The Big Short: Inside the Doomsday Machine

Book Review

[Name of the Writer]

[Name of the Institution]

The Big Short: Inside the Doomsday Machine

***Brief Summary***

“The Big Short Inside the doomsday machine” is recognized as one bestselling non-fiction book presented by Michael Lewis. It is worthy to mention that it is a detailed explanation of one of the chronic financial catastrophes faced by the people at a great level. In this book, the author presented comprehensive stories of the few individuals who have in better position to figure out the growing situation of financial concerns. Undoubtedly, it is interesting and vital to explore the prospects of different involved entities in the entire scenario of financial crunch. This form of consideration further helps to identify the ethical prospects that linked with the disastrous situation when millions of people lost their investment but there are still people who truly benefitted from the whole situation. Identification of ethical situations is also a successful domain to identify the main stakeholders who are responsible for these unwanted and difficult circumstances. The content of this book focused on critical consideration of different connected factors that play a huge role in the financial bubble of 2008. It was one devastated time for many people who lost their homes, jobs, retirement savings, and pensions due to the imbalanced economic measures adopted by the banks and the capital industry. The whole scenario revealed that there are many shareholders who got benefitted from the whole situation and enhance their profitability level. It is noticeable to apprehend that the phenomenon of housing bubble crisis was illustrated from the perspective of those individuals who anticipated this particular situation of financial instability in the market but kept silent and never reveals it. Lewis provided the list of the individuals who already have a great understanding of the growing situation and did nothing to make it better for the rest of the people who enormously lost their lifetime investments. It is indicated that the growing approach of credit default swaps adopted by the Wall Street firms leads to the artificial increase in the prices of the mortgage bonds. It can rightly be said that the misfortune of others is used by the investment companies to gain maximum profit from the whole situation. The entire crux of this entire book is that when it is the wrong time for one, it is used as the opportunity for others to get maximum benefit from the situation. Mortgage collapse and bank bailouts are referred to as the main reasons for the housing crisis that affect the lives of many people. The content of this book referred to the financial strategies of the particular individuals who bet against the entire situation and gained maximum profits instead of the expectations of many others. The technical economical domains of CDOs and CDSs etc. are greatly illustrated by the author to make it easy for the readers to assess the performance of different incentives. It is critical to obtain the knowledge that adoption of various economic approaches eventually led to the collapse of the industry. It is critical to indicate that there are many ethical situations that involved in the entire scenario of economic instability for many people. These particular ethical concerns are effectively mentioned by Lewis through the stories of the individuals who greatly bet during the deteriorating scenario of the mortgage industry.

***Ethical Situations and Why They Exist***

It is utmost crucial to identify and critically analyze the prevalence of different ethical situations indicated in this book. This form of understanding is vital to make inferences about the paradigm that who is responsible for the drastic situation for the masses. There are many particular events highlighted by the Lewis that turned as the ethical concerns related to the overall problem of economic shakiness in the form of financial crisis. One of the major problems identified from the book when it is indicated by the author that Wall Street permits many young men involves into the stock business and become multi-millionaires by advising others about the suitable options of investment. This particular domain of practice raised one ethical concern that how it is viable to allow fresh graduates to become part of the investment market without any prior and necessary experience. This particular attempt further cause insufficient functioning of the entire investment and mortgage mechanism for the entire economy. As it was mentioned by the author that there were many investors who gain advantage from the situation and enhance their investing domain that lately enhances their profitability level. This form of the strategic approach adopted by the individuals to get benefit from the situation also brings to the exploration of the ethical problem. It can better assess through the example of Michael Burry who approached many banks to meet the objective of buying credit default swaps or the prospect of CDSs in great amount. It referred to as the adoption of the practice of bet against the situation to maximize personal profit level. Adoption of the strategy of increased prices of the mortgage bonds artificially is another significant and critical ethical concern that evolved the entire situation. It is ethical problem because it becomes the cause of bonds bottom out and bondholders find it immensely difficult to pay their debt. The utilization of complex trading instrument also turned the scenario as the ethical situation. People do not have enough understanding of their loans and the payment mechanism of bonds relevant to the idea of housing debt. This form of ambiguity indulges them into the game circle of maximization of profit level by the mortgage investors. The specific idea of betting also known as shorting adopted by Burry also referred to the ethical concern for different stakeholders of the whole scenario. This idea of buying credit default swaps is also adopted by other investors. This particular situation turned into ethical concerns when it is perceived that there were many expert trading experts who have better anticipation about the demoralizing state of the mortgage industry but they still consider it as the opportunity to expand their profitability level.

***Who is Responsible for Creating Ethical Problem (s)?***

One can be established that there are many shareholders who are responsible for crafting ethical problems referring to the thorough understanding of the content presented by the author in this book. There are three main entities who infer as the reason for the whole spectrum of ethical problem. It referred to the capital industry in the form of Wall Street who issued loans to the inexperienced individuals to maximize profitability level. Banks are also responsible to never show the clear picture of the situation to the people and put them into the problematic situation. It is essential to indicate that different institutional tools and strategies are adopted by the banks to get benefit from the situation. Those individuals who have clear predictions about the growing economic difficulty for the people but they remain silent are the ones who can be categorized as the real responsible entities who get their personal benefits from the situation. These experts bet against the mortgage disaster of the market and accelerate their profit levels. Improper intentions of these individuals ultimately cause ethical concerns because there are millions of people who lost their important belongings due to these particular ethical situations.

***Impact of Each Ethical Situation on the Organization, the Capital Market, and the Individuals***

It is vital to examine the implications of all the ethical situations and how they greatly influence the operations of the organizations, the capital market, and the people who greatly involved into the entire perspective of investment. All the ethical concerns ultimately negatively influenced all the operations of the organization and the entire capital market. The adverse impact of the ethical maladjustments can also never ignored in case of those individuals who lost their financial stability due to the inadequate realization of the whole situation. The complex form of the trading instrument makes it difficult for the masses to timely identify the risk factors and make some rational moves to avoid the situation. Greed pf some people put everyone into the detrimental situation of the economic crisis. The paradigm of financial crunch ultimately affects the whole economy of the country. It is utmost significant to assess the impact of each ethical situation on the organization. The ethical situation when some people take advantage of the sub-prime market put pressure into the whole functioning of the banking organization. Bond traders involved in the whole business spectrum of Wall Street greatly influenced the operations of Wall Street. The evaluation of the impact of ethical concerns on the lives of individuals is also critical as they are the major shareholders involved in the whole game of bet against the worsening situation of the financial market. The greed for producing more profit by the mortgage companies ultimately involved all the stakeholders into the vicious trap that ultimately appeared in the form of housing financial bubble. People who took loans from the banks eventually lost their houses, jobs, and savings to overcome the situation of financial crunch.

***Possible Ethical Solutions***

There is a mandatory need to identify the whole ethical prospect critically and propose some better ethical paradigms to deal with the situation. It is vital to explore that this book greatly presents different forms of ethical concerns. Adoption of the collective objective and line of action can refer to the possible solution to better outcomes in the future. It is vital to enforce the idea of the collective interest of all the shareholders rather focusing on the approach of self-interest. The greed of the bond traders turned as the financial crunch of 2008. Rational thinking about the feature of investment and the mandatory control under the domain of capital financial system are recommended to consider the interests of both the sides of an investment. The idea of ethical egoism needs to be rejected to consider the concerns of all parties that better helps to address ethical concerns and avoid ethical issues in a great manner.

***Pros and Cons for Ethical Solutions***

It is vital to mention that every possible solution has some pros and cons. Proper identification of all the related aspects is mandatory to attain the most effective outcomes in the end. Different forms of advantages and disadvantages also involved in the case of the ethical solution to avoid those problems who ultimately cause financial instability for the millions of individuals. When the industry thinks about collective gain than the major advantage of this practice is to ensure the financial stability for everyone without any discrimination. Another major advantage is that all the entities will be in a better position to take necessary measures at the time of need if they have proper knowledge about the entire market perspective. It is crucial to mention that different disadvantages are also part of the potential solutions. When it is asked from the bond trading companies to avoid the domain of self-interest than it ultimately hinders the ways of profit maximization. Another element of concern is that it is immensely difficult to rationally define ethical investing as it is related to the problem of various ethical dilemmas.