



A Wall Street Trader Draws Some Subprime Lessons: Michael Lewis

By Michael Lewis

Sept. 5 (Bloomberg) -- So right after the Bear Stearns funds blew up, I had a thought: This is what happens when you lend money to poor people.

Don't get me wrong: I have nothing personally against the poor. To my knowledge, I have nothing personally to do with the poor at all. It's not personal when a guy cuts your grass: that's business. He does what you say, you pay him. But you don't pay him in advance: That would be finance. And finance is one thing you should never engage in with the poor. (By poor, I mean anyone who the SEC wouldn't allow to invest in my hedge fund.)

That's the biggest lesson I've learned from the subprime crisis. Along the way, as these people have torpedoed my portfolio, I had some other thoughts about the poor. I'll share them with you.

1) They're masters of public relations.

I had no idea how my open-handedness could be made to look, after the fact. At the time I bought the subprime portfolio I thought: This is sort of like my way of giving something back. I didn't expect a profile in *Philanthropy Today* or anything like that. I mean, I bought at a discount. But I thought people would admire the Wall Street big shot who found a way to help the little guy. Sort of like a money doctor helping a sick person. Then the little guy wheels around and gives me this financial enema. And I'm the one who gets crap in the papers! Everyone feels sorry for the poor, and no one feels sorry for me. Even though it's my money! No good deed goes unpunished.

2) Poor people don't respect other people's money in the way money deserves to be respected.

Call me a romantic: I want everyone to have a shot at the American dream. Even people who haven't earned it. I did everything I could so that these schlubs could at least own their own place. The media is now making my generosity out to be some kind of scandal. Teaser rates weren't a scandal. Teaser rates were a sign of misplaced trust: I trusted these people to get their teams of lawyers to vet anything before they signed it. Turns out, if you're poor, you don't need to pay lawyers. You don't like the deal you just wave your hands in the air and moan about how poor you are. Then you default.

3) I've grown out of touch with ``poor culture.''

Hard to say when this happened; it might have been when I stopped flying commercial. Or maybe it was when I gave up the bleacher seats and got the suite. But the first rule in this business is to know the people you're in business with, and I broke it. People complain about the rich getting richer and the poor being left behind. Is it any wonder? Look at them! Did it ever occur to even one of them that they might pay me back by WORKING HARDER? I don't think so.

But as I say, it was my fault, for not studying the poor more closely before I lent them the money. When the only time you've ever seen a lion is in his cage in the zoo, you start thinking of him as a pet cat. You forget that he wants to eat you.

4) Our society is really, really hostile to success. At the same time it's shockingly indulgent of poor people.

A Republican president now wants to bail them out! I have a different solution. Debtors' prison is

obviously a little too retro, and besides that it would just use more taxpayers' money. But the poor could work off their debts. All over Greenwich I see lawns to be mowed, houses to be painted, sports cars to be tuned up. Some of these poor people must have skills. The ones that don't could be trained to do some of the less skilled labor -- say, working as clowns at rich kids' birthday parties. They could even have an act: put them in clown suits and see how many can be stuffed into a Maybach. It'd be like the circus, only better.

Transporting entire neighborhoods of poor people to upper Manhattan and lower Connecticut might seem impractical. It's not: Mexico does this sort of thing routinely. And in the long run it might be for the good of poor people. If the consequences were more serious, maybe they wouldn't stay poor.

5) I think it's time we all become more realistic about letting the poor anywhere near Wall Street.

Lending money to poor countries was a bad idea: Does it make any more sense to lend money to poor people? They don't even have mineral rights!

There's a reason the rich aren't getting richer as fast as they should: they keep getting tangled up with the poor. It's unrealistic to say that Wall Street should cut itself off entirely from poor -- or, if you will, ``mainstream" -- culture. As I say, I'll still do business with the masses. But I'll only engage in their finances if they can clump themselves together into a semblance of a rich person. I'll still accept pension fund money, for example. (Nothing under \$50 million, please.) And I'm willing to finance the purchase of entire companies staffed basically with poor people. I did deals with Milken, before they broke him. I own some Blackstone. (Hang tough, Steve!)

But never again will I go one-on-one again with poor people. They're sharks.

(Michael Lewis is the author, most recently of ``The Blind Side," and is a columnist for Bloomberg News. The views he expresses are his own.)

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