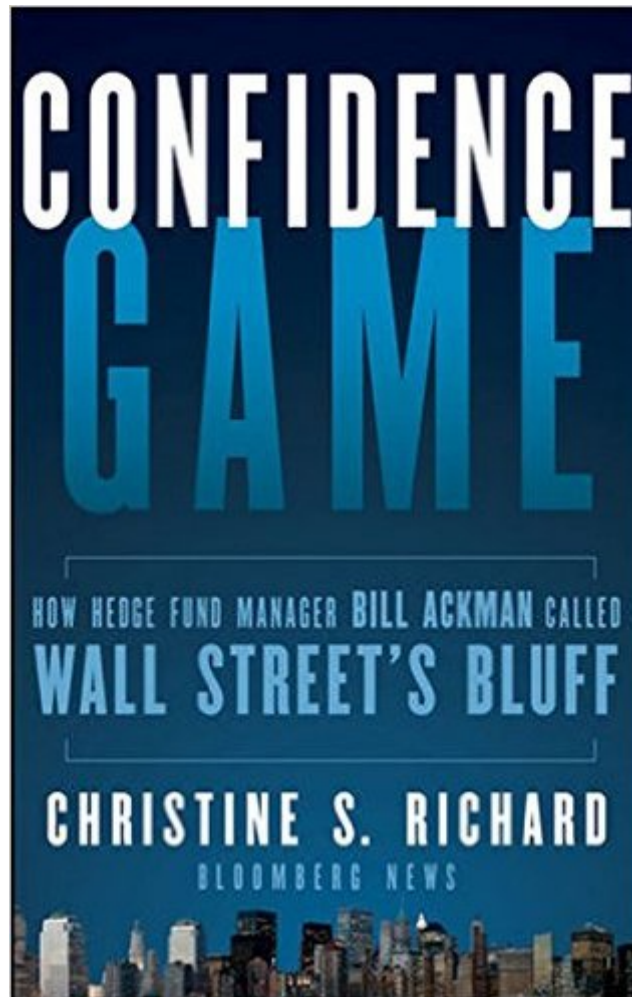


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# Confidence Game: How Hedge Fund Manager Bill Ackman Called Wall Street's Bluff



## Synopsis

An expose on the delusion, greed, and arrogance that led to America's credit crisis The collapse of America's credit markets in 2008 is quite possibly the biggest financial disaster in U.S. history. Confidence Game: How a Hedge Fund Manager Called Wall Street's Bluff is the story of Bill Ackman's six-year campaign to warn that the \$2.5 trillion bond insurance business was a catastrophe waiting to happen. Branded a fraud by the Wall Street Journal and New York Times, and investigated by Eliot Spitzer and the Securities and Exchange Commission, Ackman later made his investors more than \$1 billion when bond insurers kicked off the collapse of the credit markets. Unravels the story of the credit crisis through an engaging and human drama Draws on unprecedented access to one of Wall Street's best-known investors Shows how excessive leverage, dangerous financial models, and a blind reliance on triple-A credit ratings sent Wall Street careening toward disaster Confidence Game is a real world "Emperor's New Clothes," a tale of widespread delusion, and one dissenting voice in the era leading up to the worst financial disaster since the Great Depression.

## Book Information

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## Customer Reviews

In 2002, hedge fund manager Bill Ackman used credit derivatives to place a "short" bet against MBIA, the largest of municipal bond insurers. (Ackman later bet against other bond insurers.) Ackman raised serious accounting issues with MBIA executives, rating agencies, regulators, industry analysts. Among other things, Ackman questioned MBIA's foray into credit derivatives and synthetic CDOs. Joseph "Jay" Brown, then MBIA's Chairman and CEO, met with Ackman in 2002

about a negative report Ackman was about to release. Ackman recalls this power-play (P. 6): "You're a young guy, early in your career. You should think long and hard before issuing the report. We are the largest guarantor of New York state and New York City bonds. In fact, we're the largest guarantor of municipal debt in the country. Let's put it this way: We have friends in high places." Ackman published the report on his fund's web site: "Is MBIA Triple-A?" Here's some ironic background you won't find in Confidence Game. In 2003, Jack Caouette, then Vice Chairman of MBIA (he left in early 2005), wrote a blurb, still visible on , for my book on the dangers of credit derivatives and synthetic CDOs, Collateralized Debt Obligations and Structured Finance : New Developments in Cash and Synthetic Securitization. He began: "Caveat Emptor! Never in the history of finance has this warning been more appropriate." Ackman's concerns were reasonable. Structured finance is easily gamed, and fraud was common. Moreover, Ackman was correct about several other accounting issues unrelated to synthetic CDOs.

This book came out in late April, and the Wall Street Journal, the New York Times, and the Financial Times have all ignored it. The lack of attention is a shame, because it's an amazing, amazing book. Hedge fund manager William Ackman gave author Christine Richard impressive access. She writes, "Ackman gave me a CD-ROM containing every e-mail he had written or received that mentioned MBIA as well as years of appointment calendars and access to an office filled with more than 40 boxes of documents he'd collected in researching MBIA. He encouraged colleagues, advisers, and friends to talk with me and spent hours answering my questions." The result is a fast-paced, behind-the-scenes look at how a "short" investor uses the press, stock analysts, and the government to beat down the price of a stock he has bet against. Mr. Ackman's campaign that is at the heart of this book is his war against Municipal Bond Insurance Association, or MBIA. Here the key journalist seems not to have been anyone at the New York Times, or even Ms. Richard, who worked for Dow Jones and Bloomberg. No, it was "Marty Peretz, the editor-in-chief of the New Republic magazine, who had been Ackman's thesis adviser when he was an undergraduate at Harvard." Mr. Peretz, reports Ms. Richard became the first investor in Mr. Ackman's hedge fund after Mr. Ackman "drove from Boston to Peretz's summer house on Cape Cod to pitch him the idea." (Mr. Peretz tells me the investment was \$500,000, made at the time and not subsequently increased.) By Ms. Richard's account, Mr. Peretz wasn't exactly what you'd call a passive investor. After the SEC didn't really follow up on a meeting in which Mr. Ackman aired his allegations about MBIA to SEC staff, Mr.

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