Title: Interesting insight on banking deregulation from Charlie Munger. What's changed since 2008?
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BANKING DEREGULATION

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"People really thought that giving a predatory class of people the ability to do whatever they wanted was free-market enterprise. It wasn't. It was legalized armed robbery. And it was incredibly stupid."

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If we were being kind, we would say that Charlie is basically saying that ex–Federal Reserve Chairman Alan Greenspan and ex-US Treasury head Robert Rubin, two of the major architects of the deregulation of the banking industry in the late 1990s, got it completely wrong. They were major proponents of free-market enterprise, which led to the financial meltdown in 2008 and the bankruptcy or near bankruptcy of nearly every major Wall Street investment bank. But what Charlie is really saying is that it was incredibly stupid on their part to deregulate the banks. Why? Because the management of an unregulated bank or insurance company has an incentive to leverage up—borrow more money—and make huge speculative bets. If the bets are successful, the management team gets tens of millions of dollars in bonuses, but if the bank loses the bets, it is the shareholders and depositors who are on the hook for the billions of dollars in losses. If a couple of large banks crash

at the same time, it is possible to bring down an entire economy. History has repeatedly shown us that government regulation is the only thing that stops banking professionals from leveraging up and gambling with not only other people's money but our nation's economic well-being as well.