



# **Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon**

*Gretchen Morgenson , Joshua Rosner*

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# **From Reader Review Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon for online ebook**

## **William Ramsay says**

If you like scary movies or stories that keep you from going to sleep at night, this is the book for you. It's not a horror novel and will never be made into a scary movie, but it frightened me half to death. It's the story of how a relatively few people (there are, after all, about 350 million of us) almost destroyed the world economy and made life miserable for millions of people. It's, of course, the story of the financial crisis brought on by the sub-prime mortgage bubble. Before reading the book I pretty much blamed the Republicans for getting us into this mess. But the book clearly shows that greed and stupidity are completely bipartisan. How a simple (worthy) idea like wanting more Americans to own their own homes could lead to a frenzy of greed and corruption says something about us that is frightening. How our government could be so blind to what was happening is terrifying. How insiders in Washington could twisted laws to fill their own pockets is scary. The book is sometimes difficult because of the complexity of the subject, but it is one of the best horror stories I've read in a long time.

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## **Mike says**

You should read this 5 Star spear in the chest of every slimy bureaucrat, politician, mortgage originator, Wall Street investor, Federal regulator, lawyer, etc. You, your kids, grandkids, probably great- grandkids will be paying off the debt and bailouts for so many years ahead—you might as well know the names of the asshats who did this and how they were able to do it. We will not recover and get our economy going again until the housing industry comes back to life. This book details in very readable terms how we came to our current state of affairs. This book deserves a lengthy review but I have to return it to the library ASAP. I will revisit when I get my copy for the permanent shelf.

Ms Morgenson and Mr. Rosner have crafted a deadly document, kicking ass and taking names of the people involved. I appreciate how they did not slant it to one party or another, no Bush Derangement Syndrome here. Democrats, Republicans, Federal regulators, businessmen and women, Fannie Mae and Freddie Mac, Clinton cronies, Bushites, Fed Reserve bankers, everyone has their part to play in this tale of greed and avarice. You will be sickened, you will be angered, and blood will shoot out of your eyes. Politicians bought and paid for, academics usurped by stipends and grants, grinding out bogus research papers that showed how ‘beneficial’ the affordable housing policies were. Still happening.

Don't think this financial history is a thing of the past. We just had the likely 8th largest corporate bankruptcy by the MF Global brokerage. This is after Dodd/Frank financial reform, all the supposed extra scrutiny by the Feds, our watchdog (not) press, etc. Just read Reckless Disregard and you will see how it happens and the same cast of characters will surface. What you will discover is the financial meltdown had its roots in the 1990's and even earlier. What was certainly a noble cause, home ownership (and the ownership society that came later) was transformed into a hideous monster. But it happened over time and might have been stopped if we had only used common sense. Come on, we all know how we treat things that are given to us free vs. things we work for and spend our own money for. So why did we think that giving people homes with \$0 down/\$0 closing costs and interest only mortgages would translate to “ownership”.

People had no equity, so who expects them to act responsibly? Or worse, people took out the equity from their houses and spent it on crap. Houses used to be a “savings” account for us when we get old, there used to be mortgage paper burning celebrations when the house was paid off. And folks would have a nest egg in old age, not a yoke around their necks. This book goes into the process of how this craziness was enabled and why it was not stopped until the system collapsed.

I suggest you read *The Big Short: Inside the Doomsday Machine* before tackling this one, mainly to ease you into the background of the financial crisis. Lewis’s book is a little easier to read and more entertaining. However, this book is not hard to follow, a very clearly explained road to the financial crisis and the players. A must read for the permanent shelf.

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## **Judith says**

*Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon* by Gretchen Morgenson and Joshua Rosner tells all, names names, and explains why it can, and probably will, happen again. The Wall Street-Washington revolving door continues to spin, lobbyists continue to buy votes, and too-big-to-fail banks grow ever larger. “It is indeed one of the most frustrating aspects of this story ... The cast of characters that helped create the mess continue to hold high positions or are holding jobs of even greater power.” (p.304) If you have any remaining doubts that concentration of wealth endangers democracy, read this book. Meet the plutocracy that pulls the strings of “our” government.

As I browse some of the reviews on Goodreads, I am amazed at how many long, intensely detailed, summaries there are, and how extremely partisan they are. There are the Fannie defenders who think that because the book begins with Jim Johnson and his methods of maximizing profits, hence maximizing his own executive compensation, it blames the entire collapse on Johnson and/or Fannie Mae. Then, there are the Democrats who discredit the book because it accurately reports the repeal of Glass-Steagall and the refusal to consider privatizing Fannie and Freddie happened on their watch. I suppose there may also be some who would like to defend JPMorgan-Chase, although that seems likely to be a less popular position. Unlike so many others, I thought the book was well written and credible. I did not think it claimed to have included every possible relevant factor, but did do a fine job of covering some very important ones.

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## **Charles Blumberg says**

If you want to understand the housing meltdown, read this book.

Plenty of blame to go around and chronicles all the events:

- (1) President Clinton (and continued by Bush) makes it gov't policy that everyone should be able to buy a home
- (2) Fannie Mae buys Congressional influence to reduce restrictions on loans for the poor
- (3) Wall Street jumps in believing that the high risk on loans has been greatly reduced
- (4) The financial industry ignores the warning signs from the auto loan sub-prime meltdown in 1998
- (5) Mostly Republican led effort to repeal the Glass-Steagall Act creating during the Depression. Repealing allows insurance companies, banks, and investments to all operate as a single company.
- (6) Federal Reserve reduces capital requirements on banks that are designed to protect against losses

- (7) The three credit rating agencies (Moody's, S&P) fail to account for basic analysis in sub-prime lending resulting in AAA grades
  - (8) Countrywide sells zero down payment, no verification loans with high pre-payment and high closing costs to the poor.
  - (9) Consumers begin to refinance and cash out skyrocketing increase in home value and spend the money on purchases, leaving them with little protection when home values decreased
  - (10) The Federal Reserve under both Greenspan and Bernanke downplay the risks of a real estate crash
  - (11) President Bush and Treasury Sec John Snow attempt to propose new regulations on Fannie Mae and Freddie Mac to reign them in but are rebuffed by mostly Democrats because it will reduce loans to the poor
  - (12) Wall Street starts to recognize in 2005 that the sub-prime loans are toxic but continue to peddle them to investors because of the money they are making and place bets against the very instruments they are selling to protect themselves when the housing market crashes
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## **Ruth says**

I **really** enjoyed this book. If you want to understand how the 2007 financial crisis started, why it started and how it unravelled, then this is a great book to choose.

The greed and stupidity of some of the best and the brightest in this country, some of whom at least, are in positions of power and chartered with protecting the taxpayer, is just unbelievably astounding. The fact that so many of them are still there is sickening, to be honest. The book covers the roles played by mortgage brokers and realtors, but is mainly focused on untangling the roles of Fannie Mae and Freddie Mac, mortgage lenders, such as Countrywide, and Wall St players such as Goldman Sachs, in setting up the havoc played on the global financial system through the mortgage stream.

The writing is accessible, whilst also managing to explain considerable detail. The authors do not assume familiarity with financial jargon beyond the most basic, and carefully explain the roles of regulators, and what some of the incredibly esoteric securities were comprised of. I learned a HUGE amount about the mortgage process in this country, and how a few players twisted it for their own ends, and in the process corrupted Congress and then laid the whole bill in the taxpayers' lap.

The book isn't particularly politically partisan (although it would have been easy to do that), and although at its core is the premise that owning a home is not in everyone's best interest, it doesn't push it - just lays out the facts and tells the story.

One thing I really took away from this was particularly apt for the political climate at present, with Republican primaries upon us for next year's presidential election. What is the role of regulators? Do they "get in the way" of free enterprise? Or do they have to work so closely with those they regulate in order to be relevant and effective, that they lay themselves open to corruption? Are they there to ensure a level playing field, or are they there to protect the stupid from themselves? I don't know the answer really, but it's sure given me something juicy to think about.

4 stars. Great read.

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## **William Young says**

You can blame the current economy pretty much on one person: James A. Johnson. This asshole is a former CEO of Fannie Mae and is singularly responsible for setting in motion the sub-prime mortgage crisis which ultimately crashed the US economy.

And he hasn't been charged with a crime of any kind.

Because he's a well-connected Democrat.

Yeah, while there were a lot of people engaged in destroying the economy in the name of stealing money from the unknowing and unwitting, it was Johnson's idea and he implemented it first. And ruthlessly.

This book will make your blood boil at the sheer magnitude of the scheme and the utter incompetence of government regulators. And, nobody in government was fired as a result of allowing this looting of America's citizens. And nobody went to jail.

But a lot of people lost their homes, their jobs, their savings and their futures. All because some well-connected amoral Democratic Party operative was gifted a position in Fannie Mae because of his party connections and allowed to hollow out America's banking system so that he could become super rich.

Ken Lay of Enron was a grocery store clerk compared to this guy.

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## **Richard says**

I liked this book. The authors say that theirs is the history that explains the entire housing crisis clearly and comprehensively. I think they mostly follow through on that pledge, although I think they omitted some pieces of the puzzle. I do recommend the book and it may be the best out there on the subject.

I enjoy reading business history, especially when the stories are told in an interesting way, and this book does that. The authors keep the reader interested throughout. Books in this genre can get a little ponderous or arcane. Morgenson and Rosner avoid that pitfall. The book reads pretty quickly.

A few of the shortcomings:

A book like this really needs to be footnoted. And the authors sometimes make assertions that aren't expanded upon in the text. One example: On page 128 they say "Many housing economists ridiculed the [McCarthy & Peach] paper's methodology". That's probably true, but I still would like to see the source for that. Name me one or several economists that ridiculed the methodology.

In a similar vein, there have been quite a few books on this subject from various players, some of which have been out for a little while now. Hank Paulson's and Michael Lewis's books come to mind. I would have liked to see some mention of this material and the author's assessment of it. Do they agree? Disagree? What?

The authors covered some of the players in great depth, most notably Jim Johnson of Fannie Mae. But some players got virtually no mention. Bear Stearns and Lehman were only mentioned in the final chapter of the

book when they were in collapse. It could be that to bring in more players would have just been "more of the same" and would add nothing to the story the authors were trying to tell. Nonetheless, I would have preferred the authors to be a little more comprehensive.

The bottom line is that I now have a better understanding of how the whole housing crises unfolded and what the primary causes were. As usual, Big Government and the corrupt and/or clueless people in it are the root cause. The government has virtually no market discipline yet has enormous power and resources. Time after time after time, that has been shown to be a horrible combination. We have got to kill this beast, the unconstitutionally powerful Federal government, before it kills us. Reckless Endangerment shows once again why.

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## Steve says

If you were looking for an explanation of our current economic mess, I'd advise you to be very cautious when reading this book. In 300 pages, the authors spend the first 200 condemning Fannie Mae and Freddie Mac for their misdeeds, giving every impression that Fannie and Freddie caused Economic Armageddon. However, in the final chapter they blame Wall Street. They have an explanation for this, but it's kind of confusing.

A brief summary of the book goes like this: Fannie and Freddie colluded with their friends in the Democratic Party to loan way too much money to low-income people. They corrupted the lending process, corrupted the regulatory process, took huge risks, reduced capital to unacceptable levels, and paid their executives outrageous salaries. Then, not satisfied, their executives cooked the books to pay themselves even more (first 200 pages).

The next 50 pages take us on a mini-tour of the failures of various regulatory agencies—their failures frequently aided and abetted by Fannie. There's a description of some private mortgage operations like Countrywide---big customers of Fannie. Then, in the final chapter, the book takes a seemingly strange turn by claiming that "no industry contributed more to the corruption of the lending process than Wall Street".

That seems like a reversal, but I was glad to see the authors' clarify things. Until then I thought they were asserting that Fannie and Freddie were heavily involved in the subprime loan industry. I'm fairly certain that's not the case. For example, according to an investigation by the House Oversight Committee in 2009 Fannie and Freddie issued almost no subprime securities until 2006. In 2006 they had 2.9% of the market. In 2007 they increased their market share to 13.7%, and that was after the housing bubble popped. All the rest were issued by private banks. So, yes it's quite clear, "no industry contributed more to the corruption of the lending process than Wall Street".

But it's interesting. If Wall Street is mainly to blame for the corruption of the lending process and the economic mess, why is most of the book devoted to Fannie and Freddie?

The authors have been asked a variation of this question in several interviews. As an example, here's Morgenson in an interview with Democracy Now:

DEMOCRACY NOW: ...some people, though, have questioned whether you're not sort of echoing the criticism that's been raised by some of the Republican Tea Partiers, Sarah Palin herself, saying Freddie and Fannie were behind the whole crisis. This whole issue of the reduction of lending standards by the government and by Fannie Mae and how that affected the crisis, could you talk about that?

GRETCHEN MORGENSON: We're certainly not saying that Fannie and Freddie were the, you know, key movers in this. They were — Fannie was a lead mover, a prime mover, first mover. ...[they] really taught the entire financial services industry how to co-opt their regulator, how to co-opt Congress, so that they could achieve what they wanted... We had Wall Street very involved after Fannie Mae led the way.

Couple of points: One, does this sound plausible? Wall Street investment bankers portrayed as apolitical folks just minding their own business until---Fannie Mae showed them how to make money by influencing Congress! It's a stretch, to put it mildly. Yet the authors' entire argument hangs upon this one gauzy thread: that Fannie invented the game of Capture Your Regulator. Wall Street took it from there and invented subprime. I don't know when the authors went to school, but when I was in college 35 years ago, there was a standard econ course on regulatory capture. I don't think Fannie invented it.

Two, I'd say it's impossible to read this book and NOT come away with the impression that Fannie caused the whole crisis. The authors say that wasn't their intent—or something. I'm not sure exactly what distinction they are trying to make between key and first and prime and lead movers, but whatever they mean, one thing is clear. The authors have written a book purporting to explain Economic Armageddon; it contains 200+ pages pointing at Fannie and an asterisk pointing at Wall Street. It's kind of hard to believe that they didn't intend to create the impression that Fannie did it.

And of course that's the impression they've created. Conservative commentators from David Brooks and George Will to Rush Limbaugh and Sean Hannity have latched onto this book as a godsend. Rush says it's "a credible indictment of the Democrat Party, Democrat leaders and the Democrat Party's alliance with Wall Street leaders in creating the entire crisis that has led to the present state of the economy, that it can be laid at the feet of Democrats exclusively."

And that's the real problem with the book. Whatever the authors' intentions, the book has become a weapon in the conservative war on government and regulation of anything. Thus, whatever new beast Wall Street's financial wizards are creating (and you know there's one lurking out there somewhere) it can look forward to minimum oversight and minimum regulation. And the odds of a new Economic Armageddon just improved.

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## **Kathleen says**

The facts Ms. Morgenson relates are disturbing. Every voter needs to be reminded of the ties between our elected officials, regulators, and business as detailed in this book, so that we can put their self serving words in perspective. Although the subject is complicated, Ms. Morgenson ably recounts the financial dealings which led to the "Great Recession." According to Ms. Morgenson, not much has changed since the collapse of the financial system, which is a scary thought.

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## **judy says**

I've read quite a number of books by reputable authors to try to understand our economic meltdown. I don't understand it but neither do these authors nor anyone else on the planet. Our economic Armageddon is incredibly complex and the causes are more so. This particular book focuses on Fannie Mae. It tried to lay a lot of blame on Fannie but, in truth, Fannie was just another cog. The story, however is fascinating but



flawed. Fannie had enormous clout thanks to its pre-meltdown leader, Jim Johnson. The portrait of Johnson keeping Congress (truly the best Congress money could buy) from withdrawing the benefits that Fannie accrued from being a quasi-government enterprise is definitely worth reading. We're supposed to think Johnson is one of the big villains and I can buy that, in part. What I do see is a 100% political animal just doing what instinctive political animals do. I have to admit he is brilliant at it. Reading the Fannie, Countrywide etc. side of the story is helpful. What about the quants, tranches and especially the evil credit default swaps? The authors do take some nice and richly deserved shots at the major credit rating agencies (S&P, Moody's, Fitch). What we have here, friends, is financial Armageddon staring as the elephant in the elephant and the blind men fable. Each of the six blind men feel a different part of the elephant and, of course, give different descriptions. Every book I've read on this subject has a different cast of characters and a different reason why the economy tanked. I believe all of them--and the ones I have yet to read too. The ultimate bad guys are on Wall Street but I can't be sure who they are. However, there are so many bad guys out there that they number in the thousands. One interesting thing this book pointed out is unintended consequences. The Democrats made a priority of homeownership for poor and minority people. This good intent helped lead to such insane practices as no proof of ability to pay, no down payment and make only the interest payment and not all of it, if you choose. As for explaining this mess, I can't imagine that anyone knows and understands it all. We are blind and we're standing in front of a herd of elephants.

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### **Chris says**

Wow, I don't think I've ever read a book that is so devastatingly thorough in its details and yet so hard-hitting in presenting all the facts...no spin, just facts. Amazing how much research must have gone into this book. An incredible story of all the ins-and-outs of what led to the housing and economic collapse of 2008, starting way back in the early Clinton years. At first I thought it might be somewhat boring and dry, but it's far from it! Really opened my eyes to all the massive corruption and collusion going on out there, behind our backs, when we think that these industries and organizations are really there to protect us; far from it!

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### **Don says**

Essential reading for those who want to understand the origin of the Great Recession of 2008. Lays blame equally at the foot of government bureaucrats, corrupt leaders at Fannie Mae/Freddie Mac, investment bankers, and mortgage bankers. I found the stories about double-dealing on the part of Goldman Sachs to be particularly galling and help understand the frustration against banks felt by most of the country.

Overall, one of the most depressing books I have read. Not because rampant greed, self-interest, and yes, good intentions, can lead to such disastrous results, but because there does not seem any way to prevent this type of disaster in the future. There were enough brave souls along the way crying foul to alert us to the coming events. What makes us think we will be any wiser to heed them in the future?

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### **EDantes says**

This was a challenging read for me and my limited understanding of financial markets. It is a great book, but left me seething. So many of the people that drove the economy into the ditch were rewarded with huge retirement packages or powerful management positions in new companies. Most aggravating are the ones

that were either too stupid or lacked the basic morals to make the right choices in the crisis that have now been rewarded with powerful government positions. Meanwhile, many of the people that were used in the mortgage ponzi scheme are now without homes and tax payers foot the bill. Great research and well written, but very depressing.

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### **Tiffany says**

If you have ever questioned what really caused the downward spiral of the US economy in the past few years, look no further. This is, by far, the most un-biased and well researched book I have read on the topic to date. The research is thorough, but not dry. This book actually reads more like a good fiction story because you just can't believe you are reading about true actions and events. It was eye-opening to see how many different moving pieces there were to the crisis and how long ago it was actually set into motion. I also enjoyed that there was no "party" blaming. This was a straight-forward analysis of the actual players involved. It is absolutely disgusting to see how few of the major players were charged with crimes (read: None)...and it was disheartening to see how many of them still hold prestigious and political positions...many in the current administration. The book will make you mad...so if you are prone to high blood-pressure, maybe not the book for you. But if you like to be educated about the current events in this country, this is a definite must-read. The rampant corruption in politics and the corporate business world was eye-opening...and I have worked in finance for over 10 years and currently work as an accountant. I really thought that I'd seen it all...not even close. It's also written in a very easy to understand manner...no need for advanced Economics degrees to understand what happened. I think this should be a mandatory read for all Business, Economic, Finance and Accounting students...as a warning for what can happen when greed rules the day and ethics go out the window. My eternal respect to those who were brave enough to come forward and try to enlighten the world as to what was going on, even when they were ignored, threatened and discounted. They should all be extremely proud of their actions and I hope they receive the credit they deserve for daring to be a voice of honesty and reason.

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### **Phil Mullen says**

Since the Great Recession of 2007, I've been among the people who've tried retroactively to understand who did it, & why -- plus, how likely is it to happen again.

Of the half dozen books I've read since then on those topics, Gretchen Morgenson's & Joshua Rosner's *Reckless Endangerment* is one of the best researched, focusing on Fannie Mae & Freddie Mac, the two huge GSAs, & on Fannie's "successful" (& hugely compensated) CEO, Jim Johnson.

The identified culprits (executives who cooked the books to show targets met, so as to maximize their annual compensation; regulators who didn't; rating agency employees who yearned to be hired by the corporations they rated, so that they courted them by going easy on them; leaders of the Federal Reserve, who preached their theology of "the market solves everything ... so we don't have to bother!" instead of using the powers given them to force stability; & lobbyists by the hundreds who watered down proposed laws, so as to let the whole destructive dance begin again, almost immediately) are so many that it leaves the reader grasping for reasons to hope.

We were dumb. We were conned. We eagerly took part, taking mortgages we knew we couldn't afford. The government that should have protected us, didn't. The men with all the money in the world, bought & sold congresspeople, legislators, pretty much everybody.

It's a fine book, with villains enough to go around, & two authors who have enough savvy to unbury the bodies. Reading, one is inclined to weep . . . for America & for the world economy. We seem not to have learned much of anything, so more's coming.

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