



Haym Salomon @SalomonCrypto

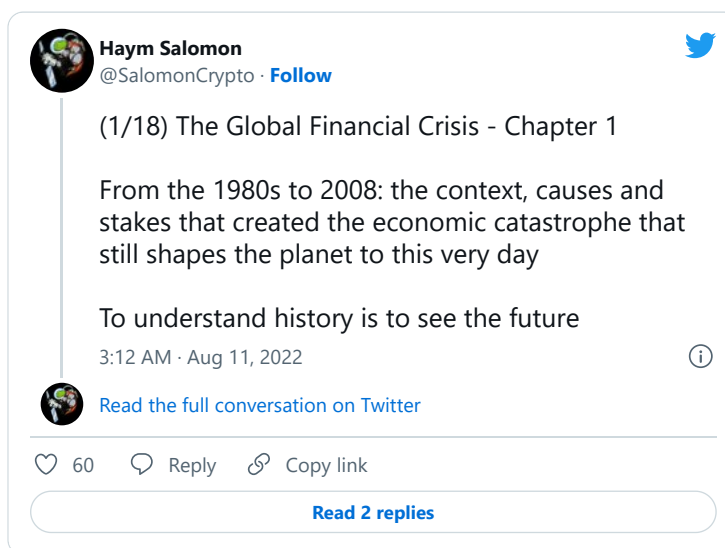
Aug 15 · 25 tweets · [SalomonCrypto/status/1559196386645536768](#)

(1/24) The Global Financial Crisis - Chapter II

2008: from Crisis to Cataclysm. The year the global financial system failed, and the American residential real estate bubble transformed into a global catastrophe.

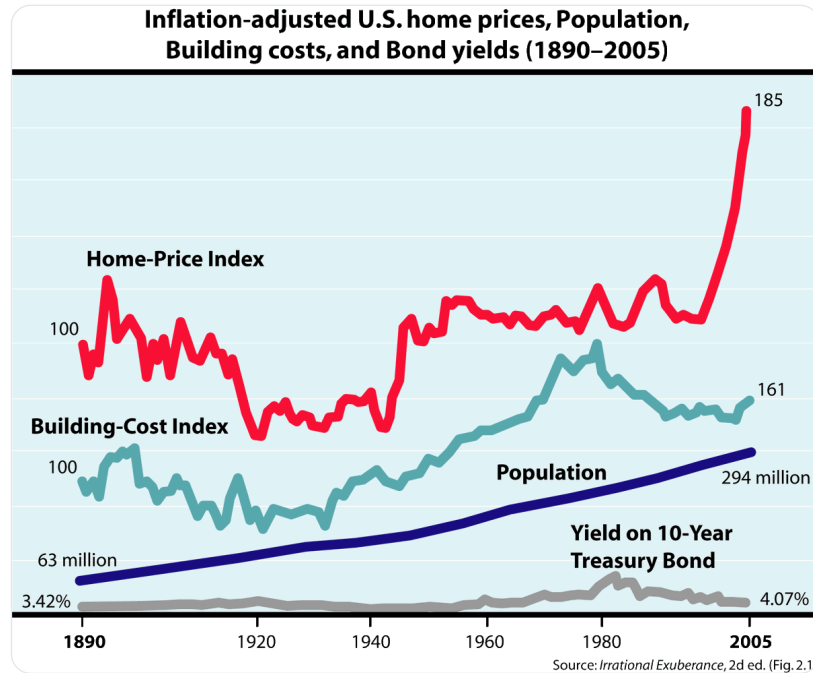
(2/24) Previously, we discussed the conditions that created the Global Financial Crisis.

American residential real estate has always been the center of personal/familial wealth; beginning with a series of regulatory changes in the 1980s, home ownership became supercharged.



(3/24) Over the next 30 years, the legal system, financial system and American culture aligned towards one goal: selling and financing houses

As the financial system structured itself around debt and leverage, lending standards continuously fell. The result: a real-estate bubble



(4/24) Americans received cheaper and more accessible capital, investors received "safe," high-dividend investments and banks got to scalp a fee at every layer of the complex system.

Win-win-win!

Well... at least that's what everyone had convinced themselves by 2006.

(5/24) By summer 2007, the tides had shifted:

Mortgage lenders New Century and American Home Mortgage filed for bankruptcy. Bear Stearns liquidated 2 hedge funds with over \$20B of exposure to mortgage-backed securities. NetBank suffered from a failure due to similar portfolios.

(6/24) As 2007 turned to 2008, the subprime mortgage crisis was in full swing; stocks experienced their worst January since 2000.

And yet, January would turn out to be 2008's high point; this year the subprime mortgage situation would morph from a crisis to a global cataclysm.

(7/24) The first colossus fell on March 17; after teetering since the end of 2007, Bear Stearns faced bankruptcy.

Instead, in its first emergency meeting in 30 years, the Fed agreed to guarantee its bad loans to facilitate its acquisition by JPMorgan Chase (for a 95% discount).



(8/24) The next day the Fed cut the federal funds rate for the 6th time in 6 months. It also authorized Fannie Mae and Freddie Mac to buy \$200B in subprime mortgages, absorbing the toxic assets

It was hoped that these actions (and Bear Stearns' rescue) would contain the crisis

(9/24) By late June, it was clear it the crisis was still growing; the stock market fell to 20% off all-time highs

On July 30th, The United States Housing and Economic Recovery Act (HERA) was passed, authorizing the government to guarantee another \$300B of new subprime mortgages

(10/24) But, alas even HERA was a twig trying to dam the Nile; on September 7th it was washed away when the government took over Fannie Mae and Freddie Mac

These two corporations were responsible for ensuring 56% of all US mortgages; their failure would expose \$5T of mortgages

Haym Salomon
@SalomonCrypto · Follow

(1/26) The Bailout Fannie Mae and Freddie Mac

Born as a part of the government and released to the free market in 1968, a story of the debauchery of capitalism and the unconditional support of the United States Government.

A story of growth, greed, disaster and rescue.

4:21 PM · Aug 13, 2022

[Read the full conversation on Twitter](#)

22 Reply Copy link

[Read 1 reply](#)

(11/24) Fannie Mae and Freddie Mac were nationalized on a Monday; the following week the situation spiraled much further out of control.

By the weekend, 2 of top 5 largest investment banks were on life support. Merrill Lynch and Lehman Brothers were counting their life in hours.

(12/24) On Sunday, September 14th, the US government decided who would survive and who would be sacrificed to the crisis.

After the Fed declined to facilitate its loans (like with Bear Stearns), Lehman Brothers filed for the largest bankruptcy in history.

Haym Salomon
@SalomonCrypto · Follow

(1/26) The Collapse of Lehman Brothers

By summer 2008 it was clear, no one was safe. The subprime mortgage crisis was expanding, Bear Stearns had fallen, liquidity was scare and only growing tighter.

This is the story of the end of a 158 year old institution.

10:21 PM · Aug 11, 2022

[Read the full conversation on Twitter](#)

76 Reply Copy link

[Read 4 replies](#)

(13/24) The same day Lehman fell, Merrill Lynch was saved. During the morning a rescue-acquisition was announced by Bank of America; by evening it was finalized

Turns out, the deal was one made under duress. Had BofA not stepped in, the gov directly threatened management's jobs



Haym Salomon
@SalomonCrypto · Follow

(1/24) The Merrill Lynch Debacle

How a management team of true degens gambled away a 91 year old institution. And, unlike the Brothers it conspired with, how it was rescued from the jaws of death.

The story of the excesses of the American Mortgage Barons.

7:35 PM · Aug 14, 2022

[Read the full conversation on Twitter](#)

42 Reply Copy link

[Read 3 replies](#)

(14/24) On Monday, September 15th, Lehman failed, Merrill was snatched from disaster for pennies on the dollar and the Dow Jones dropped ~4.5% (its largest decline in 7 years).

But the government was frantically at work on the biggest bailout yet.

(15/24) AIG, the insurance giant who sat at the middle of this mess, was failing. The problem: AIG insured over \$500B of loans; ~\$60B of which were subprime mortgages.

On Tuesday, September 16th, the Fed took over AIG with \$85B in emergency funding, eventually totaling \$182B.



Haym Salomon
@SalomonCrypto · Follow

(1/22) The Rescue of AIG

Yesterday, Lehman fell. AIG is much larger, more complex, and more precarious. Its assets hitting the market would likely cause worldwide chaos.

And there's no qualified buyers on the planet!

A tale of the Global Financial Crisis

7:55 PM · Aug 12, 2022

[Read the full conversation on Twitter](#)

21 Reply Copy link

[Read 3 replies](#)

(16/24) Even as the government ran around trying to keep the balls in the air, there was only so much they could do.

On September 17th, investors withdrew \$144B from money market funds (compared to \$7.1B the week before). The government immediately extended depositor insurance.

(17/24) On September 18th, In a dramatic meeting US Treasury Secretary Paulson and Fed Chair Bernanke met with House Speaker Pelosi; Bernanke requested a \$700B bailout fund.

"If we don't do this, we may not have an economy on Monday."

(18/24) On Monday, September 29th Bernanke's requested bill was voted on in the House of Representatives and lost (mostly party line vote, Democrats for, Republicans - against)

But, in the end, everyone got in line. On October 1st, Emergency Economic Stabilization Act was passed

(19/24) The main pillar of The Emergency Economic Stabilization Act was the Troubled Asset Relief Program (TARP), a \$700B fund used to purchase toxic assets from banks

The Treasury would go on to deploy hundreds of billions of dollars to provide liquidity for garbage investments

(20/24) As the Americans attempted to plug the holes in the sinking titanic financial system, the crisis bloomed into a full blown global catastrophe.

On October 8th, The Indonesian stock market halted traded after a one-day 10% drop.

(21/24) On October 11, the International Monetary Fund (IMF) warned that the world financial system was teetering on the "brink of systemic meltdown"

On October 14th, after 3 successive days of suspension, the Icelandic stock market opened 77% lower than it had been on the 8th.

(22/24) Iceland teetered on the brink of disaster for all of October/November. By year's end, it would experience the largest banking collapse (relative to its size) in history.

On December 6th, the first Greek riots began, marking the early days of the European Debt crisis.

(23/24) 2008 ends in financial fire and chaos, with no end in sight. The Global Financial Crisis would sweep through the world, destroying everything it could get its hands on.

We are STILL dealing with its devastation TODAY in 2022.

(24/24) But one other thing about 2008... something bigger than the Global Financial Crisis.

On August 18th, an anon registered a webpage and left it blank.

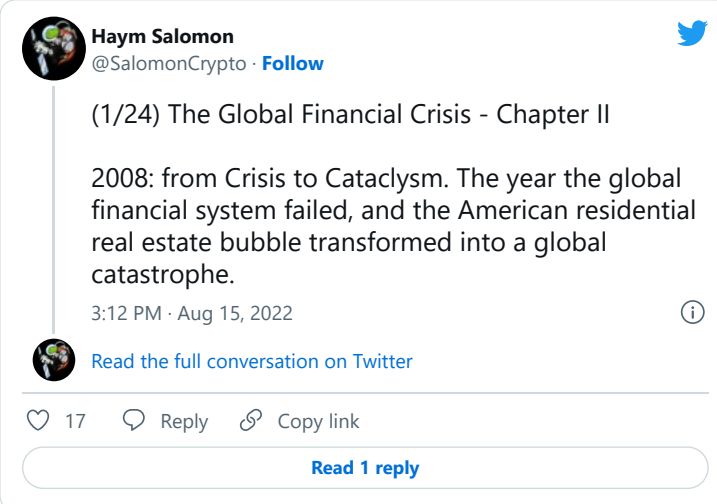
On October 31st, that anon hit deploy.

Satoshi Nakamoto published the [@Bitcoin](#) whitepaper.

bitcoin.org/bitcoin.pdf

Like what you read? Help me spread the word by retweeting the thread (linked below).

Follow me for more explainers and as much alpha as I can possibly serve.



Haym Salomon
@SalomonCrypto · Follow

(1/24) The Global Financial Crisis - Chapter II

2008: from Crisis to Cataclysm. The year the global financial system failed, and the American residential real estate bubble transformed into a global catastrophe.

3:12 PM · Aug 15, 2022

[Read the full conversation on Twitter](#)

17 · Reply · Copy link

[Read 1 reply](#)

...