



Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street

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In telling of his stranger-than-fiction baptism into the corrupted ways of Washington, Barofsky offers an irrefutable indictment, from an insider of the Bush & Obama administrations, of the mishandling of the \$700 billion TARP bailout fund. In behind-the-scenes detail, he shows the extreme degree to which government officials bent over backward to serve the interests of Wall Street firms at the expense of the public—and at the expense of effective financial reform. During the height of the financial crisis in 2008, Barofsky gave up his job as a prosecutor in the US Attorney's Office in NYC, where he'd convicted drug kingpins, Wall Street executives & mortgage fraud perpetrators, to become the special inspector general in charge of oversight of bailout money spending. From the first his efforts to protect against fraud & to hold big banks accountable for how they spent taxpayer money were met with outright hostility from Treasury officials in charge of the bailouts.

Barofsky discloses how, in serving banking interests, Treasury Secretary Timothy Geithner & his team worked with Wall Street executives to design programs to would funnel vast amounts of taxpayer money to their firms & would have allowed them to game the markets & make huge profits with almost no risk or accountability, while repeatedly fighting efforts to put the necessary fraud protections in place. His investigations also uncovered abject mismanagement of the bailout of insurance giant AIG & Geithner's decision to allow the payment of millions of dollars in bonuses & that the Obama administration's TARP Czar lobbied for the executives to retain their high pay.

Providing details about how, meanwhile, the interests of homeowners & the broader public were betrayed, Barofsky recounts how Geithner & his team steadfastly failed to fix glaring flaws in the Obama administration's homeowner relief program pointed out by bailout watchdogs, rejecting anti-fraud measures, which unleashed a wave of abuses by mortgage providers against homeowners, even causing some who wouldn't have lost their homes otherwise to go into foreclosure. Ultimately only a small fraction (\$1.4 billion when he stepped down) of the \$50 billion allocated to help homeowners was spent, while the funds expended to prop up the financial system totaled \$4.7 trillion. As he raised the alarm about the bailout failures, he met with obstruction. He recounts in blow-by-blow detail how an increasingly aggressive war was waged against his efforts, with even the White House launching a broadside against him. *Bailout* is a riveting account of his plunge into the political meat grinder of Washington, as well as a vital revelation of just how captured by Wall Street the political system is & why the too-big-to-fail banks have only become bigger & more dangerous in the wake of the crisis.

Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street Details

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From Reader Review *Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street* for online ebook

Al says

In this bracing, page-turning account of his stranger-than-fiction baptism into the corrupted ways of Washington, Neil Barofsky offers an irrefutable indictment, from an insider of the Bush and Obama administrations, of the mishandling of the \$700 billion TARP bailout fund. In vivid behind-the-scenes detail, he reveals proof of the extreme degree to which our government officials bent over backward to serve the interests of Wall Street firms at the expense of the broader public—and at the expense of effective financial reform.

During the height of the financial crisis in 2008, Barofsky gave up his job as a prosecutor in the esteemed U.S. Attorney's Office in New York City, where he had convicted drug kingpins, Wall Street executives, and perpetrators of mortgage fraud, to become the special inspector general in charge of oversight of the spending of the bailout money. From his first day on the job, his efforts to protect against fraud and to hold the big banks accountable for how they spent taxpayer money were met with outright hostility from the Treasury officials in charge of the bailouts.

Barofsky discloses how, in serving the interests of the banks, Treasury Secretary Timothy Geithner and his team worked with Wall Street executives to design programs that would funnel vast amounts of taxpayer money to their firms and would have allowed them to game the markets and make huge profits with almost no risk and no accountability, while repeatedly fighting Barofsky's efforts to put the necessary fraud protections in place. His investigations also uncovered abject mismanagement of the bailout of insurance giant AIG and Geithner's decision to allow the payment of millions of dollars in bonuses—including \$7,700 to a kitchen worker and \$7,000 to a mail room assistant—and that the Obama administration's "TARP czar" lobbied for the executives to retain their high pay.

Providing stark details about how, meanwhile, the interests of homeowners and the broader public were betrayed, Barofsky recounts how Geithner and his team steadfastly failed to fix glaring flaws in the Obama administration's homeowner relief program pointed out by Barofsky and other bailout watchdogs, rejecting anti-fraud measures, which unleashed a wave of abuses by mortgage providers against homeowners, even causing some who would not have lost their homes otherwise to go into foreclosure. Ultimately only a small fraction (just \$1.4 billion at the time he stepped down) of the \$50 billion allocated to help homeowners was spent, while the funds expended to prop up the financial system—as Barofsky discloses—totaled \$4.7 trillion. As Barofsky raised the alarm about the bailout failures, he met with obstruction of his investigations, and he recounts in blow-by-blow detail how an increasingly aggressive war was waged against his efforts, with even the White House launching a broadside against him. *Bailout* is a riveting account of his plunge into the political meat grinder of Washington, as well as a vital revelation of just how captured by Wall Street our political system is and why the too-big-to-fail banks have only become bigger and more dangerous in the wake of the crisis.

Bart says

Everyone should read this book. TV's HBO ought to amend the end-phrasing of "Too Big to Fail" where they state TARP funds have been repaid and instruct Sorkin to write Treasury's 'criminal' acts into the story line of his new "Newsroom" series. The US Treasury ought to be dismantled by revolution as they represent an extension of the worst kind of human nature and a deadly sin. There is no long-term strategy in a democracy of election cycles where only the legal and banking systems persevere and the legal system is made toothless by bureaucratic proxy.

Schnauckl says

If you're interested in the bailout rather than how we got into this crisis in the first place you should definitely read this book.

I've been doing a lot of reading about the crisis and the aftermath, but there was still a lot that was new to me. I hadn't realized just how disorganized Treasury was or how involved the White House was in covering Treasury's ass at the expense of the taxpayers.

Apparently the real purpose of HAMP wasn't to help homeowners at all, but to slow down the defaults to spread out the pain for the banks. That's why the modifications didn't reduce the principle and the modifications expire in five years.

I'd heard that Congress wanted to bail out main street but this book did a good job of actually showing it. TARP and other programs were approved by Congress because they were supposed to bail out main street and as soon as the bills were passed Treasury abandoned that aspect.

The fact that TARP funds were generally paid back with money the banks borrowed from different government programs is something I knew but that I wish was better known by the general public.

Drew Mochak says

A must-read for any American. The obvious temptation here is to bog the narrative down with rambling, unprovable he-said, she-said accounts of meetings wherein person X said to person Y a seemingly harmless phrase that, once you read another five books on the unspoken code of Washington politics, actually means something sinister unless it doesn't or he made it all up. Another common trope of "insider" wallstreet books is to obscure the issue with constant parades of data, figures, graphs and musings that can only be understood by someone who already knows what's being said, and is merely seeking self-affirmation. Instead, what's offered here is a frank, concise accounting of the facts, which are that the treasury department runs interference for the banks, and in turn, the white house runs interference for the Treasury department. Congress runs interference for congress, and no one gives a shit about us. There are accounts of meetings and more off the record discussions with government officials but apart from the introduction they are brief, and only serve to underscore the central point of each chapter. Some of my favorite parts are what appear to be throw-away lines near the beginning, such as when the author received preparation advice on his confirmation hearing from Team Bush: "If you're asked a multipart question, just answer the part you want to answer and ignore all of the other ones. Most of the Senators don't really care about your answer and are just

looking to get their question on the evening news. If someone pushes you, say you are not yet privvy to that information and promise to make it a top priority if confirmed." It's like how we imagine a generic evil power-hungry villain would act in a story accept it's all real and they run our government. Crazy. Anyways! This novel, unlike this review, covers the important events of the Wallstreet bailouts in a highly focused way, providing a nonpartisan account of both the Bush and Obama whitehouses and the differences between them--or, rather, lack thereof. The narative voice is rather frank, makeing an otherwise dry read very open and accessible to the average wage slave.

Robert says

Even though by now we know most what Neil Barofsky packs into his book, *Bailout: How Washington Abandoned Main Street While Rescuing Wall Street*, it remains worth reading as an in-depth, consolidated account of how the Bush and Obama administrations pretended to be supporting overwhelmed home owners while pumping hundreds of billions into America's top-heavy "financial system," led by big banks that have only grown since they helped generate the deepest recession we have known since the Great Depression.

Barofsky was a deputy U.S. attorney in New York when he was asked, though a Democrat, to become Special Inspector General for the Troubled Assets Relief Program (TARP). He didn't want to accept; he didn't see himself in Washington; he didn't like Washington...but he was given a God and Country speech and he succumbed.

For the next 18 months or so, he entered the bowels of the Treasury Department and the hallways of Congress, trying to ensure that the \$800 TARP kitty did its job for U.S. taxpayers.

He soon realized that Treasury Secretaries Hank Paulson and his successor, Tim Geithner, weren't focused on homeowners or taxpayers. Their concern was the likes of JP Morgan Chase, Bank of America, CitiGroup, and so on.

Economic historians will long debate whether this unstated focus was essential to preventing global financial collapse. But what's clear from *Bailout*, and lots of similar reporting, is that the little guy--Not Too Small To Fail--took it on the chin as the megabanks grew, their debts were honored, and their executives richly rewarded for soaking up Treasury's largesse in the form of gigantic bonuses.

In one sense *Bailout* is a personal tale. Barofsky recounts being patted on the back and kicked in the shins; he retells stories of his Treasury and White House colleagues lying about him for political advantage; and he is open about his anger and disdain without losing his sense of humor.

So this is a readable book, almost a fun book. But there are two additional dimensions of Bailout I would highlight.

First, it's a pessimistic book despite Barofsky's wit and innate optimism. It takes us inside a huge financial crash whose origins have not yet been addressed. We are still at the mercy of banks and other "nonfinancial" institutions making risky, greedy bets that force us to save them or bring down the whole house of cards. The Dodd-Frank financial reform law that was supposed to address this problem didn't do so. The bad guys and their lobbyists won. Wall Streeters tell us that we may have been smart enough to see them with no clothes on a few years ago, but they're still better at forecasting the financial future than we are...lots better...despite all evidence to the contrary. So we should regulate them lightly and shrink them not a bit.

Second, back in the days of the Cold War, there was a term, moral equivalence, that came up in the context of global debates about who was truly evil, capitalists or communists. I thought about that term last week as I sat through a presentation Barofsky made, recounting his early days as a prosecutor focused on Colombian narco-traffickers and then his latter days as an inspector general trying to combat misguided policies and outright crooks in the US financial sector (which has laundered a lot of drug money, by the way.)

I asked him if he saw any equivalence between drug lords and Wall Street lords. He said no, the drug lords were violent beasts (true) and the Wall Street lords, while some were crooks and convicted for their crookedness, often were genuinely persuaded of their patriotism, or at least not torturers and kidnappers.

This was an equable response, a fair response, an indication that Barofsky could see different points of view, even when he was in disagreement. But I wonder about the misery and humiliation and family destruction experienced at the hands of Wall Street lords by millions of Americans. I've been in the room with both the tiny and the titans. The titans are not, as far as I've seen, four hundred to a thousand times more critical to the nation's economic welfare than average workers. They're not that much smarter. They're just lucky, crafty, and full of self-righteousness.

A nonfiction book like this, when written from a personal perspective, provides lots of fiction-like insight. Bailout is a standout in this regard because Barofsky, by Washington standards, is one of the most open, unguarded truth-tellers I've come across (I've been in and out of Washington for thirty years).

My favorite anecdote is Tim Geithner, who managed not to pay a few years worth of taxes due to a statute of limitations, being asked if he had made any mistakes in implementing the \$800 billion TARP fund.

Geithner replied: "The only real mistake that I can think of was that there were times when we were unnecessarily unsure of ourselves. We should have realized at the time just how right each of our decisions were."

Wow. Pure idiocy. Barofsky and others have documented in extenso Geithner's misjudgments, questionable maneuvers, and failed policies and programs. Guess Geithner was too busy being right to read about how wrong he was.

Final note: We're a fabulously rich country. If \$800 billion isn't well spent or on target or doesn't meet the needs of the hardest hit, I suppose we can survive. The deeper problem is moral. Can we survive the judgment of our leaders that shoring up out-of-control financial institutions and their obscenely compensated executives is more important than doing right by Main Street? Can we recover trust in a government that happily misleads us as its top officials prepare to scamper through the revolving door from Washington to Wall Street? And what about the permanent politicians in Washington who serve at the pleasure of the plutocrats? These realities are demoralizing; they erode the foundations of a strong democracy.

Barofsky concludes that he wrote Bailout in anger. It's a good book. It hits hard. It tells the truth. But I still wonder about the moral equivalence question. How did we end up with not only banks that are too big to fail but also bankers too big to jail?

For more of my comments on contemporary books, see Tuppence Reviews (Kindle).

Erik Graff says

This distressing book, authored by the former Inspector General in charge of overseeing the Troubled Asset Relief Program that followed our last depression, is easier to read than one might think, Barofsky nesting his discussion of economic issues in an engaging narrative description of his years in Washington, D.C.

What one learns, overall, is that national politics is substantially dominated by the largest financial institutions. This was as true during the Bush administration as during Obama's--no great surprise given the primary sources of the latter's campaign financing. In the end, Congress will do nothing unless a mass movement more powerful than the Tea Party or Occupy forces their hand.

Jerry says

This book confirms my worst suspicions about the Wall Street bailouts. From the bailouts with few strings attached, to the Wall Street executives' billions in bonuses, to the AIG bailout paying the banks 100 cents on the dollar for CDS contracts worth about half that, Treasury always helped the banks at the expense of everyone else. Treasury continually resisted and stonewalled the efforts of the Special Inspector General (SIG) to protect taxpayers and limit the potential for fraud in the programs.

Thirty-five bailout programs represented a total commitment of \$23.7 trillion in taxpayer backing! The actual outlay maxed out at \$4.7 trillion in total. By July 2009 the outlay was down to \$3 trillion but by July 2010 back up to \$3.7 trillion.

In the design of the Public-Private Investment Program (PPIP) to purchase up to \$2 trillion of "legacy assets" including residential mortgage-backed securities, Treasury kept SIG out of the process while working with BlackRock, the Trust Company of the West Group (TCW), and PIMCO which were investment houses who stood to profit from PPIP. Treasury resisted attempts by SIG to require a "firewall" between the PPIP fund managers and other departments in the investment company to limit its use to manipulate the prices of assets the company has in its other portfolios.

In the Home Affordable Modification Plan (HAMP) which was supposed to help 2 to 3 million homeowners modify their mortgages, Treasury allowed the mortgage servicers, owned by the big banks (three of the largest were owned by Wells Fargo, Bank of America, and JPMorgan Chase), to take advantage of homeowners. Servicers make more profit from a foreclosure than from a modification. "They earn fees when borrowers are late on payments and charge for certain foreclosure-related services. Importantly for the servicers, when a home is sold in foreclosure, they are typically paid all their fees and advance expenses before the owners of the mortgagees get any of the proceeds of the sale... Though it may be better for an investor if a mortgage is modified, the servicer may be better off if a home goes to foreclosure." A servicer may make the most if it drags out a trial modification for months then forecloses. It was a common practice for a servicer to "lose" the paperwork of a borrower's application as a pretense to foreclose. "A survey by ProPublica found that borrowers had to submit documents an average of six times – but the servicers would still claim that documents had never been received and then foreclose." SIG discovered that contrary to the publicly stated objective of helping homeowners, Treasury's real objective for HAMP was to drag out the foreclosure process giving the banks more time to improve their financial position. "Treasury has not held any servicer responsible in even the slightest way for the widespread abuses of HAMP applicants, nor is it ever likely to do so."

Joseph says

1 star for the wooden prose and the incessant need to tattle on government officials who may have insulted the author during his role in Washington (Tim Geithner, Herb Allison, Eric Thorson, and many others) by describing instances of insults, profanity-laced conversations, and failure to be given the deference the author felt was his due mar the 5-star expose of how capitalism allows for the privatization of profits but the socialization of losses. The descriptions of the various programs our government attempted during the financial crisis are relatively well explained and the author does a fine job explaining his concerns over the potential for fraud that existed in the alphabet soup of programs the government created ad hoc during the

financial crisis. He also gives a good sense of the difficulty one has in upsetting the way our government currently works and the politics involved in getting government workers (who ostensibly work for the public) to behave in an ethical, transparent manner. The common tripe of complexity, being afraid that companies wouldn't sign up for programs because they were afraid of vigorous oversight, etc., should upset even the most placid of the electorate as it is painfully clear that our government works for the benefit of corporations and business instead of consumers and the average voter. So although I think the book serves as yet another example of the disconnect between Washington and the rest of the country and gives a good personal account of the difficulties public advocates face while challenging entrenched interests, the pettiness of the author at being slighted during his time in Washington may have in fact impeded his opportunity to get even more accomplished in his role.

Fraser Kinnear says

Oh wow, I did not know what I was getting into. I got this recommendation after hearing Anat Admati praise it to Russ Roberts on an EconTalk episode. This must be the most candid, authoritative, book on any controversial government policy program that I've ever read.

This is a book about the policy failures of Bush and then Obama's Treasury Departments to administer TARP effectively. The author happens to be the man nominated by Congress to run a fully independent inspector general office that policed the TARP program. Barofsky was given the power to prosecute any fraud or graft that came about from poor administration of the \$700 billion TARP. Barofsky was a ball-busting financial crimes prosecutor who had assassination attempts from the Columbian FARC under his belt, years of experience prosecuting mortgage fraud, and frequently explains to his reader how unconcerned he was about the long-term career ramifications he was for making enemies in DC. In doing so, he not only makes the case that he avoided the regulatory capture that he claims is so rampant in US government, but he even calls out individuals by name who he didn't believe were behaving appropriately, all the way up to Tim Geithner.

Beyond being a fascinating outsiders' perspective on how government oversight works, Barofsky's criticisms of TARP's various initiatives are detailed and compelling.

The first program CPP was \$200 bn of preferred stock purchases of the major investment banks, and had virtually no restrictions on how the funds would be used. Congress had expected TARP's funds to be used for buying the toxic mortgage assets directly and stem the wave of home foreclosures. They were obviously irate when the funds instead went unaccounted for into the banks.

Barofsky pushed for terms of TARP allocations to include a clean accounting by the recipient for how these funds would be used. Treasury hated this idea, and argued that money is fungible and couldn't be accounted for. "I didn't yet realize that the type of transparency that we were pitching risked exposing CPP as the pure bailout that it was."

Also criticized was the intent and rollout of TALF, which Barofsky described as using "taxpayer funds to lure investors back into the consumer loan backed bond market by increasing their potential profits and limiting their losses." Another program, P-PIP, which was a more extreme version of TALF that had even more risk of fraud and virtually no skin-in-the-game for private party investors. Fortunately, most of this was stamped out by the FDIC and the Fed, and < 6% of the \$2 trn program was expended.

One of Treasury's worst programs under TARP was HAMP, whereby Treasury delegated home mortgage modifications to loan servicers, who had the perverse incentive to see loans go into foreclosure (where they were the first to receive all of their fees in a bankruptcy) and stop having to service the loans at all, instead of modify them. Not only was it poor policy that created a lot of heartache around the country (Barofsky describes one example for context), but news of the program itself was what motivated Rick Santelli to make his tea party remarks that galvanized the tea party movement. Barofsky thought HAMP could have been administered far better, and should have also focused more in principal reduction than restructuring interest. This obviously would not have satisfied critics like Santelli, but Barofsky argues that it would have helped homeowners liquidate their homes without them being underwater. Later, when principal reduction became an option, Treasury allowed loan servicers decide whether or not to offer principal reduction (which would reduce the basis of their fees), or interest restructuring, which wouldn't.

Barofsky actually claims that Treasury's intention for HAMP was not to reduce foreclosures, but to spread the incurrence of foreclosures into the future, which would stabilize bank losses. This went against the intent of the TARP program, "HAMP was not separate from the bank bailouts, it was an essential part of them. From that perspective, it didn't matter if the modifications failed after a year or so of trial payments, or if struggling placed into doomed trial modifications ended up far worse off, as long as the banks were able to stretch out their pain until their profits returned."

Treasury's modus operandi: "First, announcements intended to shock and awe the media that made for good soundbites, but were not particularly well thought out. Then, weeks later, scattered and incomplete details that had to be reworked on the fly. And finally, poor program execution that accomplished little, if any, of the originally announced goals."

"The simple truth is Geitner and Treasury never chose to treat the foreclosure crisis, or their promises to congress to help homeowners, with the same seriousness and resolve that they applied to rescuing the banks. By the end of 2011, Treasury had only spent \$3bn of the \$50bn originally allocated to HAMP. In other words, nearly three full years after HAMP was launched, home owners had benefitted less from TARP than American Express."

One adverse effect, famously, is the outsized bonuses awarded post bailout, including Treasury publicly defending the controversial \$218 million of bonuses to AIG. "Compensation for the top Wall Street firms in 2010 actually broke records at \$135bn."

Criticism was not limited to Treasury. Barofsky has deep disdain for the various Federal Offices of Inspector General, who are mostly concerned about keeping their budgets. In particular, "Eric Thorson, who Barofsky describes as a "groveling" Inspector General for Treasury: "This type of capture, this type of utter subservience by the IG had become the expectation within Treasury about how an IG was "supposed to" act."

Absolutely fascinating, now maybe I'll finally read the Andrew Ross Sorkin that's been sitting on my shelf for years to get the other perspective.

Eric Murphy says

A non-ideological look at how the bailout was a massive transfer of wealth from taxpayers to Wall Street banks (assisted by both administrations' Treasury Departments) that vindicates equally the Tea Party and Occupy Wall Street, written by the top official in charge of policing fraud in the bailout program. The conclusion says it all: "I now realize that the American people *should* lose faith in their government. They *should* deplore the captured politicians and regulators who took their taxpayer dollars and distributed them to the banks without insisting that they be accountable for how the bailout money was spent. They *should* be revolted by a financial system that rewards failure and protects the fortunes of those who drove the system to the point of collapse and will undoubtedly do so again. They *should* be enraged by the broken promises to Main Street and the unending protection of Wall Street. Because only with this appropriate and justified rage can we sow the seeds for the types of reform that will one day break our system free from the corrupting grasp of the megabanks."

Frank Stein says

One of the best descriptions of Washington I have ever read.

To start off I have to say that, despite the title, the least interesting parts of the book are actually those in which Neil Barofsky, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), describes the intricacies of how the Treasury, under both Bush and Obama, shoveled more money to undeserving firms, granted banks unnecessary tax privileges, and exacerbated the foreclosure crisis with poorly designed programs like HAMP. Thanks at least partially to Barofsky's work as SIGTARP, from whence he provided oversight for the \$700 billion dollar bank bailout, those stories have been told many times before.

What is truly original here is Barofsky's insightful and refreshingly honest look at Washington machinations. This is not a tale of grand corruption, of unmarked bags of cash and under-the-table briefcases that Oliver Stone or some other director would have us imagine. This is instead a story of how pettiness and childish ceremonies of power and privilege corrupt the personalities of those who work in a constantly political world. Unlike most strivers in DC, though, Barofsky seems remarkably immune from "Potomac Fever," and thus keeps a sharp eye for the ridiculous protocols that define a place that remains foreign but fascinating to him. He and his deputy, who both came to DC from "the Office," the US Attorney's Office of the Southern District of New York, are always rushing to each other to explain the newest hilarious strategy by Paulson or Geithner to undermine whomever they've decided to oppose for the moment.

For instance, at one point a Treasury employee stops Barofsky in the hall to claim that Elizabeth Warren "really hates him," and is really jealous of him, something he knows is not true since he just talked to her, but that someone in Treasury clearly thought it was worthwhile to mention in order to drive a wedge between the two of them. Such high-school rumor mongering in fact seems ubiquitous here, and is nearly always traced to someone at the top carrying out some scheme. Another kind of sabotage was even less subtle. After assigning SIGTARP the worst office in the Treasury building, one that reeks of eggs and fish, a classic Washington put-down, Secretary Paulson goes farther by making it almost impossible for SIGTARP to acquire garbage cans. Instead they have to collect their own garbage and pile it up on cafeteria trays. Of course government regulations prohibited them from acquiring any cans for months without putting out bids, UNLESS they acquired them from other government agencies, who therefore knew to descend on his office like door-to-door salesmen to sell him everything from over-priced printer toner to cheap chairs. He and the reader had to wonder, where did they get all this stuff to sell?

Through the madness, though, Barofsky keeps his perspective. The one point where you think he may have lost it, when he starts fuming over the fact that an "acting" agency head gets to speak before him at a congressional hearing, against the established-speaking hierarchy, his wife points out to him that he is finally beginning to absorb the Washington atmosphere, and it is then he decides that he has to resign. The reader has to be relieved.

There's lots of other great little Washington tidbits here. How he gets given \$50 million dollars to set up an office but can't hire anyone for months because of government regulations, or how the mis-titled Paperwork Reduction act causes a scuffle between him and the White House that forces him to go through Congress and the press to get a typical waiver. So if you want to know why Washington is different from almost every other place in the country, this is the book to go to.

Al says

Mr. Barofsky, a young prosecutor in the New York U. S. Attorney's office, was drafted to be the Treasury's Inspector General of the TARP funds. His book details his idealistic approach to his work, his initial naivete about the ways of Washington and the motivations of many of its denizens, and his efforts to cut through the misinformation, foolishness, and outright lies of the agency he monitored. Clearly, he brought to the table an intelligence, toughness, and sense of responsibility that few others would have, and many of his accomplishments helped shed light on some very poor decisions and practices at Treasury. His disrespect of senior Treasury officials, including most specifically Secretary Geithner, is deep and well-justified. Still, there is nothing in the narrative about how and why Geithner made his decisions, and what pressure he was under from Obama, Summers and others. Therefore, Barofsky's story begs the question of who was really calling the shots which he is rightly decrying. Other books have explored this question, and it seems pretty clear that Geithner was way over his head in his job, and if one connects the dots, most of responsibility for the failures of TARP and the whole bailout process which Barofsky catalogues probably can be laid at the feet of the President and his advisors. No assessment of Geithner which I've seen leads me to believe he was doing -- or was capable of doing -- much but trying to stay afloat. Small wonder that Barofsky, a straight shooter, was so upset by what he saw, but a shame that he wasn't in a position to see the whole picture.

I don't agree with all Barofsky's positions (for example, he's not persuasive in dismissing moral hazard as a serious issue when thinking about whether to modify mortgages for underwater borrowers), but for the most part he's on the money. The story he tells is interesting, well-written and extremely damaging to the Obama administration in general and the Treasury Department in particular.

Harry Lane says

Barofsky begins by establishing his bona fides, which are considerable. Before becoming the Special Inspector General for the Troubled Asset Relief Program, he worked as a prosecutor for the Southern District of New York. Among other accomplishments during his career there, he headed the Mortgage Fraud Group and successfully prosecuted a number of cases.

The structure of his narrative is essentially chronological, but along the way Barofsky points to a number of

factors contributing to the financial meltdown. Among the most important are perverse incentives and lack of regulation. For example, much of the housing bubble resulted from the securitization of mortgages, such that the more mortgages a bank could originate and sell, the higher their profit. The incentive to do so thus became more important than the incentive to insure the borrower was a good credit risk. Similarly, credit rating agencies, whose ratings assured investors these instruments were relatively risk free were paid for their services by the very people selling those instruments. They therefore had a strong financial incentive to rate them highly. It seems clear also that those agencies which had some level of oversight authority, such as the Federal Reserve, the Federal Deposit Insurance Corporation, Fannie May and Freddie Mac, and the Treasury Department, failed to see the problem developing or to use the tools available to them to mitigate it. And, to be sure, some elements of the problem would have been difficult to address within the existing regulatory framework.

Barofsky's account of his attempts to get Treasury to build in appropriate controls and safeguards is depressing. He makes abundantly clear that the powers that were (and are even to this day) were totally focused on managing the crisis to keep the captains of finance from suffering any undue discomfort. He makes two telling propositions. One, TARP and the actions of others involved in the bailout hugely benefited Wall Street, But did nothing for main street or homeowners. Two, even though the result saved the economy from going over a cliff, the failure to address the systemic problems simply means, as Barofsky put it, we are still driving on the same winding mountain road, but this time in a faster car with faulty brakes.

An overarching lesson from this story, it seems to me, is that people and institutions whose business depends on trust have shown themselves unworthy of that trust. That so many people have been willing to engage in deceptive practices, some of which cross the border into outright fraud, is disturbing. Yet they seem to believe that they should be trusted to go on their merry way without systemic correction or additional oversight. That is even more disturbing.

Athan Tolis says

As much fun as you can possibly have finding out about the inner workings of government.

Not much, then, but still an awesome account. This is a book about two friends who took on the Washington establishment and lost. But they won enough battles along the way to make this a fun read.

Neil Barofsky had a very strong background to become the inspector general of TARP. However, he took a bit too long to realise TARP was but a thinly veiled vehicle to shore up the capital of America's biggest banks and their trading counterparties. Thankfully, this made him even more determined to act.

So him and his deputy spent a long time fighting the good fight and gave their best. There's good guys in the book and there's villains. But the author recognizes that everybody has a role and most were acting in a manner consistent with their principles. He bemoans the manner in which Neil Kashkari stonewalled him, for instance, but fully recognizes that they simply came to the problem from a different angle.

An exception is made for Tim Geithner, who is not profiled in a terribly flattering way, but that is starting to be rather consistent in the literature that surrounds the bailouts. That said, the author (a Democrat) leaves the door open to the notion that Geithner may have been doing the dirtywork for the White House. We'll never know.

My beliefs are not aligned with the author's. I have sympathy for the Neil Kashkari argument that "all money is green" which seems to give Neil Barofsky the hives and I most certainly don't share in the author's pity for all the guys who took out a mortgage they could not afford on a house they could not afford. On the other hand, of course, I totally agree that the whole idea behind TARP and the deference given to the banks was an abomination. And the author's account leaves zero doubt in my mind that the public was horribly misled by HAMP and the rest of the programs. Finally, as a citizen I've found from the horse's mouth that (contrary to the stories I've read in the paper) TARP did not make the advertized returns.

But that is not the point at all. I thoroughly enjoyed the book because it is a deep, insightful and fascinating account of how Washington works. To get an account like that you need a guy who's been there, who's managed to get out and who has the gift of writing well.

Neil Barofsky scores on all those fronts. He lays out the history, he presents the characters and keeps developing them during the story, he has a good laugh and managed to force plenty out of me too. He took the job seriously, did it as well as he could and thankfully he got a chance to tell us about it.

I've read a good five books on the bailout, from Stiglitz to Sorkin and this is the one I'd recommend to my dad if he asked.

William Thomas says

Behold, Neil Barofsky is the Second Coming of Christ! Witness as he is led into the temple and overturns the money-changers' tables! Watch as he is nearly crucified in Columbia! Gaze at the pinnacle of moral superiority in a corrupt world!

Jesus H. Christ. This book is nothing more than an autobiography of Barofsky's life over the last 10 years or so. It is not, as billed, a history of, nor a socio-political analysis of, nor a thorough examination of the bailouts it claims to be. Instead, what we get here is Barofsky trying to clear his name for posterity and so that history cannot label him a monster in the wake of this catastrophe. It's basically 300 pages of him trying to cover his ass and martyr himself while redirecting all blame to a myriad of other Capitol Hill players.

What irked me most about this book? The fact that Barofsky plays the doe-eyed babe-in-the-woods here, just a plain old guy getting ground to dust by the bureaucracy, and appalled by the immorality of those around him. If we are to believe Barofsky, he is the pinnacle of morality, not only in DC, but in NYC and any other place he sets foot. Wherever he goes, he walks on water. Not only that, but before becoming the GIC of Oversight for TARP, he only ever worked for people who were as moral as he and could teach him to be even more righteous.

Now, any man working as a lawyer in a major metropolitan area, or for the federal government, cannot be, by definition, a babe-in-the-woods. Not the lost and wandering naive man he claims to have been. The man openly admits to taking on the largest drug cartel in the world. Does this sound like a country bumpkin that doesn't know his way around a big city? Poor Neil, you were just a straw man, weren't you. Poor baby. But wait. That's not right. You were a shark when you were dropped into the oversight job. Don't try to play dumb with us.

The gall of this man just burns me up. On top of that, there isn't even enough actual information about the

bailout in this book to fill a New Yorker article, let alone this book. Anything reported in these pages has been public knowledge for years now. It isn't anything you can't find out from CNN reports or the NYT. But, if you want to know more about the martyred Second Coming of Christ, the moral apex of the US and the end of a political career trying to be saved for posterity, well then go right ahead and read this, Neil Barofsky's autobiography.
