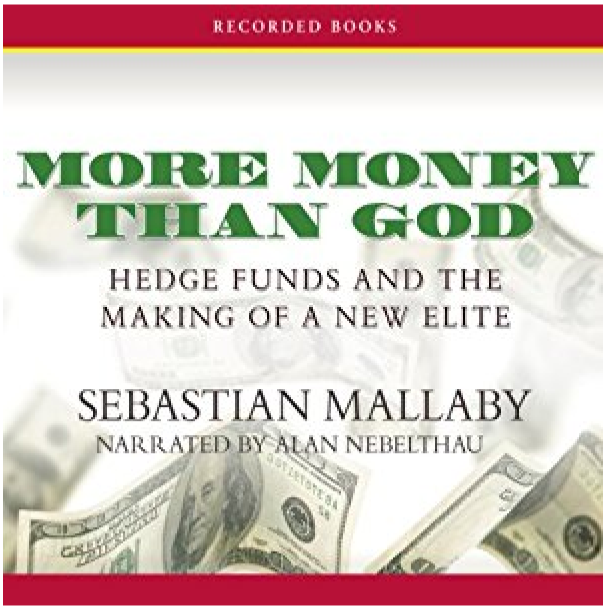
More Money Than God: Hedge Funds And The Making Of A New Elite



Synopsis

The Paul Volker Senior Fellow in International Economics at the Council on Foreign Relations, Washington Post journalist Sebastian Mallaby has garnered New York Times Editor's Choice and Notable Book honors for his enthralling nonfiction. Bolstered by Mallaby's unprecedented access to the industry, More Money Than God tells the inside story of hedge funds, from their origins in the 1960s and 1970s to their role in the financial crisis of 2007-2009.

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Customer Reviews

I really needed a book that summarised different investing approaches by world renowned figures and this book did it - perhaps even better than Michael Lewis's Liars Poker. Great summary of growth of hedge funds and how they've evolved. Don't think there's another book like it.If you want to learn on how big names invest this is the way to go

This is the magnum opus on the hedge fund industry. As other hedge fund related books seek to either vilify the industry or brazenly praise the uncanny good fortunes industry insiders - this book does neither - which I found refreshing and a strategic positioning of this work from "the rest."Sebastian Mallaby is currently the Paul Volcker Senior Fellow for International Economics at the Council on Foreign Relations. He's also a columnist at the WA Post and spent over a decade with The Economist responsible for international finance coverage - serving a bureau chief in Washington, Japan and southern Africa. He is the author of several noteworthy books on the political economy.This work is an epic contribution to the historical evolution of certain financial products and the global industry(s) spawned therefrom in primarily, the western world. Welcome to the hedge fund industry, including an amazing cast of characters, their thought processes, training, relationships and the outcome of their work - The Making of A New Elite - with More Money Than God.Admittedly, it is rare for me to dedicate myself to the reading of 400+ pages contained in any one volume, on any subject. Yet, the manner in which this book develops contains the unique qualities that inflame the desire within reader to come back for more. Incredibly well-written, researched, balanced and apolitical. This work is REQUIRED READING as an essential component in developing an understanding of global financial markets, risk assessment, risk management and the art of speculation.As I read the book, Mallaby makes some points that have been central themes of other authors (See The WSJ's Scott Patterson's - The QUANTS), regarding the miscues that fueled poor investment/risk management strategies. Listen to Mallaby to garner the essence of this observation as it relates to the "art of speculation" - "The art of speculation is to develop one insight that others have overlooked and then trade big on that small advantage." P.91 "After the 1971 debacle, Weymar set about rethinking his theory of the market. He had begun with an economist's faith in model building and data: Prices reflected the fundamental forces supply and demand, so if you could anticipate those things - you were your way to riches. But experience had taught him some humility. An exaggerated faith in data could turn out to be a curse, breeding the Sol of hubris that leads you into trading positions too big to be sustainable." "The real lesson of LTCM's failure was not that its approach to risk was too simple. It was that all attempts to be precise about risk are unavoidably brittle." P.231 (LTCM) Had misjudged the precision with which financial risk can be measured."p.245.The point is that an unrepentant belief in the quantitative modeling that provides that "one insight that others have overlooked and then trade big on it" can have enormous consequences in either capturing returns or accelerating a cataclysmic demise of the capital under management.How has that all worked out, in recent years? According to Mallaby, "Between 2000 and 2009, a total of about five thousand hedge funds went out of business, and not a single one required a taxpayer bailout."Ah yes, "bailouts" - what is Mallaby's take on this issue? Listen to the following: "Capitalism works only when institutions are forced to absorb the consequences of the risks that they take on. When banks can pocket the upside while spreading the cost of their failures, failure is almost certain." P.13. Mallaby is clearly not a proponent of "privatizing the gains and socializing the losses."What about our affection with history that drive financial and other forms of socio-economic modeling. Mallaby has some succinct insights: "Projections are based on historical prices, and history could be a false friend." P. 233. "In 1997, Merton and Scholes (LTCM) received the news that they had won the Nobel Prize for economics. The award was greeted as a vindication of the new finance: The inventors of the option-pricing model were being thanked for laying down a cornerstone of modern markets. By creating a formula to price risk, the winners had allowed it to be sliced, bundled, and traded' l thousand ways the fear of financial losses, which for centuries had acted as a brake on human endeavor, had been tamed by an equation." P.231. So, where does Mallaby leaves us at the end of this magnum opus? His analysis leads him to conclude "The worst thing about the crisis is that it is likely to be repeated." P. 377. However, to suggest that the hedge fund industry was the primary culprit in either the creation or magnitude of the Great Recession would be erroneous. Again, between 2000 and 2009, 5,000 hedge funds are to have ceased operations - none of which required a taxpayer bailout. Mallaby also takes a rather benign approach to the plausibility/practicality of regulating this industry ("The record suggests that financial regulation is genuinely difficult, and success cannot always be expected." P. 379).Yet, at the conclusion of this work, one quote from Mallaby continues to resonate with me: "It is the nonintuitive signals that often prove the most lucrative." p.302. However, the term "lucrative" as is as applicable to assessing risk and thereby avoiding potential losses, as it is to capturing returns on investment.Like I said, an epic contribution to the historical evolution of the hedge fund industry. An uncanny, incredibly thorough, balanced treatment - written in a way that is appropriate for both industry insiders, and the lay-person. A perfect volume for graduate coursework in finance -- one that focuses on human beings, as well as the quantitative financial services products they develop and deploy in the global markets today.

Over the course of time I have created quite a library of books on the financial industry as well as tomes written by the likes of Bair & Geithner. I've visited Bretton Woods and searched the maddening of crowds and manias. That said, very seldom do I feel the need to write a review, but in this case, I make an exception. Well researched, enlightening in it's depth, yet readable in its flow. Familiar with all the players covered here but gained depth of understanding of what they did and how they functioned. Not since The Seven Sins of WallStreet have I had a can't put it down read. This qualifies. If you have an interest in the story of Hedge Funds, do yourself a favor and give this a read.

The depth of the author's research combined with interesting story telling crafted this book into a magic carpet ride into the world of hedge funds. I have an MBA with a focus in finance, yet honestly this book did more for me than any finance textbook - and it was very interesting!I have to reiterate just how impressive the research was for this book, I read all of the footnotes because a sheer amount of fascinating information is held in the footnotes. If I ever write a book - I want to approach it like this author.

There are a handful of hedge funds which persistently have made breathtaking amounts of money. Sebastian Mallaby provides a clear and nuanced telling of their adventures.What are some lessons (mine not Mallaby's):The breaking of the pound in 1992 demonstrated that hedge funds were now of sufficient size to stand against central banks and take down a currency.The bond crash of 1994 demonstrated that central banks when making monetary policy had to account for the actions of hedge funds. It also demonstrated how hedge funds, due to their leverage, had to sell into a panic which can turn a downturn into an acapulco cliff dive.The Asian Crisis deepened this lesson as hot money flows wrecked these economies and given, in the years afterwards, how these countries built huge warchests of US dollars in currency reserves to ward off the speculators, the unintended consequences (imbalances in saving and trade) continue to this day for the US and the world.Mallaby points out the financial crisis of 2008 was not caused by the hedge funds. This is true as long as one does not include the unintended consequences of the Asian crisis. That said the truest key to the financial crisis of 2008 is that ours has been a time of deregulation and freer markets. Market economies have an inherent feature that leads to periodic financial crises. The more free the market the greater the potential for increases in the magnitudes of upheaval. Markets are essential for a vibrant economy but a balance must be kept to keep the turbulance from out weighing the benefits.The Asian countries tend to prefer a balance with more regulation of financial markets than the US and this has not changed ever after the 2008 crash and burn.Just recently a large pension fund, Calpers, announced it is pulling its money out of hedge funds. Hedge funds are mostly unregulated therefore fund performance is difficult to attain but most studies find that the average fund after fees performs little better than the S&P 500 (Mallaby by way of a study done by Ibbotson disputes this). The bulk of funds, it seems, provide merely normal returns for their investors but for their managers more money than god.Mallaby brings out that the 2&20 pay structure, which allows these outsized returns for managers, was designed partly to avoid paying income taxes, a loophole that persists to this day.

Hedge funds serve a purpose and they don't need to be more highly regulated. Mallaby has written an entertaining book on the history of hedge funds and some of the major players. The subtitle could have been "Make a Billion - Lose a Billion". Highly recommended.

More Money Than God: Hedge Funds and the Making of a New Elite The Bond Book, Third Edition: Everything Investors Need to Know About Treasuries, Municipals, GNMAs, Corporates, Zeros, Bond Funds, Money Market Funds, and More (Professional Finance & Investment) Soap Making: 365 Days of Soap Making: 365 Soap Making Recipes for 365 Days (Soap Making, Soap Making Books, Soap Making for Beginners, Soap Making Guide, ... Making, Soap Making Supplies, Crafting) Soap Making: 365 Days of Soap Making (Soap Making, Soap Making Books, Soap Making for Beginners, Soap Making Guide, Soap Making Recipes, Soap Making Supplies): Soap Making Recipes for 365 Days An Introduction to Investment Banks, Hedge Funds, and Private Equity: The New Paradigm From Zero to Sixty on Hedge Funds and Private Equity: What They Do, How They Do It, and Why They Do The Mysterious Things They Do Fiverr-Best Gigs to Make Money on Fiverr With Proven Money Making Gigs And Ways for Making Money That Work (Fiverr.com Books, Make Money With Fiverr Gigs, Ideas, Tips, SEO Book 1) Investment Banks, Hedge Funds, and Private Equity, Second Edition Investment Banks, Hedge Funds, and Private Equity Investment Banks, Hedge Funds, and Private Equity, Third Edition One Step Ahead: Private Equity and Hedge Funds After the Global Financial Crisis Funds: Private Equity, Hedge and All Core Structures (The Wiley Finance Series) From Zero to Sixty on Hedge Funds and Private Equity 3.0 Making Money at Home: Methods to Make Money with Drawing Portraits: How I Made More than $50,000 Selling Art Online and Offline (Ways to Make Money with Art, Selling Drawings) The Ultimate Hedge Fund Guide: How to Form and Manage a Successful Hedge Fund The Complete Brambly Hedge (Brambly Hedge) Personal Finance: Budgeting and Saving Money (FREE Bonuses Included) (Finance, Personal Finance, Budget, Budgeting, Budgeting Money, Save Money, Saving Money, Money) DIY Energy & Money Saving Solutions Ã¢â ¬â œ Best Practices Volume 1 Landscape Hedge (Simple DIY Money Saving Green Solutions) The Billionaire's Apprentice: The Rise of The Indian-American Elite and The Fall of The Galleon Hedge Fund The Ultimate Soap Making Guide: Unique Soap Making Recipes & Complete Soap Making Guide for Beginners (Soap Making at Home, Soapmaking Guide, Soap Making Recipes, Soap Making Book)