

The Observer**|Review|**

The Greatest Trade Ever: How John Paulson Bet Against the Markets and Made \$20 Billion by Gregory Zuckerman

The story of one man's refusal to believe in the health of the housing boom tells us a great deal about the financial crisis, but is not a gripping general read, says Heather Stewart

**Heather Stewart**

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The mania that gripped investors in the wild bubble years of the 00s is widely portrayed as a universal affliction, but in fact a few stubborn souls refused to succumb. This book tells the story of one such refusenik, hedge fund manager **John Paulson**, who was not only sceptical about the health of the over-inflated US housing market, but bet against it - and won.

The scale of Paulson's big bet, "the greatest trade ever", as Greg Zuckerman describes it, was extraordinary. By piling into complex "credit default swaps" against mortgages - in effect, insurance policies that would pay out if homeowners defaulted - his fund made an unthinkable \$15bn (£9.8bn) in a year, \$4bn of which he took home himself.

On a single morning in 2007, when gung ho sub-prime lender New Century announced it was in trouble, Paulson's fund clocked up gains of \$1.25bn - more than his idol George Soros made in his notorious gamble against sterling in 1992, when Britain was forced out of the European exchange rate mechanism.

Zuckerman also tells the stories of others who placed similar, much smaller trades, such as west coast property developer Jeffrey Greene, a friend of Paulson's before they fell out over his refusal to invest in his hedge fund. All these pessimistic investors were mavericks or outsiders, underlining how tough it was in those heady days to stand alone against the herd of charging bulls.

Zuckerman, a writer for the *Wall Street Journal*, is excellent at explaining the financial engineering that left bank bosses with only the vaguest understanding of their own balance sheets, and the trail that leads from bafflingly complex securities such as "collateralised debt obligations" to cash-strapped homeowners across the US. He is less successful, though, in turning his tale into a compelling human story.

Whenever he sketches in biographical details, they tend either to be clunky and implausible, or to remind us how dull financiers are. One of Paulson's few distinguishing characteristics is apparently that, notwithstanding his immense wealth, he still travels by train. When, after leading a playboy lifestyle well into his 40s, he decided to settle down, he wrote a list of the characteristics a suitable wife would need. At the top was "cheerful". "He quickly realised there was a woman he was attracted to who fit the bill and was sitting nearby: his assistant, Jenny."

Greg Lippman, a Deutsche Bank trader and one of the few insiders at a Wall Street investment bank to bet against the sub-prime market, "was so over the top and had so many affectations - such as pronouncing the word 'tranche' with a soft ch, as if to remind colleagues that it was the French word for slice - that his colleagues grew to enjoy his company." Crazy.

Some of the best books about Wall Street - Michael Lewis's *Liar's Poker*, and Roger Lowenstein's *When Genius Failed*, for example - are packed with larger-than-life characters whom we end up either rooting for or loathing. Admittedly, Zuckerman's subjects offer him scant material, but the less-than-thrilling personal tales he recounts make this book better as a telling exposition of one aspect of the financial crisis than a gripping general read.

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