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The AIG Bailout Revisited: Calculated Corruption or Miscalculated Risk Management?

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Summary

How we tell stories matters. If we tell the AIG bailout story as an example of calculated corruption, we wring our hands about how best to reverse the declining legitimacy of 21st-century capitalism. And we write more rules and regulations, offer stiffer punishments for violations, and beg for more ethical leadership.

If, however, we tell the AIG bailout story as an example of miscalculated risk management, then our attention shifts to the sources of these miscalculations, such as existential fear of a total credit market collapse, and the ways in which we can better cope with such fears and uncertainties when trying to de-risk and restructure an entire industry.

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