

Confidence Game: How a Hedge Fund Manager Called Wall Street's Bluff

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Recent headlines have all but screamed for attention, announcing heartbreaking unemployment figures, stock market downfalls, and corporate bankruptcies. *Confidence Game* tells the story of one man who may have predicted it all. Some consider him a prophet unwisely ignored and unjustly persecuted, while others claim he helped spark the economic firestorm.

Christine Richard recounts the efforts of William Ackman, a controversial hedge fund manager who passionately, perhaps obsessively, advocated the theory that Municipal Bond Insurance Company (MBIC), a company that insured government and corporate debt from default, was not as secure as it and the credit rating companies claimed. Ackman argued that MBIC and other bond-insuring corporations, once highly conservative, had entered into high risk investments without maintaining the capital needed if the investments failed. Accounting games, Ackman claimed, made these risky investments appear conservative. But if the bluff was called—if the investments failed—the impact would threaten America's economy. Ackman went to great lengths to share his concerns with the companies involved, with governmental regulatory agencies, and with the media. His arguments were ignored, however, partly because few believed the bond insurers were at risk and partly because Ackman stood to gain tens of millions of dollars if he was correct. Much of what he argued proved true when the economy went into recession.

Richard, a debt market reporter with *Bloomberg News*, has received awards from such organizations as the Society of American Business Editors and Writers and the New York Press Club for her previous reporting on this subject. Years of painstaking research into commission reports, corporate accounting sheets, and stock market trends come together to clarify how a slowing housing market turned the entire economy on its head. At times, the book reads like a novel, giving behind-the-scenes glimpses of regulatory commission meetings, big business deals, and the lives of Wall Street tycoons.

While Richard works hard to simplify complex fiscal concepts, her book, filled with an alphabet soup of agencies and securities deals, is a challenging read for those unfamiliar with high-level financial transactions. The types of investments and risks she attempts to explain tested Wall Street's greatest minds, after all. Therefore, this book isn't for the faint of heart. But for undaunted readers with an interest in the causes of the current recession or in how high-stakes investments and big businesses really work, *Confidence Game* is difficult to put down.

DIANE GARDNER (May / June 2010)

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