Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the FinancialSystem--and Themselves Study Guide

Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the FinancialSystem--and Themselves by Andrew Ross Sorkin

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Plot Summary

Too Big to Fail is a non-fiction account of the financial crisis that hit the United States in 2008 which resulted in the implementation by the federal government of the Troubled Asset Relief Program, or TARP, which purchased bad assets and invested public money directly in financial institutions in an effort to stabilize the system.

In the span of a few months, the traditional structure of the American financial system was fundamentally changed, Sorkin claims, as many of the top financial institutions struggled to stay afloat while the assets upon which they had built a large business lost tremendous value. Lehman Brothers, one of the top brokerage firms, went into bankruptcy. Bear Stearns, another top brokerage, was saved when the JP Morgan bank purchased it with guarantees by the government. AIG, the world's largest insurance company, was also saved only with government assistance, and the home lending companies Fannie Mae and Freddie Mac were taken over by the government. The two top brokerages, Goldman Sachs and Morgan Stanley changed their structure to become bank holding companies in order to borrow money from the Federal Reserve. Finally, the TARP program invested public money directly in financial institutions for support.

Sorkin presents a "real-time" account of the behind-the-scenes deals and meetings among the top players in the financial world. He follows Dick Fuld, the CEO of Lehman Brothers as he desperately tries to find investors to inject cash into his failing firm, and presents an inside account of the meeting of the other top firms which came together in an attempt to save Lehman. He recounts the final days at Lehman as the plan to save the firm is ultimately shot down by British regulators who refused to allow the participation of the British bank Barclays.

Sorkin also looks at the political pressure that Treasury Secretary Henry Paulson faced to avoid the appearance of "bailing out" his former Wall Street colleagues and how Paulson came to change his mind and develop the TARP plan along with Tim Geithner and Ben Bernanke at the Federal Reserve. The key central role that the Federal Reserve and Treasury Department played in brokering deals between firms is also revealed. While the Treasury department and Federal Reserve did not have legal authority to make many of the changes they wanted, they had the regulatory power to make things difficult for firms that did not cooperate.

Ultimately, Sorkin concludes that the lessons learned from the crisis of 2008 have largely gone unheeded. Financial executives are still rewarded for taking aggressive risks and no significant new regulations have come about to avoid a similar crisis in the future.

Prologue and Chapter 1

Prologue and Chapter 1 Summary and Analysis

Too Big to Fail opens with a prologue that describes the actions of Jamie Dimon on September 12 and 13, 2008. Dimon was the chief executive officer of JP Morgan, the third largest bank in the United States. On the evening of September 12, he and the heads of several other Wall Street executives were called to an emergency meeting at the Federal Reserve Bank of New York where they learned that Lehman Brothers, the fourth largest investment bank in the country, was on the verge of collapse. Dimon and the others were asked to come up with a plan to save the bank.

On the following Saturday morning, Dimon placed a conference call to his management staff at JP Morgan, where he told them that the firm must prepare a plan for the possibility that Lehman would file for bankruptcy. He was also worried about other investment banks and told his staff, to their surprise, to prepare even for Goldman Sachs, the largest and most prestigious investment bank, filing bankruptcy.

Sorkin opens his book with this dramatic episode at the peak of a period of tumultuous change in the American financial sector that resulted in near collapse and led to an enormous rescue program by the federal government. Sorkin briefly explains the underlying cause of the unstable situation that led to the collapse. Interest rates were low, allowing for the availability of money. Home mortgages were easy to obtain, even by people with spotty credit. Wall Street firms had built investment products based on these so-called "sub-prime mortgages" by pooling them and selling parts of the loans to other banks and firms, which was thought to reduce the risk of the investments to near zero. By spreading the investments across so many banks, however, the banks became interconnected in a way they had not before. When the sub-prime mortgage market collapsed, it was like a row of dominoes, Sorkin explains.

Chapter One focuses on Dick Fuld, Jr., the CEO of Lehman Brothers, in March of 2008. Fuld came from a wealthy New York banking family and started at Lehman in a part time summer job in its Denver office. Under the guidance of his mentor, Lewis Glucksman, he eventually rose to lead the firm. He chose as his right-hand man Joe Gregory, who had come up alongside him at Lehman.

In March of 2008, Fuld was visiting India when he received an urgent call from Henry Paulson, the US Secretary of the Treasury, telling him that Bear Stearns, the fifth largest investment bank in the country, had collapsed and was to be bought by JP Morgan for $2 a share. Furthermore, the US Treasury had taken the step of backing about $30 billion in bad Bear assets in an attempt to restore some confidence in the market. Fuld rushed back to the US to manage the situation at Lehman, which was the fourth largest investment firm, knowing that people would be looking to them for indications of any problems there as well.

Indeed, Lehman's stock prices began to fall after the news of Bear's collapse, dropping nearly 50% in a few hours. Fuld and his staff went on the offensive with the financial media, explaining that Lehman had plenty of cash to see them through any downturn and were in solid shape. Their efforts did result in the stock turning around, but it finished the day down.

This occurred on March 17, the day before Lehman was scheduled to release its earnings report for the first quarter. Chief financial officer Erin Callan presented those numbers on the morning of the 18th. They indicated that the firm's earnings were down from the previous year, but they were higher than expectations and showed that Lehman was in good shape. For the time being, Sorkin writes, it looked as if everything was fine at Lehman.

There were some who doubted Lehman's numbers, however, including a hedge fund manager named David Einhorn, on whom Sorkin will focus later in the book.

Chapters 2-3

Chapters 2-3 Summary and Analysis

Chapter Two opens as Hank Paulson, the US Secretary of the Treasury, was busily phoning staff and former colleagues in the finance industry. Paulson was angry when he received a call from Joe Dimon at JP Morgan, who had agreed to buy Bear Stearns, telling him that Morgan had upped its offer to $10 a share from an initial offer of $2 a share. Paulson had played a behind the scenes role in setting the initial low price, not wanting to be seen as trying to prop up the failing company. Paulson also understood, however, that Dimon's offer of $10 was intended to address the shock to the market when the $2 price had been announced. Meanwhile, public and political sentiment were turning against what was widely seen as a "bailout" of the failing Bear Stearns with taxpayer money.

Sorkin provides a summary of Hank Paulson's rise to become US Secretary of the Treasury. Originally from the Midwest, Paulson was something of an outsider to Wall Street, but he eventually rose to become the head of Goldman Sachs, perhaps the most respected investment bank in New York. He was initially reluctant when President George W. Bush asked him to consider the post of Treasury Secretary, but finally agreed. By Sorkin's account, the department was in disarray and Paulson had a job of reorganizing and streamlining the operation.

As head of Goldman, Paulson had been something of an adversary to Dick Fuld at Lehman, but as Treasury Secretary he patched up their old differences recognizing that he needed Fuld's important perspective on the markets. With all eyes on Lehman after the Bear collapse, Paulson suggested to Fuld that it would be a good idea for Lehman to increase its holdings of cash to shore up confidence in the bank. Fuld agreed, and asked if Paulson would consider speaking with Warren Buffett, one of the wealthiest men in the country, about possibly investing in Lehman. As Treasury Secretary, Paulson was reluctant to be seen as weighing in on a specific deal, but he told Fuld he would consider speaking with Buffett.

Fuld and Erin Callan called Warren Buffett at his office in Omaha and asked him to consider investing in Lehman. Buffett had some reservations after looking through Lehman's most recent annual report. He made a provisional offer to invest but told Fuld he needed to look through the company's reports more thoroughly first. By the following day, Buffett had decided there were too many unanswered questions about Lehman's accounting for him to invest. Meanwhile, Fuld had managed to raise about $4 billion in investments, which Buffett suspected he had done by mentioning Buffett's name.

Chapter Three introduces three key players in the deal that rescued Bear Stearns in April 2008 as they are preparing to testify before the Senate Banking Committee about the incident. First is Timothy Geithner, the president of the New York Federal Reserve bank. Geithner was a talented young man who had worked for the International

Monetary Fund and the Treasury Department before joining the Federal Reserve, where he became president. Geithner and his boss, Federal Reserve Chairman Ben Bernanke, faced criticism over what was characterized as a "bailout" of a private company at the expense of taxpayers. Geithner explained his position that letting the bank fail would have had even more expensive consequences.

Sorkin introduces Bob Steel next, an official with the Treasury Department. In preparation for his appearance before the committee, Steel had his staff grill him with tough questions that were likely to be asked about Treasury's role in the deal. Steel was in a tough position because he knew that Secretary Paulson had been influential in setting the low purchase price, but he was legally prohibited from being part of the deal. Steel also knew he would face scrutiny from Senator Jim Bunning who opposed government intervention in the markets.

The third major player in the Bear deal was Jamie Dimon, the CEO of JP Morgan Chase, the firm that bought Bear, saving it from collapse. Dimon was the third-generation banker who was dining with his family in March when he received a call from Alan Schwartz the CEO of Bear Stearns telling him that Bear was out of cash and needed $30 billion. Dimon promised to help, and called Geithner about assisting him with a loan. Dimon balked at the deal after he looked closely at Bear's books, but Geithner kept him from abandoning the negotiations by working out a deal where the Federal Reserve lent $30 billion to Bear Stearns through JP Morgan, guaranteeing Morgan against $29 billion in losses.

Dimon, like Steel and Geithner, faced pointed questions from the Senate Banking Committee about the negotiations. Dimon was calm and explained that he felt as Geithner did, that letting Bear Stearns fail would have been an even more expensive option for taxpayers.

Chapters 4-5

Chapters 4-5 Summary and Analysis

Chapter 4 describes the efforts of Hank Paulson and his staff at the Treasury Department to prepare for the possibility of the failure of Lehman Brothers. Paulson's first concern was that Lehman did not have enough cash to weather a major market drop and he encouraged Dick Fuld, the CEO of Lehman, to raise more capital. Fuld agreed, but was persistent in expressing his belief that Lehman was under attack by "short sellers," investors who bet against the stock price of a company and made money when the price fell. Paulson thought Fuld was using the short sellers as an excuse to avoid the real problem.

Paulson and his staff prepared a secret plan for how to deal with the situation should Lehman or another large firm go bankrupt, or if several banks should begin to fail at once. They presented their plan to Ben Bernanke, the Federal Reserve Chairman, in a meeting described by Sorkin. The plan proposed that should the banks begin to fail, the Treasury Department would purchase up to $500 billion of the bad assets of the banks in order to stabilize the markets. To do so they would need special authority from Congress as well as the funding to make the purchases. Bernanke listened to the plan and was receptive. No action was taken at that time, and the plan was put aside to be reconsidered should it be needed.

Meanwhile, Bob Steel had called an old friend in business, Bob Diamond with Barclays Bank in London. Steel privately asked Diamond if Barclays might be interested in purchasing Lehman, should it become available at a low price. Diamond said he would consider it.

Chapter Five opens with a description of a meeting between Dick Fuld and some executives from Lehman with Jim Cramer, a popular television celebrity with an influential financial program. Fuld, facing pressure on Lehman's stock price, sought Cramer's endorsement on his program. Cramer told Fuld that he had some serious questions about Lehman's activities. They claimed to be reducing the amount of debt, called "leverage," that they incurred to make investments, Cramer told Fuld, but in his opinion they seemed to be increasing their debt. Fuld and Cramer did see eye-to-eye on the subject of short sellers, who Cramer thought were manipulating the market.

Sorkin then turns to David Einhorn, a young investor who had started his own firm called Greenlight Capital and was becoming an influential voice in the markets. Einhorn questioned the way in which Lehman assessed the value of its assets. Securities based on real estate and mortgages changed value daily, and firms had to value, or "mark" their assets on a regular basis to get a real picture of the value of the company. Einhorn was concerned that he could not get a straight answer from Lehman executives and decided that they were overestimating their worth.

Einhorn presented his opinion in a speech to a group of financial advisers. He told them that Lehman needed to significantly increase the amount of capital they held or they would face a collapse like Bear Stearns. Lehman's stock fell 5% the day following Einhorn's speech.

Chapters 6-7

Chapters 6-7 Summary and Analysis

Chapter 6 describes some of the internal conflicts that took place at Lehman as the company worked to fend off potential collapse. Dick Fuld had begun talks with a Korean bank trying to convince the Koreans to invest in Lehman to provide it with more capital. Although the talks were intended to be secret, news of them was leaked to the Wall Street Journal, infuriating Fuld. Suspicion for the leak fell on Erin Callan, the chief financial officer.

Fuld also faced pressure from other firms to raise more capital. These firms that lent money short term to Lehman to leverage investments began to demand more collateral for their loans as news of Lehman's troubles spread. One of Fuld's top executives, Skip McGee, came to him and told him that the prevailing thinking was that Lehman should make a major change in management to show the rest of the financial industry Fuld was serious about turning the company around. Fuld, who was very loyal to his people, at first refused to consider firing anyone. After a somber meeting with some of his executive committee, however, he agreed to consider getting rid of Joe Gregory, his right hand man and good friend, and Erin Callan, the chief financial officer. Gregory and Callan, who were close enough to the situation to understand what was going on, each offered their resignations, which were accepted by Fuld.

Chapter 7 focuses on Merrill Lynch, the large brokerage firm led by CEO John Thain. Thain was a personally conservative executive who had formerly worked for Henry Paulson at Goldman Sachs and then as CEO of the New York Stock Exchange. He was selected to replace Merrill Lynch CEO Stan O'Neal after a wave of management changes in 2007 resulting from the early days of the credit crisis. Thain embarked on a five-year plan to turn Merrill around by cutting expenses and increasing capital. Nevertheless, the firm held a large amount in subprime mortgage-based securities and in June 2008 was feeling pressure to raise even more capital.

Thain went to New York Mayor Michael Bloomberg, whose successful financial data company was partly owned by Merrill Lynch. Thain proposed that Bloomberg buy back the 20 percent of his company owned by Merrill Lynch. The meeting went well, and Bloomberg agreed to explore the deal, which would provide Merrill with a lifeline of cash. Thain returned to Merrill Lynch and told his staff to begin working on the deal.

Chapters 8-9

Chapters 8-9 Summary and Analysis

Chapter 8 looks at American International Group, or AIG as it is commonly called. AIG started out as an insurance firm and grew into prominence in the financial products industry under the leadership of Hank Greenberg. In the early 2000s, AIG's financial products section had run afoul of federal regulators and was forced to pay heavy fines for misleading federal investigators at the Securities and Exchange Commission.

The financial products arm of AIG, called FP, was started in 1987 and traded heavily in derivatives, which are financial instruments based on underlying assets like residential mortgages. The department made a great deal of money, boosting AIG's earnings and convincing them they were practically indestructible. By May of 2008, however, the derivative market had sunk and the firm posted a first quarter loss of $7.8 billion.

AIG's board fired Martin Sullivan, the CEO and hired Bob Willumstad, one of the board members. Hank Greenberg, who had left the company but was still a major stockholder, was pleased that the board had gotten rid of Sullivan, but was cool at their appointment of Willumstad. Willumstad called Greenberg in an attempt to patch up old differences.

Chapter 9 details an executive meeting of the board of Goldman Sachs, the prominent New York brokerage house. CEO Lloyd Blankfein had assembled the board in Moscow, Russia, for a meeting to discuss the future of Goldman. For some time Blankfein had felt Goldman needed to expand into banking in order to increase its ability to deal in cash and take deposits. This subject was discussed by the Goldman board, and during the discussion the possibility of acquiring an insurance company was raised as a way that Goldman might be able to expand its cash holdings. The only insurance company large enough to consider seriously was AIG, however the board noted that there were some serious disputes over how AIG valued its own assets.

No action was taken on AIG at the board meeting and the idea was shelved. By coincidence, Secretary Paulson was in Moscow at the same time the board was meeting. Not wanting to appear as if he was meeting officially with the board of his former company, Paulson met with the members privately in a social setting. Paulson told Blankfein he thought the credit crises was going to improve soon, but Blankfein did not share his optimism.

Chapters 10-11

Chapters 10-11 Summary and Analysis

Chapter 10 follows Dick Fuld as he continues to scramble to find a lifeline for the sinking Lehman Brothers firm. He met with John Mack and the board of Morgan Stanley in an awkward meeting at Mack's house that had no results. He approached Bank of America about possibly being purchased by the bank. While a deal looked possible at first, Bank of America ultimately declined to go forward. Fuld contacted Timothy Geithner at the Federal Reserve about possibly becoming a bank holding company, which would give Lehman access to discounted money lent by the government to banks. Geithner was concerned that the move might look desperate and make things even worse for Lehman. Fuld's last resort, as he saw it, was to return to the Korean bank that had expressed some interest in a deal earlier. He asked Henry Paulson to put in a word with the Korean bank, but Paulson was hesitant, feeling that his involvement would also make Lehman look desperate.

At this same time, the Federal National Mortgage Association, called Fannie Mae, and the Federal Home Loan Mortgage Corporation, called Freddie Mac, were sinking fast. Fannie and Freddie were corporations that initially bought home mortgages from banks but moved into derivatives in the early 2000s. By July 2008, investors were dumping the stocks and the government was talking about taking over the companies to keep them from failing. Henry Paulson went to Congress and asked for temporary emergency power to prevent the collapse of Fannie and Freddie where he faced pointed skepticism from his adversary Jim Bunning on the Senate Banking Committee.

In Chapter 11, Dick Fuld continues to look for an investor to shore up Lehman brothers. In July, 2008 he was optimistic that the Korea Development Bank (KDB) appeared to be open to talking about a deal. Negotiations were handled secretly by Bart McDade and Skip McGee for Lehman, who met with Min Euoo Song from KDB. They hammered out a deal that McGee and McDade thought would work, and they asked Fuld to meet with them and Min to finalize the negotiations. To their dismay, Fuld tried to talk Min into paying even more for the Lehman shares and brusquely undid days of negotiations. Min, rattled by Fuld's behavior, pulled out of the deal. Fuld decided his best option was to spin off the part of the company that held the bad credit-based assets into a "bad bank" leaving the core of Lehman as a "good bank."

Bob Willumstad of AIG went to Timothy Geithner to ask about the possibility of access to low interest loans normally only offered to banks. While AIG had significant assets, the falling subprime mortgage market made those assets difficult to value or sell. AIG, which was not a bank, was not normally eligible for federal reserve loans. Geithner replied that he thought AIG going to the Federal Reserve for cash would make matters worse. To raise capital, Willumstad went to his friend Jamie Dimon at the bank JP Morgan for help.

Meanwhile, Fannie Mae and Freddie Mac continued to deteriorate to the point that Henry Paulson decided to take action. With his staff he devised a plan to take over the companies quickly over the long Labor Day weekend in September, 2008. They called the CEOs of each company into a meeting on Friday afternoon and told them that with or without their cooperation, the companies would be placed under control of the Federal Housing Finance Agency.

Chapters 12-13

Chapters 12-13 Summary and Analysis

Lehman's difficulties escalate as they are described in Chapter 12. Despite attempts to keep the talks secret, news leaked of the failed negotiations with the Korean bank and soon the financial media were reporting that the firm had little time left to find a solution. Dick Fuld was under increasing stress, particularly because the quarterly earnings report was scheduled for the end of the week at which Fuld would have to announce a loss of $3.9 billion. Henry Paulson and his Treasury staff put heavy pressure on Fuld to talk to Ken Lewis at Bank of America, who had expressed some interest in purchasing Lehman at the right price. CEO of Bank of America Greg Curl agreed to look at Lehman's books with an eye toward making a deal, but in return asked the Treasury department to help him get more favorable terms from the Federal Reserve. Fed chairman Ben Bernanke promised to see what he could do.

JP Morgan's executives realized that Lehman was in serious trouble and prepared to shore up their relationship with Lehman to avoid being dragged down with them. JP Morgan's plan was to ask for even more collateral from Lehman to protect their loans to the firm. In a difficult call to Dick Fuld, Steven Black of JP Morgan explained that they would need more collateral. Fuld seemed not to fully understand the gravity of the situation and in return asked if JP Morgan would come listen to a presentation of their plan to spin off their bad debt into a separate company. Black reluctantly agreed.

Executives from Citigroup and JP Morgan met with Lehman. The bankers were skeptical of the plan, noting that the new company would still need a good deal of capital to operate and Lehman did not have enough.

Chapter 13 opens on September 10, 2008, as a tired Dick Fuld and Alex Kirk prepared for the upcoming earnings conference call. Meanwhile, Bob Diamond of Barclays, the British bank, contacted Henry Paulson at the Treasury Department and expressed his interest in acquiring Lehman should the price fall low enough. Diamond told Paulson that he also expected that any deal would come with some kind of government backing. Paulson would not guarantee any government help. Ken Lewis of Bank of America also told Paulson they could not make a deal unless they had some government assurances.

Speculation in media was whether Paulson would come to the rescue of Lehman as he had done with Bear Stearns and Freddie Mac and Fannie Mae. Paulson was eager to suppress any such idea, since he was facing considerable public and political fallout from the "bailout" of those failing companies. Along with Timothy Geithner and Ben Bernanke, he arranged to have the CEOs of several major financial firms meet at the New York Federal Reserve to come up with a plan for the private sector to facilitate a deal for Lehman. As Lehman prices fell, they put the plan into action.

Greg Fleming, the president of Merrill Lynch learned that Bank of America was looking at buying Lehman. This worried him, since he had hoped that Bank of America might be interested in buying Merrill. He was reluctant to bring up the possibility with Merrill CEO John Thain, however, as Thain had been CEO for less than a year.

At AIG, the crisis worsened as the company realized it would be out of cash within days because it was unable to accurately value or sell its mortgage-based securities. AIG also faced the possibility of having its Moody's rating downgraded, which would require it to put up more collateral for short term loans and greatly worsen the problem. AIG went to JP Morgan's Jamie Dimon with an urgent call for help.

Chapters 14-15

Chapters 14-15 Summary and Analysis

Chapter 14 opens with a description of the moments when several of the most powerful leaders of Wall Street received a last-minute call directing them to meet at the New York Federal Reserve to discuss a plan to save Lehman brothers. At the meeting, Tim Geithner explained the spin-off bank proposal with which Lehman had come up. He told the executives that there were two possible bidders for the "good" bank and that the job of the people assembled there was to find a way to finance the "bad" bank over the weekend. He broke the group into three parts, each one working on a separate issue. He emphasized that there would be no government money involved in the solution. Dick Fuld was not invited to the meeting, and was nervously trying to get in touch with Ken Lewis at Bank of America over the possible investment to save Lehman. Lewis was not taking his calls.

Lewis had decided that Bank of America was no longer interested in Lehman, a fact that was kept as quiet as possible from the people working on the Lehman solution at the Fed and from Barclays, the other bidder for Lehman. Instead, Bank of America had started talks with Merrill Lynch.

At AIG, Bob Willumstad was still busy trying to raise capital. He had managed to have some assets released and to raise some money, but still had a $15 billion shortfall he told Geithner and Paulson. However JP Morgan, which was helping AIG go over its books and determine the size of the problem, discovered that the total cash shortage was $20 billion more than they had previously thought.

Chapter 15 continues to examine the efforts to save Lehman brothers. It was now Sunday, September 14, 2008. After two sleepless days looking through the numbers, the group found a way that they all might chip in to keep the bad part of Lehman afloat until it could recover.

Barclays was still interested in the broker-dealer part of Lehman, and everyone thought a deal was all but completed when Henry Paulson received word from British financial authorities that they were concerned about Barclays taking on the troubled Lehman firm and would not approve the deal. Suddenly the entire deal was off. The only option left, the group decided, was for Lehman to declare bankruptcy. The investment firms that had trades pending through Lehman started looking at ways to untangle themselves so they would not be hurt.

At Lehman, Dick Fuld was still in the dark about the results of the meeting. Bart McDade of Lehman and his staff were ordered to come to the Fed for a meeting where they were told that no solution had been found to help them and that the government strongly urged Lehman to file for bankruptcy. Reluctantly, the Lehman board voted to file. Dick Fuld went home, dejected and in disbelief.

Meanwhile, the deal between Bank of America and Merrill was moving forward. John Mack at JP Morgan was concerned about the deal because he had hoped to someday make a deal with Bank of America himself. He and his staff turned their sights on approaching the bank Wachovia to see if they were interested.

On Sunday evening, as the exhausted people who had spent the weekend trying to save Lehman were making their way home, they were called back by the Treasury department for another emergency meeting, this time about AIG.

Chapter 16-17

Chapter 16-17 Summary and Analysis

The effort to save AIG makes up the large part of Chapter 16. Tim Geithner called JP Morgan and Goldman Sachs, both of whom had advised AIG and had a good idea of its inner workings, to come meet with the other Wall Street leaders to look at a solution to save AIG. As they had done with Lehman, the group tried to gauge the extent of the problem and then find ways to raise the money to save the company. The impact of the failure of AIG was sure to affect all of the people in the room, whose firms all had close ties with the insurance company.

After much analysis, it was determined that after putting up all of its available assets for a short term loan, AIG would still be short $30 to $40 billion. They reported this to Geithner, stressing the widespread systemic problems that would result if AIG should fail. Geithner, who had previously repeated his warning that no government money was available reversed his stance and asked the team to come up with a proposal that would include federal assistance.

The plan that was finally put in place was for the government to take over 80% of AIG in exchange for a loan of $85 million. As part of the deal, Bob Willumstad would be replaced as CEO by Ed Liddy, a former CEO of Allstate. AIG's board, presented with the deal, voted to take it.

Paulson, knowing he would face similar criticism for bailing out AIG as he did for helping Bear Stearns, was reluctant to pursue the government option but decided the impact of letting AIG fail was too large.

Despite the actions of the government to save AIG, the markets did not respond well, as is described in Chapter 17. Investors began to pull money from their accounts in panic, putting pressure on the remaining banks and brokerage firms. CEOs like John Mack at Morgan Stanley complained to Henry Paulson that short sellers were spreading false rumors to drive the panic. He asked if the government could intervene to stop the short sellers. Paulson responded that he did not have the authority.

As the panic grew worse, Paulson's team at the Treasury revisited their earlier plan to shore up the financial industry by purchasing $500 billion of the bad assets from firms that held them. This would take the bad assets off the books of the banks, making them healthier, and also establish a price for the hard-to-value assets which would also make the market firmer. They gained the support of Ben Bernanke and President George W. Bush and approached Congressional leaders, who had already summoned them to explain the chaos in the current markets.

Bernanke and Paulson explained in a meeting with congressional leaders that if they did not step up and take some kind of action, the country faced a depression even worse that the Great Depression of the 1930s. The spending of $500 billion would require action by Congress to raise the debt ceiling of the country. The leaders told Paulson and Bernanke they thought they could get something done quickly.

Chapters 18-19

Chapters 18-19 Summary and Analysis

Chapter 18 opens on September 19, 2008, as Henry Paulson announced his plan to stop the market panic which he called the Troubled Asset Relief Program, or TARP. Having promised Congressional leaders he would have a bill ready for them as soon as possible, Paulson and his staff quickly drafted a three-page bill that asked for authority to spend $700 billion. The bill would also give Paulson complete authority over the program with no political oversight.

John Mack at Morgan Stanley was encouraged by the announcement, which might buy it time, but he still knew that his company had to find an investment partner to stay alive. They had been looking at the books of Wachovia, but were not enthusiastic about what they found. Talks between the two firms were put on hold.

Morgan Stanley had also entered into talks with Gao Xiqing of China Investment Corporation, or CIC, who had flown to New York to look at Morgan's books. In addition, Mitsubishi of Japan had expressed interest in investing in Morgan Stanley. Mack faced increasing pressure from Geithner and Paulson to quickly find a solution, which Geithner thought was to merge with a bank. Geithner tried to persuade Jamie Dimon at JP Morgan to make a deal with Morgan Stanley. Dimon was resistant.

Mack also resisted the pressure to merge, holding out for an investment deal. Finally, Mitsubishi agreed to an investment of $9 billion. CIC, when it found out Morgan was also negotiating with Mitsubishi, pulled out of its talks.

Geithner continued to press his plan for the merger of various firms in order to firm up the markets. Under heavy pressure from Geithner and Paulson, Goldman Sachs and Wachovia put together a deal on the condition that the government provide a "backstop" like it had done with the JP Morgan and Bear Stearns deal. In the end, however, the deal was scrapped because of the potential public and political outcry. Paulson was a former CEO of Goldman and Bob Diamond, the CEO of Wachovia, had been at Goldman and also the Treasury department. It looked too much like the government officials were doing favors for their friends.

Also under the guidance of Geithner, Goldman Sachs and Morgan Stanley received status as bank holding companies. This was a crucial change in the fabric of Wall Street, Sorkin explains. The change in status meant that the firms were now eligible to borrow money at a discount from the Federal Reserve, and that they would be regulated under banking laws.

Chapter 19 opens on Monday, September 22, 2008, the day after Goldman Sachs and Morgan Stanley had officially become bank holding companies. While Morgan's stock prices had stabilized, however, Goldman's shares had continued to sink. In desperation, Lloyd Blankfein at Goldman made plans to make another call to Warren Buffett, who had already declined several investment offers. Buffett was receptive this time, and the two hammered out the outline of a deal in a matter of minutes. For the time being, Blankfein was relieved.

Henry Paulsen was facing an uphill battle to gain support for the TARP program. Despite having worked with congressional leaders to present a bill that would be accepted by Congress, the TARP legislation was voted down by the House. Paulson's staff scrambled to rework the bill, which finally did pass after several other issues were attached to it.

After consulting with his staff, Paulson was beginning to agree with Ben Bernanke that purchasing bad assets from firms at auction, as the original plan called for, was impractical and that a better use of the money would be to invest directly in the firms themselves. One problem he foresaw was that receiving TARP funds might be thought of as a sign that a firm was in trouble, so it was important for the program that even the largest, strongest firms like Goldman be part of the program so as not to stigmatize participation in it. He called a meeting of the CEOs of the major Wall Street firms without telling them the exact reason, which was to inform them of his change of mind over how the TARP money would be used.

At Morgan Stanley, Mitsubishi continued to look through the books before finalizing the $9 billion deal that had been agreed to in principle. Morgan executives grew increasingly nervous that the Japanese firm was about to pull out of the deal, but after some last minute changes the deal was finalized. Because it was the Columbus Day weekend and banks were closed on the Monday that the deal was to be finalized, Mitsubishi issued a check for $9 billion made out to Morgan Stanley. Sorkin includes a photograph of the check in the book.

At Wachovia, CEO Bob Steel was trying to find an investor. He had potential interest from Wells Fargo, the bank based in San Francisco, but Henry Paulson and Tim Geithner were pressuring him to go with Citigroup. As a bank, Wachovia fell under the jurisdiction of the Federal Deposit Insurance Corporation, headed by Sheila Bair. Geithner and Paulson pressured Bair into cooperating with their plan and Bair forced Wachovia into a deal with Citigroup at the nominal price of $1 per share. Steel was told he had no choice, but after the deal had been made Wells Fargo stepped up with a bid of $7 per share. Steel and the Wachovia board accepted the higher bid and reneged on the Citigroup deal.

Dick Fuld was still in charge of what was left of Lehman Brothers after the bankruptcy filing. Called before Congress to testify on the collapse of the firm, Fuld was contrite and near tears. He spoke emotionally about what had happened and said he wondered every day what he could have done differently. He also wondered why Lehman had been allowed to fail when the government had saved Bear Stearns before Lehman and then AIG right after Lehman. It was unclear to him why Lehman had apparently been singled out.

Chapter 20 and Epilogue

Chapter 20 and Epilogue Summary and Analysis

Chapter 20 describes the meeting on October 13, 2008 of the nine CEOs of the largest financial institutions in the country with Henry Paulson, Tim Geithner, Ben Bernanke and Sheila Bair. They had all been called to the meeting at the Treasury department in Washington without being told why. Some were worried about what might be happening, others needed to be convinced it truly was an important meeting.

The government leaders had practiced what they would say at the meeting the day before. They intended to invest $250 billion directly into financial institutions as part of the TARP program and they needed the top institutions to participate so that taking the TARP money would not look to the markets like a sign of weakness. They expected some firms would welcome the money. Others, like Goldman and Wells Fargo which were in fairly stable condition would be reluctant.

At the meeting, Paulson and Geithner were firm with the CEOs that they were all expected to accept the money, which ranged from $10 to $25 billion for each company. The CEOs were stunned at first, then scrambled to contact their boards of directors by phone to vote on taking the TARP money. One by one, all nine signed the agreement papers with the Treasury department.

Epilogue

In the Epilogue, Sorkin summarizes the immense changes in the financial world over these few months in 2008. "Each of the former Big Five investment banks failed, was sold, or was converted into a bank holding company," he writes (p. 529).

These changes did not put an end to the financial crisis, however. The stock markets fell 37 percent after TARP was signed into law. Public outcry increased over what was seen as he taxpayer paying for the poor decisions of wealthy financial executives. The outcry grew louder when it was revealed that these executives continued to receive large bonuses worth millions of dollars.

Sorkin poses some relevant questions at the end of his book. First is whether the crisis could have been avoided. He believes it perhaps could have been, but only if action had been taken much earlier. The followup question he asks is, once the crisis was in motion, whether the government's actions made things better or worse. One aspect of the government's intervention that Sorkin seems to find puzzling is why it did not act to save Lehman Brothers. He suggests that Paulson took public perception into account when he decided to let Lehman go into bankruptcy, but adds that Paulson has said this was not the reason. Sorkin also points out that Paulson has given revised accounts of why he did not save Lehman at different times, ultimately saying that he did not have legal authority to rescue the firm. Sorkin concludes this is technically true, but asks why more was not done to complete the deal with Barclays or intervene with the British regulators.

FInally, Sorkin presents his own opinion on the lessons learned from the crisis. He notes that despite the restructuring of the top firms, little has really changed. The firms still have pay structures that provide bonuses based on performance, which encourages aggressive risk taking. He feels that more regulation of the industry is necessary to avoid a future similar crisis, but feels that not enough is being done in this regard.

Sorkin concludes by looking at the toll the crisis took on the personal and professional lives of the people who were behind the scenes of it. The success or failure of a firm is ultimately a result of the people who make it up, he writes. The crisis of 2008 will be studied for years to come, he predicts, but we do not yet fully know whether it was a success or a failure.

Characters

Henry Paulson

Henry Paulson was the United States Secretary of the Treasury at the time of the 2008 financial crisis. He came to the job at the request of President George W. Bush, having risen to become the CEO of Goldman Sachs, the largest and most respected firm on Wall Street. Paulson was made to sever most of his ties with Goldman upon becoming Treasury Secretary to avoid the appearance of any conflict of interest, but during the crisis he received a waiver to discuss financial matters related to Goldman when it became clear that he intended to put public money into the financial system. He faced criticism that he sometimes favored his former colleagues at Goldman.

Paulson was initially reluctant to allow public money to be used to bail out private firms, and he faced public and political pressure after the bailouts of Bear Stearns, Fannie Mae and Freddie Mac. Sorkin believes this pressure may have prevented Paulson from considering a similar bailout of Lehman Brothers shortly afterwards. Paulson changed his stance as the crisis worsened, however, and developed the TARP plan that invested public money directly in financial institutions.

Paulson and his wife enjoyed the outdoors and made significant purchases of land to put aside as nature preserves.

Dick Fuld

Dick Fuld was the chief executive officer of Lehman Brothers, one of the largest brokerage firms on Wall Street. Lehman was among the first firms to feel the pressure from the declining markets in 2008, and Fuld was faced with trying to find a way to raise cash to keep his company operating. Fuld is depicted as working non-stop to find a possible investor, but is also shown to be impulsive at times with a difficult manner. On one occasion he soured a potential deal with a Korean bank with his brusque demeanor.

Fuld was very loyal to Lehman Brothers and to his top executives. As the firm faced ever increasing financial pressure, he was encouraged to make a change in his top management but resisted out of loyalty. He eventually agreed, accepting the resignation of his second in command and chief financial officer.

Fuld was very concerned about short sellers, dealers who bet against the price of a stock and who made money when the price fell. He felt that short sellers were spreading false rumors about Lehman and that the government should step in to stop them. Sorkin presents the viewpoint of others who thought that Fuld was perhaps not focused on the internal problems of Lehman and was blaming outside forces too much.

Fuld was personally devastated when Lehman Brothers was forced to declare bankruptcy, resisting it until the end. He was left in charge of the broker/dealer portion of the company which was left to "wind down" trades with other firms. He was eventually called before a Congressional committee to explain what had happened at Lehman Brothers, at which time he publicly expressed his remorse at the failure of his beloved firm and wondered why it alone had been allowed to go under.

Timothy Geithner

Timothy Geithner was the president of the Federal Reserve Bank of New York, the most powerful of the nation's several reserve bank branches. He played an important role in the financial crisis of 2008 by working with the leaders of the largest Wall Street firms to find ways to save some of the largest institutions from collapse. Geithner worked closely with Ben Bernanke, the chairman of the Federal Reserve and Treasury Secretary Paulson to influence Wall Street firms to accept the terms of the government's bailout efforts.

Ben Bernanke

Ben Bernanke was the chairman of the Federal Reserve. Bernanke had an academic background with an expertise in the Great Depression of the 1930s. He was one of the key public officials who came up with the TARP plan to support the failing financial industry.

Jamie Dimon

Jamie Dimon was the CEO of JP Morgan, one of the largest banks on Wall Street. It was Dimon's firm who agreed to purchase the failing Bear Stearns with a guarantee from the government of up to $29 billion in losses. This was the first of the "bailouts" that Sorkin chronicles in his book. Following this deal, others approached the government looking for "Jamie" deals.

Warren Buffett

Warren Buffet was the CEO of Berkshire Hathaway, and one of the wealthiest people in the world. Buffett lived in Omaha, Nebraska and was mistrustful of Wall Street bankers, many of whom turned to him during the crisis in an attempt to raise cash from his investment. Buffett did finally make an investment in Goldman Sachs.

Lloyd Blankfein

Lloyd Blankfein was the CEO of Goldman Sachs, having taken over for Henry Paulson when Paulson took the job as Treasury Secretary.

John McCain

John McCain was a Republican senator from Arizona who was running for President during the crisis in 2008. He initially opposed the TARP legislation, making it difficult to pass in Congress.

Barack Obama

Barack Obama was the Democratic nominee for President who was running in 2008 at the time of the financial crisis. Obama along with his opponent John McCain, were regularly briefed on the crisis and the government's intentions to intervene.

George W. Bush

George W. Bush was the outgoing President of the United States at the time of the financial crisis. President Bush opposed public bailouts, but was convinced by Bernanke and Paulson that putting public money into the system was the only way to stabilize it.

Objects/Places

The Treasury Department

The Treasury Department is the branch of the administration that deals with economic policy. At the time of the financial crisis, the department was headed by Secretary Henry Paulson

The Federal Reserve

The national bank that sets monetary policy is called The Federal Reserve. The bank lends money to private banks on short term to provide capital for investment. There are several branches of the Federal Reserve, with the largest and most influential being in New York City. In 2008 Timothy Giethner was president of the New York Federal Reserve and Ben Bernanke was the chairman.

Lehman Brothers

Lehman Brothers was a financial services firm led by Dick Fuld that declared bankruptcy in 2008 after being unable to find a buyer.

Goldman Sachs

A large financial services firm that was deeply involved in the financial crisis of 2008, Goldman Sachs eventually changed its structure to become a bank holding company in order to gain access to loans from the Federal Reserve.

Morgan Stanley

Another large firm that changed its status to a bank holding company to get access to Federal Reserve loans was Morgan Stanley.

New York City

The location of most of the largest financial firms in the country is New York City.

Washington DC

Washington DC is the nation's capital and the location of the headquarters of the Treasury Department.

Wall Street

Wall Street is a street in downtown Manhattan, New York City, where many of the largest firms are located. "Wall Street" is also used as a term to refer to the financial industry in general.

CNBC

CNBC is a television network that focuses on financial news. The CEOs depicted in the book frequently react to information they see on CNBC.

Bloomberg

Bloomberg is a financial information service that provides market information to investors. It is named for Michael Bloomberg, the founder of the company that provides the service, who was also the mayor of New York City at the time of the crisis.

Themes

The Role of the Government in a Free Market

The involvement of the central government in the financial markets is a controversial issue, as Sorkin describes in his book. At one side of the argument are those who advocate a completely "free" market in which the government takes little or no role. On the other end of the spectrum are socialist or communist countries where the government controls the economy, or owns key sectors of industry. The United States regulates the financial industry, but traditionally has maintained a free market economy where the government does not directly own financial institutions.

This changed in 2008, Sorkin explains, when the TARP legislation invested hundreds of billions of dollars in financial institutions making the US Government and American taxpayers part owners of the top firms on Wall Street. This program, which was signed into law by President George W. Bush, was highly controversial among members of Congress, particularly those who favored a more free market. Treasury Secretary Henry Paulson also objected to putting up government money to save private firms at first, but became convinced that it had to be done in order to prevent the entire country from sinking into an economic depression. Timothy Geithner at the New York Federal Reserve also had reservations about giving government money to troubled firms, believing that taking a government investment could make a firm look weaker than they might actually be, scaring investors.

Sorkin presents the views of those from both sides of the argument, but does not weigh in strongly with his own opinion of whether the government should or should not make direct investments in these circumstances. He notes that the markets did not rebound as expected after the TARP program was announced, but continued to fall. He raises the question of whether the government assistance may have made things worse. Finally, he stresses the apparent inconsistency in the government's policy during the crisis of 2008, choosing to save some firms while letting Lehman Brothers fail.

Too Big to Fail

"Too big to fail" is a phrase that expresses the excessive pride felt by some executives of the most successful and large banks and brokerage firms on Wall Street. The idea behind the phrase is that by grouping together asset-based investments like home mortgages into large pools and then building other investment securities on top of them and trading them with other firms, it was possible for large companies to virtually eliminate any risk to their investments. They grew so large on these supposedly solid investments that failure seemed impossible.

This worked well as long as the underlying assets were worth something, Sorkin explains, but after a period of widespread and irresponsible lending, home buyers began to default on their loans. The layers of securities that had been built on top of these falling assets had been extensively traded among the largest financial institutions, creating an interconnected web of investments that threatened to pull all of them down.

The phrase takes on a second meaning in the context of Sorkin's book. While initially "too big to fail" was used to mean a firm was nearly invulnerable, it could also be interpreted to mean that a firm had become so large that to allow it to fail would allow several others to fail as well. As the value of their assets dropped and failure of the largest firms became a real possibility, the government stepped in to try to stabilize the system in order to avoid the complete failure of the financial industry.

The Tragedy of Dick Fuld

Dick Fuld was the CEO of Lehman Brothers, one of the largest brokerage firms in the country. Sorkin focuses on Fuld's fate from the early days of the crisis through the failure of Lehman and finally to Fuld's emotional appearance before a Congressional committee to explain what happened.

Sorkin presents Fuld as a scrappy fighter with the fatal flaw of loyalty to his company. Fuld rejected deals that might allow his company to hold on a little longer because they would result in many of his employees losing their jobs. His faith in his company was ultimately his undoing, Sorkin suggests. As the crisis looms even larger, it is Fuld's executive staff who takes on more and more responsibility for the operation of the company, pushing Fuld out. Meanwhile, Fuld was nearly obsessed with the idea that other firms were deliberately spreading rumors against Lehman to drive down its share prices.

In the end, the government and top Wall Street firms take Lehman's problem on themselves without the participation of Fuld or his staff. After determining that the company cannot be saved, they force Lehman to declare bankruptcy, devastating Fuld.

Sorkin is sympathetic to Fuld's plight. Just prior to Lehman's bankruptcy, the government had facilitated a guarantee to JP Morgan to purchase the failing Bear Stearns and had also bailed out Fannie Mae and Freddie Mac, the home lending companies. When Lehman reached the point of collapse, the government changed its tune and insisted that no government money was available to assist in a deal. The official stance changed again immediately after Lehman's bankruptcy, however, culminating in the extensive TARP program that propped up the remaining institutions. In his testimony before Congress, Fuld wonders why, of all the firms in trouble, only Lehman was allowed to fail. In the Epilogue, Sorkin wonders the same thing.

Style

Perspective

Sorkin is a financial journalist and takes a journalistic perspective on the events he is reporting. For the most part, he does not express his own views or opinions on the events in his book but presents them from the perspective of the actual participants. Through interviews, recordings, notes and public records he has reconstructed the events and presents them in a first-hand account as if the reader is actually in the room as they take place. The main exception to Sorkin's attempt to present an impartial account is in the Epilogue, where he expresses his own opinion that too little has been done in the way of regulation to prevent a similar crisis in the future.

The perspective of the people in the middle of the crisis is of the immediate short term future. As cash reserves run short and the financial markets fall, the executives whom Sorkin follows are within days of seeing their firms collapse unless something is done.

Too Big to Fail was published in 2009, about one year after the events Sorkin describes. As a result, the account provides a perspective on events from the recent past. Most of the executives described in the book were still working in the financial industry at the time of publication and many of the government officials were still working in some public capacity. At the end of the book, Sorkin acknowledges that the perspective on these almost current events will change as time goes on. Future generations of business students will study what happened and learn from the events of 2008.

Tone

The events described in Too Big to Fail took place over a few months and developed very rapidly. Sorkin maintains a similarly rapid pace in his prose, creating the urgent tone of a psychological thriller. The environment of high-finance deal making is by nature adversarial since each side of a potential deal tries to get the advantage. Sorkin presents these battles from the viewpoint of each participant, usually through a series of telephone conversations.

It is also an environment where rumors can quickly take on the substance of fact and affect the markets. Two firms talking about potentially merging will meet in secret to avoid the fact leaking out, giving Sorkin's depictions the air of a spy story as executives dodge reporters and other executives and meet in out-of-the-way restaurants, apartments and clubs.

Sorkin also provides biographical interludes about the key players in the financial world in 2008. Most of the top executives had worked their way up through the finance industry to become top executives, and are presented in a mostly positive light as hard-working and intelligent people. The overall tone of the book is not critical of these people as a whole, but casts them instead as people faced with a huge challenge who did what they thought was best in the circumstances. These decisions did not always turn out for the best, as in the case of Dick Fuld, the CEO of Lehman Brothers, whose firm was allowed to go into bankruptcy even as the government was saving other firms at the same time. Sorkin sometimes strikes a tragic tone when describing Fuld, whose devotion to his firm apparently blinded him to the best course of action.

Structure

Too Big to Fail is presented in 20 chapters, with a prologue and an epilogue. Sorkin includes a list of the primary people in the financial industry at the opening of the book, along with the firms they worked for. A photographic section, endnotes, bibliography and index are also included. The book is written in the past tense.

The book covers the period from March to October, 2008, beginning with the near failure and government-backed rescue of Bear Stearns in March and concluding with the announcement of the extensive government TARP program in October. In the prologue, Sorkin builds interest in the story by depicting a dramatic meeting at JP Morgan that took place at the peak of the crisis in September as Lehman Brothers was about to go into bankruptcy. The main portion of the book is told in the chronological order of events.

Sorkin relies heavily on the recreation of conversations between the key players in the crisis. These conversations have been recreated using notes, documents, recordings and the recollections of those involved, he explains in the endnotes section. He uses an episodic structure that shifts back and forth between different groups of people which are each reacting to the same events at the same time. In between these episodes he inserts occasional biographical sections that describe the background and career of the people involved.

Quotes

"This extraordinary time has left us with a giant puzzle - a mystery, really - that still needs to be solved, so we can learn from our mistake. This book is an effort to begin putting those pieces together." Prologue, p. 7

"Despite his recent infatuation with leverage, Fuld believed in liquidity. He always had. You always needed a lot of cash on hand to ride out the storm, he would say." Chapter 1, p. 15

"On Wall Street, there are two kinds of bankers: the silky smooth salesmen who succeed based on wits and charm, and those who persist with bulldog tenacity. Paulson was of the latter type, as the white House soon discovered." Chapter 2, p. 41

"The following day, Friday, March 14, the Federal Reserve funneled a loan through JP Morgan to Bear Stearns that would end its immediate liquidity concerns and give the firm twenty-eight days to work out a long-term deal for itself." Chapter 3, p. 77

"The pyramidlike structure of a collateralized debt obligation is a beautiful thing - if you are fascinated by the intricacies of financial engineering." Chapter 8, p. 158

"Recognizing that Fannie and Freddie could soon spin out of control, Paulson summoned his brain trust to his office at 4:15 p.m. and told them to get ready to work throughout the weekend on a way to stabilize the GSEs. His plan was simple: He wanted to ask for the authority to put money into Fannie and Freddie, in the hopes that he'd never actually have to use it." Chapter 10, p.190

"'We've made a decision.' Paulson announced to his team and advisers in a conference room at Treasury the last week of August about the fate of Fannie and Freddie. 'They can't survive. We have to fix this if we are going to fix the mortgage market.'" Chapter 11, p. 221

"'Lehman's got to file immediately,' Paulson, leaning back in his chair, instructed Geithner and Cox. He made it clear that he didn't want Lehman adding to the uncertainty in the marketplace by dragging the situation out any longer." Chapter 15, p 355

"Fuld, who had been escorted upstairs by Lehman's security detail for fear that employees might actually attack him, wandered in and out of the conference rooms in shock. He had already placed a call that morning to Geithner, pleading with him to undo the bankruptcy filing, as if it had all been just a bad dream." Chapter 16, p 378

"Paulson's instinctive response had been serial deal making - the private sector's solution to systemic problems. Firms consolidated, covered one another's weaknesses. But this situation didn't feel normal in that respect; behind every problem lurked another problem." Chapter 17, p. 413

"At 9:30 p.m., the news hit the wires. Goldman Sachs and Morgan Stanley would become bank holding companies. It was a watershed event: The two biggest investment banks in the nation had essentially declared their business model dead to save themselves." Chapter 18, p. 483

"Could the financial crisis have been avoided? That is the $1.1 trillion question - the price of the bailout thus far. The answer to that question is 'perhaps.'" Epilogue, p. 534

Topics for Discussion

What does the phrase "Too big to fail" mean? How does Sorkin use the term?

What role did the government play in the financial crisis of 2008, according to Sorkin? Did it do all it could? Did it do more than it should have?

How did personal pride affect the decisions made by Dick Fuld at Lehman Brothers?

What are the lessons to be learned from the crisis, in Sorkin's opinion?

Does Sorkin provide a balanced view of what happened? Why or why not?

Should public money be used to support failing private companies? Why or why not?

What was the underlying cause of the financial meltdown, according to Sorkin?