrational exuberance" caused the inflated asset values but took no share of the blame. The stock market plunged at the remark. Greenspan freaked out and backtracked his comment eventually putting forth the opinion that the economy had entered a new era, attributing it to an acceleration of innovation—ideas had replaced physical value. His new era speak generated even more interest in the tech bubble. In 1998, he bailed out a hedge fund that had gone under citing systematic risk if it were not rescued. His bailouts of Wall Street concerns became a pattern and Wall Street began to count on them. By so doing, he created the "too big to fail" mentality. He printed money and infused it into the economy in anticipation of Y2K which he predicted would have a monumental effect on the economy. He was wrong again. Greenspan undermined the Glass-Steagall Act that prohibited the merger of investment banks, private banks and insurance companies which would lead to serious conflicts of interest. Greenspan got around the law by approving the a temporary merger that created Citigroup which in turn led to the Gramm-Leach-Bliley law that took the place of Glass-Steagall and led directly to the economic disasters of 2008.

Greenspan led the defeat of recommended regulations over the derivatives market. But Greenspan had no clear understanding of derivatives. He stated that they reduced risk when they actually increased it. He gave the bad advise to American homeowners that adjustable rate mortgages might be wiser than traditional fixed mortgages, making the way for the exotic mortgages that got lenders in over their heads. Then during the two years before he retired, he raised interest rates which made money for the lenders but raised adjustable rate mortgages eventually leading to the housing market bust. People couldn't afford the increased rates which resulted in the foreclosure crisis. People lost homes and banks took them over but couldn't sell them which caused the loss in value of the entire housing market. Greenspan's money printing habit caused the devaluation of the US dollar. Greenspan put forth the remarkable opinion that the devaluing of the dollar was not a factor unless one traveled abroad! Greenspan finally retired but he left behind a destroyed American economy. The trillions of dollars that he had printed disappeared and all that was left behind was debt.

Chapter 3: Hot Potato, The Great American Mortgage Scam

Chapter 3: Hot Potato, The Great American Mortgage Scam Summary and Analysis

A black sheriff's deputy named Eljon Williams heard Solomon Edwards speaking on the radio one evening about a variety of scams targeting minority home buyers. Williams contacted Edwards who helped Williams and his wife get a home loan with a fixed mortgage. As it turned out, it was an adjustable mortgage that Edwards had tricked them into taking. They were shocked when their mortgage went up over $300 from one month to the next. Later, Eljon learned that Edwards had gotten a $12,000 commission, had rigged the appraisal and acted as the appraiser. Eljon's wife was pregnant and diagnosed with cancer. He begged the mortgage company for mercy but they gave him none.

The predatory nature of Solomon Edwards was common among agents and lenders during the housing bubble. The victims were the clueless people who wanted a house that they couldn't afford. It was the job of the mortgage process to convince them that they could afford a house beyond their means. The lenders extended the credit on these loans as far as possible even offering cash return upon signing. In 2002, less than $100 billion worth of subprime loans were approved. A subprime loan is defined as a loan approved for borrowers who have low credit scores and little or no income history. By 2005, when Eljon bought his home, there was over $600 billion such loans. These loans were referred to as NINJA loans: no income, job or assets. Documents were falsified and credit scores manipulated by loan processors in order to get them approved. Commissions were the highest for adjustable loans which could jump hundreds or even thousands a month when they were adjusted.

The volume of loans was tremendous but no one wanted to sit on millions of dollars worth of loans that were risky at best. Banks used a process called securitization in which loans are split up and sold off to secondary investors as securities. These sell-offs allowed the banks to make millions up front instead of collecting the meager monthly payments. Still no one wanted to invest in bad loans so that's when the banks came up the concept of derivatives. Banks split their loan payments into three levels and sold these levels or "tranches" to eager investors. The top level usually received returns on their investments each month but at a low interest rate; the second level of investors did not receive all their payments due to default but what they did receive was at a higher rate of interest than the top level; and, the third level received less payment money but received the highest rate of interest on what they did get. The loans on the bottom tier were referred to as toxic waste.

Most borrowers were required to pay little or nothing in down payments and many loans were "no doc" meaning there was no documentation that confirmed their qualifications for the loans. Some borrowers were given interest-only loans and some even below-interest loans. Unpaid interest was tacked onto the back of the loan. The process was called negative amortization. Such loans were passed off to investors as "no risk." Rating agencies were in collusion with the banks later blaming "errors" for rating billions in junk loans as AAA. At virtually every level of the home loan process, there was fraud and crime, even among the most powerful on Wall Street. The loans considered toxic waste were bought up by large banks such as Deutsche Bank and by hedge funds who would keep the loans for a short time, make money and then dump them before they began to go into default. Some borrowers were buying homes for speculation and selling them after making only one payment and making a big profit by selling the house for much more than what they paid for it and for much more than its true value.

A banker named Andy sold the bottom tier of a loan bundle for $30 million dollars just before everything started blowing up. Unfortunately, many of his clients paid for half of the third tier toxic loans on money they had borrowed from Andy's bank! The loans started going delinquent on the first month which was confounding since their average FICO score was in the mid 600s. That's when it was learned that there was another level of fraud. For a fee of around $1,300 there were companies that would attach a borrower's name to the credit score of another person who was more credit worthy. Even good credit scores could be bought. Hedge funds began to sell off their portfolios to raise cash to cover their losses. To sell the middle tier, Andy and his colleagues did some finagling to present them as AAA no-risk loans.

But it was the AAA top tier of the derivatives that caused the collapse of the economy and it was at the hands of some of the wealthiest and most powerful people in the world. Banks had always been required to have cash on hand or something as valuable as cash. The system allowed banks to fulfill this requirement with home loans. And since more money could be made with the mortgages than on T-Bills or bonds, or so they thought, they bought up volumes of AAA loans many of which were not really AAA. Then AIG got involved in the process by investing on winners and losers in what is called the credit default swap. Essentially, AIG was insuring the investors against risk. No regulations existed to ensure that there was real underlying value. Higher-ups on Wall Street heard of the mortgage-backed investments and began buying them by the millions on a personal level, also tapping AIG for risk insurance. AIG was over-extending itself. Andy wondered if they were stupid or if they ever really intended to cover all the risk.

Joe Cassano, who headed a small unit at AIG called AIG Financial Products, issued the bulk of the credit protection. His authority to do so was based on a 2000 law called the Commodity Futures Modernization Act. It allowed him to sell as much credit protection as he wanted to without having any real money to support it. Banks that were forced to hold onto some of the tranches longer than they wanted also tapped AIG for risk protection. The money poured into AIG. The Financial Products division had only 500 employees whose compensation was more than $1 million each. Cassano made $280 million during the eight years he ran the unit. Today he enjoys a high lifestyle in London.

AIG was perpetrating another scam at the same time as Cassano's operation was operating. Win Neuger ran AIG's Asset Management. In this unit, AIG investment securities were lent to "short sellers" who bet against the stock. AIG made their money on fees charged for these transactions. Instead of being happy with those fees and investing them in T-Bills, Neuger decided to make a real killing. He invested it in residential mortgage-backed securities! The success of both the scams that AIG was perpetrating depended on the continuation of the housing bubble.

AIG had a rock-solid credit rating and all it needed to conduct business was its name. In March 2005, cracks were starting to appear. New York Attorney General Elliot Spitzer indicted AIG CEO Hank Greenberg for accounting irregularities and AIG's credit rating was dropped from AAA to AA. The downgrade Cassano was required to provide proof of collateral to all his clients. Clients were getting nervous and began to demand cash as collateral. Goldman Sachs alone demanded $1.5 billion. Cassano was being pressured to hand but continued to assure his clients that everything was fine. By the end of the year, more and more clients and banks were demanding cash. Finally, Cassano's unit was kaput and AIG admitted to a fourth quarter loss in 2007 to $5.3 billion. In May 2008, the loss increased by another $7.8 billion. A few months later, AIG admitted to being over $16 billion in the red. Goldman Sachs alone was demanding $20 billion.

In September 2008, the government intervened to prop up AIG, claiming that the world economy was in jeopardy. What precipitated the government's involvement was the threat by the ratings agencies—Moody's and Standard & Poor's—of another AIG downgrade which would bring on a flood of new demands for collateral. At the same time Cassano's unit was blowing up, Neuger's operation had suffered a $13 billion dollar loss in just one year. Securities were being returned to his unit along with demands for cash, which he had invested in the housing market. Facing a cash crunch, it was feared that AIG would take money out of small subsidiary insurance companies bleeding them dry and leaving millions of people bilked out of their money. That was the single most compelling factor that swayed the government to step in. the government had to convince states not to seize AIG subsidiaries.

Things were calm for a while but then Goldman-Sachs turned their securities back into AIG and demanded billions of dollars. Neuger was sitting on portfolios that were just paper and on assets that had drastically lost their value. No other insurance company had taken the same risk and they were all conducting business as usual. But the run was on and AIG was being pressed for cash returns in the billions from the operations of Cassano and Neuger. They asked subsidiary insurance companies to liquidate their pension and insurance holdings so they could cover the losses. Texas initiated action to seize AIG subsidiaries rather than allow AIG to take money and pensions that belonged to their customers. But if that happened, those customers would have only received pennies on the dollar and would have caused other states to follow suit and the resultant full-throttled run on AIG would ensure a global crisis.

Of all the clients, Goldman-Sachs was complaining the loudest and it finally became obvious that they had forced AIG into crisis. And the not so veiled threat was that subsidiary companies and their million of small investors and clients would be belly up.

At an inquiry into AIG's demise in 2010, Cassano was asked whether AIG collapsed on its own or if it was forced into by Goldman's calls for collateral. Cassano refused to finger Goldman-Sachs who issued a denial that they had been overly aggressive. Auditing confirmed that AIG had no liquidity to pay off the bulk of what it owed. The Federal government initially bailed out AIG with $80 billion which later escalated to $200 billion. Of that money, Goldman-Sachs received the largest percentage. Goldman had been willing to torch the entire country in order to get the money it felt it deserved. The housing-market bubble was at the beginning of the end.

Eljon Williams was the beneficiary of a lawsuit that the state of Massachusetts filed against Goldman-Sachs for victimizing lenders. Williams's loan was reverted to an affordable fixed rate and the family was able to keep their home. The $13 plus trillion that was ultimately spent on bailouts could have been used to "create jobs," fix the infrastructure, pay for health care, create next-generation energy grids, pay off all those junk mortgages and buy a house for every American who didn't have one. America's legacy of heroes and moon landings had transformed into a country that had robbers running it.

Chapter 4: Blowout - The Commodities Bubble

Chapter 4: Blowout - The Commodities Bubble Summary and Analysis

In 2008, 24-year-old Priscilla Carillo of San Bernardino, CA, quit school because she suddenly couldn't afford the gas that it took for the daily trip. She got a job but lost in soon after and was living in her car. In Reading, PA, Robert Lukens who ran the Lukens Construction Company was being hit with gas expenses that were suddenly doubling. Sam Serenda couldn't afford the gas it took to drive to his summer calc class in San Francisco and had to withdraw. The news media tried to attribute it to demand but there were no long lines of people waiting to fill up. John McCain blamed it on socialists like Barack Obama who were against domestic drilling. Obama blamed greedy oil companies and on American's reluctance to conserve energy. Both candidates were wrong.

What was occurring was that Wall Street had created another scam called commodity index investing. The first phase of the scam was the creation of a completely unnecessary speculative commodities market that drove prices through the roof. There was never an oil supply crisis. The commodities market brings together producers and users—wheat farmers with cereal companies, for example. In order for farmers to be successful, they have to know what their costs will be over the year. For that reason, they could purchase futures which would freeze the price of corn at $3.00 a bushel and if the price went up over the year, the farmer's price remained at $3.00.

This process is called the commodities futures market. A seller can also freeze his sale price in case the prices for their commodity go down. The speculator's role is to ensure that there are always markets for these futures by buying up commodities to make sure they'll be available. The speculator buys the commodity at a slightly lower price and sells it later at a slight profit. That way the farmer does not suffer a total loss, the speculator makes a little profit and the commodity will be available to the purchaser. This process, established under the Commodity Exchange Act during FDR's administration, was closely regulated so that speculators could not manipulate prices and become profiteers.

When Wall Street got involved in commodities trading, everything changed. Goldman-Sachs bought up a commodities trading company called J. Aron in 1991. They began to pester the government to ease up on regulations. They argued that just like farmers who took risks in growing crops and were at the whim of nature, investors were also taking risks, their wins and losses were at the whim of the economy. These men were hedging their bets and taking risks the same as farmers. The head of the Commodity Futures Trading Commission during the George W. Bush administration agreed and allowed Wall Street speculation to be recognized as "bona fide hedging" (133) just like farmers. Other companies were allowed to follow in J. Aron's footsteps and were recognized as speculators also known as hedge fund managers. Most of these changes were done in secret. Speculators took over the commodities market and by 2008, eighty percent of commodity exchanges was speculative.

A new investment vehicle called index speculation was comprised of two main indices - the Goldman-Sachs Commodity Index and the Dow Jones-AIG Commodity Index. Each of these commodity exchanges had 24 indices. Goldman-Sachs was the dominant index cornering about two-thirds of the speculation market. These indices were heavily weighted toward oil as opposed to wheat or livestock. Since investment in commodities futures doesn't automatically roll over like investments in stocks, new transactions were required monthly. Due to the complexity and volumes involved, these transactions were handled through investment banks. The money was invested in the futures index - all 24 indices not just a certain one - and the investor was essentially betting that all the commodities would increase over time which translated to profits for the investors.

Trust funds and pension funds were barred from risky speculative investment under was was called the prudent man rule established in 1830. Under this rule, anyone managing someone else's money could not engage in risky or speculative investing. In 1994, the Uniform Prudent Investor Act of 1994 was created to update that old mentality. It allowed trust fund managers to enter into riskier speculative investments. The "logic" behind this change, was that trust funds could be enriched when the diversity of investment opportunities was opened up to them. One of these "opportunities" was commodities futures. Commodities futures was touted to pension funds and other large pools of money as a safe place to invest. It was logical that it was safe to bet on commodities that people couldn't do without—oil, sugar, wheat. Goldman-Sachs argued that investing in commodities futures would reduce risk and yield equity-like returns.

One huge problem was that commodities were not like stocks that could be allowed to sit and grow in value for decades. The second problem was that it was the nature of speculation to push prices up. Another fundamental issue with speculation was driven by self-interest. For example, coffee growers really care what the price of coffee is. They know their sales will be effected if prices are pushed too high. However, when indifferent investors flood the coffee market, they don't care how much coffee costs. They just want to drive up the prices and make money.

The five years prior to the moment Priscilla Carillo started living in her car the commodity indices rose from $13 billion to $317 billion. The run-up in prices on the commodities futures was due to the influx of new investors into the market. Price increases had nothing to do with supply and demand. Oil, in fact, was about to increase supplies due to new fields in Saudi Arabia and Brazil. Goldman-Sachs and others were coaxing new investors by promising that oil prices were due to spike. Most blame was placed on the hyper-consuming American public. No one blamed over-speculation. During a Congressional hearing on the cause of the price increases, one expert who was prepared to put the blame where it belonged received a call from CFTC chief economist Jeffrey Harris urging him to change his testimony. Oil prices spiked to $149 a barrel in 2008. Food prices shot up increasing global starvation by the millions. Prices plummeted by the end of the year and the cycle began anew. Even though there were admissions in the new Obama administration that there was a serious problem with commodities speculation, little has been done to rectify it.

America's economy is extremely complex and only a handful of powerful people who created these complexities truly understand it. The country is at the mercy of this small group. But they have no interest in or time for mercy. They are focused on making more and more money for themselves to the detriment of everyone else and despite the ultimate destruction of the nation.

Chapter 5: The Outsourced Highway - Wealth Funds

Chapter 5: The Outsourced Highway - Wealth Funds Summary and Analysis

Sovereign wealth funds or SWFs are huge pools of state-owned money looking for investment opportunities. They are common in the Middle East, especially among large oil-producing countries. Needless to say, they are not regulated and are were not created to benefit the populace. A young friend of Matt's worked for one of these SWFs and was astonished to learn that the Pennsylvania Turnpike, all the parking meters in Chicago and Los Angeles, and a port in Virginia, to name just a few, were all on the block. America is for sale. Thanks to Goldman-Sachs and other investment banks who drove up the price of oil through the commodities speculation market, billions and billions of our dollars greatly enriched these foreign wealth funds.

In 1973, President Nixon decided to rearm the Israelis which angered the oil-producing Arab states. In response, OPEC, the Organization of the Petroleum Exporting Countries, issued an oil embargo which cut oil production and banned oil shipments to any country that supported Israel. Oil prices skyrocketed and the Yom Kippur War broke out. Syria and Egypt attacked territories Israel had captured in the 1967 Six-Day War. After two months of the embargo, the Nixon Administration quickly went from bluster to all out surrender. Secretary of State Henry Kissinger negotiated an Israel withdrawal from the Sinai peninsula and as well as an end to the embargo. Oil prices did not go down; rather, they stayed flat and remained constant for approximately the next twenty-five years.

Congress was warned in testimony before the House Foreign Affairs Committee in 2008 about a new world economic order. The SWFs were new power brokers that could not be ignored. The rise of oil prices had placed Russia and the OPEC nations in supreme economic positions. Their collective wealth was estimated to be over $3.5 trillion and it was estimated that their assets could grow to $10 to $15 trillion in the next decade—an amount equivalent to American's GDP. They work under the radar, often buying minority interests in assets to avoid bringing publicity to their actions. It's suspected that their money flowed into the commodities bubble, helping in their own cause to run up oil prices. To maintain their veil of secrecy, they often work through intermediaries in European countries.

The correlation between decreasing taxes and rising prices from the commodities bubble should not go unnoticed. State taxes was at a five-year low when oil prices surged to $149 a barrel. The reduced revenues compelled state and local executives to begin putting pieces of America for sale. In December 2008, Chicago Mayor Richard Daley announced that he had leased out the city's parking meters for seventy-years for over a billion dollars. The deal had been arranged in secret - not just from the public but from the city aldermen as well. No one was told who was behind the Chicago Parking Meters LLC the entity that was leasing the parking meters.

Daley had already signed deals for the Chicago Skyway and a group of city-owned parking garages. Although documents were presented that showed that an entity named the Abu Dhabi Investment Authority had only a minority interest in the parking meters, in reality they had an initial ownership of 49 percent, later reduced to 30 percent. But it is unknown exactly who the other owners were. An entity out of Luxembourg had a large chunk of the deal but could be fronting for a SWF. Calculations later showed that Daley undervalued the parking meter business and sold out for a lot less than they were worth. Parking meter rates are being increased drastically and the city can no longer move meters or close streets without permission. There is no more free parking on Sundays or on holidays. The city no longer belongs exclusively to Chicagoans.

Other cities are considering parking meter deals including Los Angeles and Miami. Highways, airports and toll roads around the country are for sale.

Chapter 6: The Trillion-dollar Band-Aid - Health Care Refor

Chapter 6: The Trillion-dollar Band-Aid - Health Care Refor Summary and Analysis

In January 2010, Republican Scott Brown took Ted Kennedy's old Senate seat thereby losing the supermajority for President Obama. Nancy Pelosi tried to convince her caucus that the health care bill would still pass by using the reconciliation process which allows for a simple majority to pass legislation. Of course by that time it had been so maligned by politicians and the media that it had been winnowed down to barely version of its original self.

Obamacare had been designed as a massive political deal with big giveaways to pharmaceutical companies in the form of subsidies and a big gift to the insurance industry in the form of the individual mandate. Had this version passed, the federal government would have seized control of 16 percent of the GDP and the private sector would take on eight percent of American's taxable income. Obama was offering this up in exchange for campaign contributions for several future election cycles. It sounds incredible but there is no other explanation. Representative Dennis Kucinich said that it was a "backroom deal that had nothing to do with the public perception." (p. 177).

Since the US does not have a single-payer health care system, there are 1,300 plus health agencies all of whom have different forms and standards. Most of the money of the health care system is tied up in paperwork and chasing down forms and claims. America's health care system is the most costly in the world. Fifty-percent of all bankruptcies in the US are due at least in part to health care costs. And most people who go bankrupt have health care insurance.

Controversy will continue over the health care system for years however the most recent debate proved that government is completely incapable of policing whole sectors of society. The more ominous element of the legislation is that it set the stage for a new American economy one in which companies compete for political influence and use their connections to force customers to buy their ware.

Chapter 7: The Great American Bubble Machine

Chapter 7: The Great American Bubble Machine Summary and Analysis

When Matt began doing research for his first story about the financial crisis for Rolling Stone, he couldn't help be notice that everyone he interviewed genuinely detested Goldman-Sachs. Everyone viewed Goldman-Sachs as excerpts at furthering their interests through their connection with government created through their generous campaign contributions. Even though he left out some of the more scurrilous material about Goldman-Sachs, the venomous reaction to his article was swift and long-lasting. What offended Goldman and their supporters the most was calling them crooks and implying that they didn't earn their money by being smarter and better than everyone else around.

Matt's reporting indicates that Goldman-Sachs was not a company of geniuses, it was a company of criminals. Goldman-Sachs is everywhere, sucking money out of every available source. America is in crisis and Goldman-Sachs is exploiting it. It has manipulated prices, markets and entire economic sectors of the nation. It has enriched itself on the backs of the poor and middle-class struggling to buy gas and pay their credit cards. They could not care less about the country. The goal of the company is to make rich men richer. Their relatively small campaign contributions led to changes in laws and regulations that allowed them to make billions.

Goldman-Sachs began as a modest investment company in 1882. Through the years, the pattern of their "innovative" ways of making money began to emerge. By the 1990s, they were being accused of lowering their underwriting standards. By 1999, they had underwritten a massive volume of Internet companies and were manipulating the share prices by spinning, a process called "laddering" and providing illegal insider information to certain investors. Through these activities, Goldman was the major contributor to the Internet bubble. Most of the Internet companies went bust. Goldman escaped criminal prosecution, investigation by the SEC and paid only small fines in comparison to the billions they made. The Internet bubble was one of the worst financial disasters of all time where $5 trillion worth of wealth was lost on the NASDAQ alone. The bubble made possible huge bonuses to the top investment bankers who left only debt and destruction in their wake.

After the Internet bubble burst, Goldman went on to the housing market bubble where they were one of the big players. At the peak of the housing boom, Goldman was issuing $44.5 billion worth of mortgage-backed investments. After the collapse of the market, Goldman had grown rich from its illegal maneuverings plus got bail-out money from the taxpayers, the very people they cheated. Even after the collapse, Goldman created new ways to bilk people out of their money. But they had very little to worry about. It became accepted that the government would always bail out Goldman.

In 2010, the SEC finally took action and filed a suit against Goldman. The public finally got to hear about the major part they played in the collapse of the economy. Their shares took a hit when the suit was filed but by the next day the were back up. Both political parties scolded them at the hearings but Goldman admitted nothing. Executives from the company appeared uncaring and defiant in the face of the volumes of accusations and complaints against them. Their reputation is damaged but they really do not care. They have moved on and have created five or six new schemes. They have the protection of elected officials to shield them. Even though America knows at least part of the damage Goldman-Sachs inflicted on the nation the difficult question that lingers: What can we really do about it?

Characters

Alan Greenspan

Alan Greenspan was born just before the Great Depression. He came from a middle-class Jewish family, attended NYU and pursued a doctorate in economics at Columbia University. As a young man, he admired the anti-government views of author Ayn Rand. He became part of her inner-circle, also called the Collective, a group that was dedicated to the ideology of self-interest which came to be known as objectivism. The tenets of the Collective had a long-lasting effective on the policies of Greenspan, and by extension the American economy, as he moved up in the political world.

Even though Greenspan had libertarian views, he aggressively pursued a career in politics. He was considered a brilliant economist and became an economic adviser in the Nixon, Ford and Reagan administrations. In his first political appointment, he was named to Nixon's Bureau of the Budget. Greenspan actively pursued the chairmanship of the Federal Reserve and finally was appointed to that position during the Reagan administration.

Although some called him an economic genius, Greenspan was more wrong than right in his economic predictions. He would never admit to making any misjudgments. Instead he would explain away his position in long monologues that no one understood. He coined the phrase "irrational exuberance" to explain away the dotcom bubble. Author Matt Taibbi connects a large portion of the blame for the nation's economic problems on the policies and ideology of Alan Greenspan.

Joe Cassano

Joe Cassano was the head of a small unit at AIG called AIG Financial Products. This unit issued the bulk of the credit protection sold to AIG clients during the housing-market bubble. The majority of the mortgage loans that the unit issued protection for were high risk toxic loans that were not even worth the paper they were written on. AIG held such a stellar position in the business world at the time that it was not required to show proof of collateral for the huge amount of credit protection that Cassano and his unit were authorizing. Thanks to a 2000 law called the Commodity Futures Modernization Act, he was allowed to operate without restraint and, as it turned out, with impunity.

Cassano and his unit were thriving and the money was literally pouring into AIG. The Financial Products division was comprised of only 500 employees who were compensated at the rate of more than $1 million each. Cassano himself made $280 million during the eight years he ran the unit. Today, he enjoys a high-style life in London financed by the killing he made on Wall Street. There was a lingering question about Cassano and his operation. Did he know that his operation was fraudulent and even criminal or was he stupid? Most people in the know felt he knew all along that AIG would not be able to pay off off its clients and investors and that he just made as much as he could while he could. Cassano's operation was one of the chief causes for the downfall of AIG and the resultant decline in the American economy.

Win Neuger

Win Neuger ran AIG's Asset Management. In this unit, AIG investment securities were lent to "short sellers" who bet against the stock. Neuger made the fateful decision to invest fees from these clients in residential mortgage-backed securities.

Matt Taibbi

Matt Taibbi is the author of "Griftopia" and is also part of the story. He describes his coverage of the Republican presidential primary campaign as well as interviews that he conducted on the financial collapse.

Sarah Palin

Matt Taibbi was mystified at how strident and mean-spirited Sarah Palin was in her acceptance speech for the Vice Presidential nomination. Generally, national candidates try to appeal to the center but Palin was very divisive from that first moment with an "us against them" attitude.

Michele Bachmann

Taibbi writes that the Tea Party shows that it is not a serious political movement by the leaders they put forth. There is a notion within the party that it's better not to know the facts. He points to Michele Bachmann and Sarah Palin as prime examples.

Ronald Reagan

Alan Greenspan was an economic adviser to President Reagan. Greenspan aggressively sought the chairmanship of the Federal Reserve and Reagan eventually appointed him to that position.

Paul Volcker

Paul Volcker was the chairman of the Federal Reserve during the first part of the Reagan administration. He was replaced by Alan Greenspan because Reagan wanted someone in that position who would be more cooperative with the White House.

Ayn Rand

Ayn Rand was the author of "Atlas Shrugged," among other novels. She was the leader of the Collective, a group of intellectuals who defended self-interest and detested government regulation and taxation.

Eljon Williams

Eljon Williams was a struggling working man who was tricked into an adjustable mortgage that he couldn't afford. The loan processor lied to him so that he could get a bigger commission. Eljon Williams represented millions upon millions of homeowners who were tricked into home loans that were beyond their means during the economic decline.

Objects/Places

Objectivism

The fundamental belief of objectivism is that self-interest is a normal human state and interventionism by the government is unnatural and evil. Taxes and government regulation have no place in society. This mentality helped to fuel the collapse of America's economy.

Wall Street

The rich and powerful on Wall Street were the perpetrators of the fraud and criminal activities that led to the assault on the economy. These individuals were compelled by greed to grab as much money as they could from what they considered to be a nation in decline.

Federal Reserve

It was the policies and practices of the Federal Reserve that helped push the American economy toward the precipice. Alan Greenspan's twenty-year tenure as head of the Fed had a devastating and long-lasting impact on the nation's economic decline.

Economic Bubble

The housing-market bubble and the dotcom bubble both led to the 2008 financial crises. Both of these economic bubbles presented a false image of prosperity. When the bubbles burst, reality hit and the American economy was left devastated.

Atlas Shrugged

"Atlas Shrugged" was written by Ayn Rand and was the basis for Alan Greenspan's libertarian, laissez-faire policies that led to dangerous deregulation and the lessening of oversight that paved the way for Wall Street fraud, abuse and crime.

The Collective

As a young man, Alan Greenspan became part of Ayn Rand's inner-circle known as the Collective. It was in this intellectual setting that Greenspan cultivated an economic ideology that formed the basis for his policies as Federal Reserve chairman and that later proved to severely wound the American economy.

Glass-Steagall Act

The Glass-Steagall Act of 1932 was enacted after the Great Depression to prohibit banks from merging with insurance companies in order to avoid potentially lethal conflicts of interest. The law was superseded by Gramm-Leach-Bliley law of 1999 which allowed such mergers and helped lead to the financial crisis of 2008.

OPEC

OPEC, the Organization of the Petroleum Exporting Countries, issued an oil embargo which cut oil production and banned oil shipments to any country that supported Israel in response to President Nixon's decision to arm the Israelis. Oil prices skyrocketed but even after a settlement was negotiated oil prices did not go down. Instead, they stayed flat and remained at the higher level for the next twenty-five years.

Derivatives

Derivatives are created when banks split their mortgage loan payments into three levels and sell them in separate packages or "tranches." The loans on the bottom tier were referred to as toxic waste.

Commodities Market

Through deregulation, Wall Street created a new scam called the commodity index investing. The process created a completely unnecessary speculative commodities market that drove prices through the roof. This speculation is to blame for the current rise in oil prices. It is also responsible for the rise in food prices worldwide and for the resultant increase in starvation in third-world countries.

Themes

Greed

There is no doubt that the main reason for the collapse of the American economy is greed. The catchphrase in the movie, "Wall Street," was "greed is good." The investment bankers and hedge fund managers behind the financial collapse obviously ascribed to that sentiment. After oversight was eased and deregulation was established, the investment bankers were no longer happy with the interest they could make on fees in the traditional ways. Profits from Treasury bills and bonds were conservative and only realized over years. Anxious to make a quick profits and a more robust return on their money, these free-wheeling operators began looking around for better ways to enrich themselves.

They didn't have to look far. They devised a way to buy large bundles of mortgages and break them into smaller bits. Many of the mortgages that they bought had been approved under false bases. For example, borrowers whose credit scores were too low to qualify for a loan were given false scores so they could be approved. Additionally, mortgage lenders convinced people to purchase homes that were beyond their means by qualifying them for adjustable mortgages that began with affordable payments but adjusted to monthly payments that people couldn't afford. The investment bankers would sell these toxic loans, or pieces of them, to investors. There was no value behind most of the mortgages. It was all on paper and all fantasy.

Greed to make more money fast even if it was illegal and despite the people it hurt was what drove the economic collapse. To pour salt in the wound, the very taxpayers who had been bilked out of their money and lost their homes, had to pay for the bailout of these financial concerns when everything blew up. Greed is not really good.

The Decline of America

The tragedy that is described in the book, "Griftopia," goes far beyond the fraud that was perpetrated against unsuspecting citizens during the housing-market bubble. The jarring reality revealed in this book is the decline of the greatest country and democracy ever known to man. America was always the country that everyone in the world wanted to visit and even live in. While "the decline of America" may sound like a catchphrase and hyperbolic, after reading this book it is difficult to deny that America has sustained a devastating blow from which it will be difficult to ever recover.

The most outrageous aspect of America's decline and the most difficult element to grasp is that the assault on America was from within. And that the handful of the greedy rich and powerful players on Wall Street, the criminals who were responsible for America's demise, has opened up a vulnerable America to foreign interests and even its enemies.

The author claims the all-powerful Wall Street investment bankers and hedge fund managers as well as our political leaders, are all aware that America is in a downward spiral and heading toward a third-world status. They've accepted it as reality. America's credit rating was just recently downgraded by Standard & Poor's. Poverty is increasing to levels not seen since the Great Depression, the middle class is disappearing and the rich and powerful are becoming more rich and more powerful. Wall Street is grabbing as much as it can while it can. Elected officials are beholden to these powerful people through the generous contributions they make to their campaigns.

America is on the block thanks to Wall Street greed. The recession has far-reaching tentacles. Unemployment is up and revenues are down. States and municipalities are broke and desperate to keep their governments afloat. Chicago has leased out its parking meter system to an Arab sovereign wealth fun. It sound bizarre but public records support that the deal was sought after and made by Chicago's mayor. If Chicago wants to hold a parade now, they now have to ask permission from the Arab fund to close down streets. They can't move a meter without permission. Meters are no longer free on Sundays and holidays. Fees went up from a quarter to a dollar in some areas as soon as the deal went through. Parking meter systems are now for sale in Los Angeles and Miami. Turnpikes and parking garages around the nation are on the block as well. America is up for sale and is being bought piece by piece. No one is stopping it but perhaps no one can.

Deregulation

After the stock market crashed in 1929 and caused the Great Depression, legislators at the time were wise enough to know that placing restraints on business was an appropriate move. One of the most important laws that was put in place to regulate the stock market and the corporate world was the Glass-Steagall act of 1932. This law prohibited banking institutes from merging with insurance companies. By doing this, it was thought, dangerous conflicts of interests could be avoided thereby averting another financial crisis.

The law was adhered to until 1999 when Goldman-Sachs, a powerful and influential Wall Street investment bank, appealed to legislators to ease up on the restrictions of the Glass-Steagall law. The Wall Street lobbyists must have been convincing since the old law was replaced with the Gramm-Leach-Bliley law of 1999 which permitted the co-mingling of the two industries. This breach in regulations helped bring about the financial crisis of 2008.

A commodities bubble occurred during the years leading up to the 2008 economic collapse. An economic bubble is a misrepresentation of the actual worth of a market by falsely driving up its value. That is exactly what occurred in the commodities market. There had always been strict regulations on commodities speculation because of the concern that rogue speculators could commit fraud by driving up prices so that they could yield larger commissions. Regulations on the activities of speculators in the commodities market was in effect for many years until Goldman-Sachs decided to get into the commodities market and appealed to the federal government who acquiesced to the powerful bank's request to ease up on regulations.

The effect was damaging to both the American and global economies. The easing up of regulations on commodities speculation is what caused the prices of oil, food and other commodities to sky rocket. Americans are still suffering at the gas pump from the increased price of oil and people in third-world countries are literally starving to death because of the jump in food prices. The only benefactors of the inflated commodities prices are the greedy Wall Street power brokers who are making tens of billions of dollars on commodities speculation. One would hope that they could not sleep at night considering what they have done but they probably can.

Style

Perspective

"Griftopia" is written by Rolling Stones political reporter Matt Taibbi. He is also seen from time to time as a political analyst on cable TV news programs. Taibbi is a writer and reporter for the Rolling Stones and is also the author of four other books of a political nature. Taibbi certainly has the background, experiences and credentials to weigh in on the political scene.

It is obvious that Taibbi did a great deal of research in gathering the material and facts for this book. As a professional reporter, Taibbi confirmed his account of the 2008 collapse of the American economy and the events that led up to it with historical sources and references and personal interviews with those who had knowledge of the events that took place and the people who were intimately involved.

Reporters often become very skeptical, cynical people and generally justifiably so. Taibbi is no exception in that he has very strong opinions and his bitterness and anger over the collapse of the economy due to the greed of a very few shows through. After reading "Griftopia" and grasping how much damage has been done to America from the fraud and crimes of the rich and powerful who suffered no real punishment, Taibbi's outrage is completely appropriate.

Tone

"Griftopia" by Rolling Stones reporter Matt Taibbi is a smart and sophisticated description of the 2008 economic collapse. Taibbi's tone is that of a skeptical and seasoned reporter despite the author's relatively young age. Even the book's title, "Griftopia," is a not so subtle reference to the fraud and crime committed by greedy denizens of Wall Street. The title explicitly harkens to the days gone by in which the United States was known to its citizens and most people around the world as "Utopia."

There is a bitter edge to Taibbi's words that, after reading his description of the financial collapse of the American economy, is understood and warranted. His narrative is peppered with some expletives but he does not overdo their usage. Although these terms are coupled with his outrage over the assault on America by a handful of greedy investment companies and hedge fund managers and seem fitting, they may be slightly offensive to the faint of heart.

The subject matter of the American economy and the destruction of it is a very complex one. Despite this fact, Taibbi presents a chronological, concise, comprehensive and understandable description of the collapse and the events and people involved that led up to it. Everyone should read this book to understand that the decline of America is real.

Structure

"Griftopia" by Matt Taibbi is laid out in basically a chronological order with the exception of some flashback sequences that serve to explain the sources of America's financial collapse. The book begins in 2008 at the Republican convention when Matt Taibbi was covering the campaign. No one was aware, of course, that two weeks later there would be a global financial crises precipitated by the near-collapse of the American economy.

From that jumping off point, Taibbi then backtracks in time to the causes of the collapse beginning with a description of Alan Greenspan's career and ideology and how they set the stage for the broken economy that finally crumbled in 2008. The collapse occurred after Greenspan retired as Federal Reserve Chairman but Taibbi ties the blame to him as his damaging policies had a long-lasting impact and were continued to be followed by his successor.

Taibbi then chronicles how Greenspan's policies made way for the likes of Goldman-Sachs one of the greediest and most corrupt investment banks whose scams drove the Internet and housing-market bubbles and how their commodities market speculation to this day is causing Americans to pay more for everything from gasoline to food.

The book has seven relatively long chapters which are followed by an epilogue that provides updates about further financial crises occurring in 2010 and how the government remains impotent against the rich and powerful of Wall Street. The author also includes a section entitled, "Note on Sources."

Quotes

"The root cause of all these [financial] disasters was the unraveling of a massive Ponzi scheme centered around the American real estate market, a huge bubble of investment fraud that floated the American economy for the better part of a decade." (Chapter 1, p. 4).

"Our world isn't about ideology anymore. It's about complexity." (Chapter 1, p. 14).

"But in a country where every Joe the Plumber has been hoodwinked into thinking he's one clogged toilet away from being rich himself, we're all invested in rigging the system for the rich." (Chapter 1, p. 31).

"When the real estate bubble came along as a consequence of the money printing that was used to sort of drink ourselves sober after the equity bubble, I knew it was going to be an even bigger disaster." (Chapter 2, p. 71).

"The formula was the same formula we see in every election: Republicans demonize government, sixties-style activism and foreigners. Democrats demonize corporations, sixties-style activism, and foreigners." (Chapter 4, p. 129).

"This new order has been enabled by several megatrends which operate in a self-reinforcing manner, among them the meteoric rise of developing Asia, accelerated globalization, the rapid flow of information and sharp increase in the price of oil by a delta of over $100 per barrel in just six years which has enables Russia and OPEC members to accumulate unprecedented wealth and elevate themselves to the position of supreme economic powers." (Chapter 5, p. 161).

"What is relevant is that these funds are foreign and that thanks to a remarkable series of events in the middle part of the last decade, they rapidly became owners of big chunks of American infrastructure. This is a process of a country systematically divesting itself of bits and pieces of its own sovereignty, and it's taking place without really anyone notice it happening—often not even the people asked to vote formally on the issue." (Chapter 5, p. 164).

"In the past what we've seen is silly little projects—a teapot museum, the Tiger Woods Foundation, and so on. But what we're seeing here is the government tweaking the Medicaid rate to the tune of hundreds of millions or billions of dollars. It has the same corrupting influence as the pork we're used to seeing every day, but it's on a scale we've never seen before." (Chapter 6, p. 202).

"The mistake our politicians so often make with these industry leaders is in thinking they are interested in, or respectful of, the power of government. All they want is to keep stealing." (Chapter 6, p. 205).

"The bank was also continually held up as a model for how certain firms used their connections with government to buffer business risk - Goldman, I was told, was expert at using campaign contributions as a kind of market insurance to hedge their investments." (Chapter 7, p. 206).

"Goldman is not a company of geniuses, it's a company of criminals. And far from being the best fruit of a democratic capitalist society, it's the apotheosis of the Grifter Era, a parasitic enterprise that has attached itself to the American government and taxpayer and shamelessly engorged itself on us all." (Chapter 7, p. 209).

"Organized greed always defeats disorganized democracy." (Chapter 7, p. 210).

Topics for Discussion

Who is Ayn Rand? What was the Collective? What impact did Ayn Rand have on Alan Greenspan and on modern politics?

According to Matt Taibbi, what is the role of the Tea Party and who is it being used by? Why is the Tea Party not capable of true leadership?

In the author's opinion, how do the leaders and the rich and powerful of the United States view America's future? Why? What could be done to change the current trends?

What brought on the housing-market bubble? What was the Glass-Steagall law and how did its abandonment help bring on the financial disaster?

What role did Goldman-Sachs have on the collapse of the economy? How were they punished? What strong connections do they have?

What was the role of AIG in the financial collapse? Describe the two "scams" that led to their ruin and left behind debt and the destruction of the American economy?

Define the following terms that became part of the economic lexicon during the economy's near destruction: Irrational exuberance; laddering; spinning; bailout; mortgage-backed investments; commodities speculation market; Internet bubble; housing market bubble; too big to fail; derivatives; hedge fund managers; securitization; and NINJA loans. Add more relevant terms of your own and define them.