



Street Freak: Money and Madness at Lehman Brothers

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When Jared Dillian joined Lehman Brothers in 2001, he fulfilled a life-long dream to make it on Wall Street—but he had no idea how close to the edge the job would take him.

Like Michael Lewis's classic *Liar's Poker*, Jared Dillian's *Street Freak* takes readers behind the scenes of the legendary Lehman Brothers, exposing its outrageous and often hilarious corporate culture.

In this ultracompetitive Ivy League world where men would flip over each other's ties to check out the labels (also known as the "Lehman Handshake"), Dillian was an outsider as an ex-military, working-class guy in a Men's Wearhouse suit. But he was scrappy and determined; in interviews he told potential managers that, "Nobody can work harder than me. Nobody is willing to put in the hours I will put in. I am *insane*." As it turned out, on Wall Street insanity is not an undesirable quality.

Dillian rose from green associate, checking IDs at the entrance to the trading floor in the paranoid days following 9/11, to become an integral part of Lehman's culture in its final years as the firm's head Exchange-Traded Fund (ETF) trader. More than \$1 trillion in wealth passed through his hands, but at the cost of an untold number of smashed telephones and tape dispensers. Over time, the exhilarating and explosively stressful job took its toll on him. The extreme highs and lows of the trading floor masked and exacerbated the symptoms of Dillian's undiagnosed bipolar and obsessive compulsive disorders, leading to a downward spiral that eventually landed him in a psychiatric ward.

Dillian put his life back together, returning to work healthier than ever before, but Lehman itself had seemingly gone mad, having made outrageous bets on commercial real estate, and was quickly headed for self-destruction.

A raucous account of the final years of Lehman Brothers, from 9/11 at its World Financial Center offices through the firm's bankruptcy, including vivid portraits of trading-floor culture, the financial meltdown, and the company's ultimate collapse, *Street Freak* is a raw, visceral, and wholly original memoir of life inside the belly of the beast during the most tumultuous time in financial history. In his electrifying and fresh voice, Dillian takes readers on a wild ride through madness and back, both inside Lehman Brothers and himself.

Street Freak: Money and Madness at Lehman Brothers Details

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From Reader Review Street Freak: Money and Madness at Lehman Brothers for online ebook

Al Maki says

Most books about the collapse of the world financial system in 2008 suffer from the writer's desire to maintain an appearance of respectability in describing what was a stupid and sordid debacle. Dillian has no auctorial image to preserve and so is not hobbled by that constraint and it makes his book stand out. Even if the financial system hadn't been brought to its knees, his book would still have been worth reading as a study of greed on steroids.

Joe Peta says

"What's it like to work on a trading floor?" is probably the most common question Wall Street traders get asked by those outside the industry, especially from those who want to work at an investment bank someday. Since the late '80s, the answer has always been, "Read Liar's Poker." With Street Freak, Jared Dillian has forced me to update my answer. Street Freak should be required reading for MBA students and undergraduates majoring in finance prior to sitting down for their first Wall Street interview.

Dillian speaks often about self-selection on Wall Street. In recreating the scene at Lehman Brothers, right down to the restroom antics, he has captured the culture of Wall Street trading floors perfectly. If reading about the testosterone-fueled, dysfunctional antics -- and profitability -- of the best traders on the floor make you long for a seat next to them, Dillian has done you a favor. He's given you the playbook to understand, embrace, and love that culture before you ever step on a trading floor. Do yourself a favor and read this book.

Make no mistake however, Street Freak isn't just a book about an adult playground known as a trading floor which doubles as a de-facto employment center for college lacrosse players. It's a memoir with a very serious undertone. When Dillian tells us an investment bank's assets walk out of the elevator every night, he means each little cog in the organization makes money with their mind. At the industrial enterprises that helped build the wealth of this nation last century, it was the property, plant, and equipment -- these incredible high-tech manufacturing machines -- that generated profits. It turns out the trader's mind can be just as fragile an instrument. Dillian lays bare this fragility in his own mind that overtook him during his time on Wall Street. And here's where self-selection comes in: The reader is left to decide whether to use Street Freak as an inspirational guide to get to Wall Street or a cautionary tale.

It either case, it's brilliant writing and Dillian's voice, fresh and vivid, is certain to be heard from again.

Viktor Nilsson says

This book is basically 4 stories in one:

- The trading strategies commonly used in investment banks (index arbitrage, flow trading & market making, etc.)
- Life in Lehman Brothers and on Wall Street at large

- The author's personal story, mostly about how he came to work on Wall Street
- His struggles with OCD and bipolar disorder

What I like most of all is that Dillian doesn't take any stance as to whether "Wall Street" is good or bad (or anything else for that matter), neither from a moral nor professional standpoint. Instead, everything that he went through is covered in great detail, and we get to follow Jared as he learns about trading on the options trading floor at the Pacific Exchange and then at Lehman Brothers on 7th Avenue, New York. The writing is very expressive and emotional, basically making the book feel like a novel at times. I love how absolutely nothing is covered up, all the way from sex drive at work, to a (luckily failed) suicide attempt. Nothing is glorified, and nothing is condemned. It seems rare to get such an honest peek into life on a trading floor, maybe because it is a very different life. Funny, tragic and exiting all at the same time.

It should be mentioned that the professional lingo (futures, options, hedging, etc.) might be hard to follow without any financial background. I'm convinced that the book can be enjoyed without such knowledge also.

Toe says

Jared Dillian is a lunatic. Literally. He was diagnosed as bipolar and obsessive compulsive for the first time in his life around the age of 31. How did he survive and thrive in his crazy stew for 31 years without knowing it? By working in the military and on Wall Street, of course.

Street Freak is a lesser version of Liar's Poker. We follow Dillian's career from his start at Lehman Brothers in 2001 through its collapse in 2008. Since the topic of resumes is ceaselessly brought up in Street Freak and Liar's Poker, here is Dillian's. Dillian grew up working class. He graduated from the United States Coast Guard Academy with a B.S. in math and computer science. After that, he guarded the coast, or whatever they do, for a few years. Then he got an MBA from the University of San Francisco while working two jobs.

Lehman Brothers hired him in 2001 because he explained to his interviewers that he was "fucking insane." He was consciously referring to the fact he was willing to work hours no one else would work. Perhaps unconsciously he was on to something more. His undiagnosed mental illness generated severe mood swings; he swam in euphoria one minute over a \$650,000 bonus, and smashed phones and keyboards with bloody hands the next because a trade went the wrong direction on him. After one failed suicide attempt and an acute case of paranoia in which he was convinced the FBI was tracking him for illegal trades, he finally checked himself into a psych ward. There he remained for 2.5 weeks while his doctor administered lithium, which presumably he still takes.

The Wall Street world is the most interesting part of the book for me simply because it is so vastly different from my own life experiences. The numbers speak for themselves. Dillian's salary was \$135,000 in 2001, rising to \$850,000 by 2008. Even more impressive, during that time he made about \$100 million for Lehman Brothers, which arguably meant he was underpaid. How did Dillian make \$100 million? Well, if you can answer that, you can make a similar salary. Dillian doesn't do a fantastic job explaining the mechanics of his trading activities. Perhaps he thought people would already know what he was talking about, in which case they would be bored by the redundancy. Or maybe he didn't want to give away any of his strategies that he may still be using. Alternatively, he may have thought trying to explain it to non-Wall Street people would be tedious and they wouldn't be interested. I was very interested, but he left me in limbo, much like Leo left that Asian dude in limbo in the movie Inception.

Here's what I think I know. Dillian was a trader at Lehman Brothers. He had two functions: 1. make markets for the firm's clients, and 2. make money any way he could. The first function is easier to understand. Part of Lehman Brothers is a brokerage that earns commissions when large institutions, hedge funds, and wealthy individuals want to buy and sell many shares of stock. The client can use Lehman to complete all these transactions instead of attempting to buy on the market from many different people or institutions at different prices. Lehman may only earn a few pennies per share by placing these buy and sell orders; but when orders are on the magnitude of 500,000 shares, even three cents per share is \$15,000. With many such trades a day, real money is made off the commissions. The sales guys bring in the clients, and the traders execute the trades the clients want. Thus, there is frequently tension between sales and traders because sales is a volume business, and traders want to make profitable trades. Frequently, traders are asked to make unprofitable trades because the firm as a whole can still make more money off commissions than it loses on bad trades.

Traders execute the trades of clients by making markets for the clients. Lehman Brothers traders will offer bid and ask prices on a variety of securities. The bid is the price at which a client can sell, and the ask is the price at which the client can buy. Typically, the bid is a few pennies below the ask. The difference, the margin or spread, is additional profit Lehman would make on the trades. Occasionally, the margin will disappear or be "locked," which means the bid and ask are the same price. In this scenario, Lehman is only making money off commissions. Lehman may create locked markets to please their clients and gain new business or retain old business. In this function, Dillian's role was to constantly monitor the firm's position and minimize losses incurred in their client's trading. He would do this by trading stock himself and hedging positions.

The second function was for Dillian to make money any way he could. Here's where it gets murky for me. He started off in index arbitrage. Arbitrage is riskless profiting from price differences in two or more different markets. This was profitable for a while until computer programs began instantaneously evaporating arbitrage opportunities. The market is already efficient, meaning outsized profits from arbitrage are difficult to achieve, and its efficiency grows over time with improved trading technology. When arbitrage slowed, Dillian then took advantage of index rebalancing. Indices are simply collections of stock that have similar characteristics. Common examples include the Dow Jones, the S&P 500, the Russell 2000, etc. Exchange Traded Funds, or ETFs, mimic popular indices. For example, SPYs are an ETF that track the same stocks comprising the S&P 500. Stocks are constantly being added to or removed from indices as some stocks grow and others wither. The ETFs are legally required to hold a proportionate share of the stocks comprising their underlying index, and they achieve these proportions through a yearly rebalancing. This means there is a lot of selling of stocks that are about to be delisted from an index and a lot of buying of stocks that are about to be added to an index. Dillian researched the small cap stocks in the Russell 2000 before the yearly rebalancing and made money buying stocks he thought would be added and shorting stocks he thought would be removed. Others adopted this strategy too. Dillian finally moved on to proprietary trading, which is evidently a catchall for doing whatever trades you want. If you know (or have a good guess) as to whether a market or interest rate is going up, down, or staying the same, there are an infinite combination of trades you can execute to make money. That's what Dillian did.

Throughout the book, Dillian refers to a guy named Jay Knight. He was a badass prop trader who made so much money for Lehman that he could pretty much do whatever he wanted. He wanted to trade out of Miami instead of NYC. Lehman let him. He wanted to retain 10 or 15% of the money he made trading. Lehman let him. Dillian idolized Jay Knight, whom he never met, because he was smart, made tens of millions of dollars per year, and the rules didn't apply to him. It's unclear to me whether Jay Knight is a real person or merely a MacGuffin. Either way, there are people like Jay Knight. Part of me is impressed by their Excel knowledge, math skills, and courage in risking huge sums of money. Part of me realizes how insecure people who constantly reference their SAT scores well into their 20's and 30's must be. Part of me is jealous they're

playing a game I can't even see.

Memorable quotes:

“There’s so much to know and you can spend a lifetime learning. What happens in the Nikkei affects what happens in the DAX. What happens in the DAX affects what happens here. Then there are currencies. Then there are interest rates. It is all connected; it is one massive linear programming problem that nobody is smart enough to figure out.”

“I felt like a man who knows that he is in the right job, at the right place, at the right time in history; a man who is doing exactly what he was put here on earth to be doing.”

“Dealing with risk is like ass stretching. If you shove an object in your rectum, it is painful, but the more you do it, the bigger the object you can fit up there, until one day you are comfortable with, say, a peanut butter jar.”

“[A call option] is how a Wall Street career works. It is rational to take more and more risk because if you lose money, all you lose is your job. The firm eats the loss—it doesn’t take it out of your paycheck. Meanwhile, you can make tens of millions in upside. Most people don’t actually behave this way, because they have some sense of responsibility and judgment that prevents them from taking stupid risks with other people’s money. Most people are careful, even when it is irrational to be careful. But with Lehman Brothers, you had a scenario where a group of employees [i.e., the real estate traders] had option-like returns and took excessive risk, while ignoring liquidity (the ability to get out of the trade). Management too had option-like returns. In the past, Wall Street firms were partnerships, meaning that partners had to share in losses. The shareholders of a publicly traded corporation that goes bankrupt have no such recourse. Meanwhile, if management fails to understand kurtosis, power-law distributions, and what are known as ‘fat tails’—and the concept that the market moves in cycles—you have the perfect storm: a blinding display of incompetence. You have people who call themselves professionals but lack even a basic understanding of risk.”

David says

unfinishable (by me anyway) account of his experiences as stock trader. somewhat hard to follow, insider-y, but main problem for my reading was that I never became motivated to try to figure it out or get more familiar with this work environment. It's possible that I'm on the way to becoming a stick-in-the-mud, but for better or worse I'm bored of the mostly-male "shocking" writing style of making irreverent observations by cursing a lot.

There have to be other ways to convey that your work is stressful and involves lots of significant \$ ups and downs without going on and on about "this f-ing MF'er had better not F with me....and then I saw we were down 80,000 in a matter of seconds, and i knew my balls were in a wringer, and I told him goddamn it, i'm going to.....you" and so on and so on.

Ensiform says

An account of the author’s experiences as a trader and, to a lesser degree, the bipolar disorder that got him

hospitalized and, ultimately, drove him to leave the industry to become a writer of market reports. Fresh out of the Coast Guard, wearing the wrong clothes and a graduate of the wrong school, Dillian was a fish out of water but soon started getting the respect of his peers with his manic trading, even as his fits of temper and rookie mistakes continue to draw unwanted attention. His account is both brutally honest about his own faults and mental health, as well as a scathing depiction of trader culture. From the mountains of wasted takeout food to the flop sweat and flatulence on the floor, Dillian brings it all to life: the extreme meritocracy where employees are given free rein to do nearly anything to make money, which leads to a shallow culture where dollar amounts are the only standard by which to measure a person's value, and those with the most money take the least risk.

Dillian has a way with a descriptive line and wry wit: a chief trader is "a walking molecule of testosterone," the mass exodus to the Hamptons is a useless exercise in sitting through traffic just to "hang around with the same douchebags that I saw at work every day." Still, to me, by far the most interesting part of the book is Dillian's account of his stay in a mental hospital after a mental breakdown and attempted suicide. It is only here, taking a break from the endless oceans of trader jargon (which, frustratingly, he never explains), Dillian shows his true self: confused, craving something real, becoming inspired. For most of the rest of the book, Dillian may think he's lampooning Wall Street, but to me, his misogynistic, egotistical prose shows he's part of the problem, no different from those testosterone molecules looking down on everyone making less than he does.

Blakely says

I know the author of this book through work, so it was one of the main reasons I picked it up to read. After reading it I was amazed at the world of trading that I had no clue about. I know nothing about the stock world and Wall Street...but the author explains it in a way I can follow and the story kept me on the edge of my seat. Very good read and VERY interesting!

Reynard says

Cannibal, ovvero Wall Street visto dall'interno. Una bella autobiografia in cui l'autore non ha paura di mettere a nudo sé stesso (soffre di bipolarismo) e il mondo della moderna finanza. Può essere un po' difficile da leggere per chi è completamente a digiuno della terminologia finanziaria di base. Devo dire che mi è piaciuto parecchio.

Vitalijus Sostak says

This book is worth unquestionable 5-star rating. For me personally, it hit the nerve.

1) It's in the best sub-genre (autobiography + Wall Street); 2) it's honest, feels solidly authentic; 3) it portrays an author's career trajectory, and not just any - as a trader at major investment bank that happens to be a Lehman Brothers, right up to September 2008; 4) it's well-written and hard to put down even though we're talking about non-fiction here.

In other words: ALL the most interesting/exciting ingredients and also recipe is deep and thought-provoking. Delicious!, I'm looking forward to read the second Dillian's book.

Favorite quote: "Trading, like sailing, is 95 percent boredom and 5 percent sheer terror."

Salim says

In the lines of Liar's Poker and Monkey Business from the perspective of an ETF trader this time. Also a touch of The Big Short in the later chapters. A great read and very insightful, I enjoyed Jared Dillian's take on the market psychology, his depiction of battling with mental illness and his nonetheless positive outtake on the world when deciding to listen to himself and move on to do what he loves. As a former Wall Streeter myself (up to very recently), this story particularly resonated with me, I am looking fwd to read Jared's latest book and will seriously think about subscribing to his newsletter as well. I gave it a 5-Stars rating.

Erik says

Full disclosure: I was at the USCGA with Dillian in the summer of 1994. He was an upperclassman tasked with training me my first summer there. Let me be honest and unambiguous - I hated his guts, as did every other swab. The dude gave me and many others nightmares, but I suppose that had as much to do with my relatively coddled upbringing as it did with his mean spiritedness and his love with idea of being a faux drill sergeant-type character.

All this said, I loved the book. I wanted to hate it, to be sure, but I wound up liking him and his writing, as well as the tale he tells. He has a great cadence and rhythm. He sense of honesty is truly remarkable given all he went through at Lehman and on Wall Street.

He loses the non-expert a bit with all of the trading talk, though it is beautiful to read nonetheless.

All this said, where is his wife in the narrative? She is almost non-existent, though must of played an enormous role in creating some sort of balance to his work life.

I lived in NYC the same time as this took place and would have run the other way if I saw Dillian walking down the street (and I suspect he would love me admitting that!), though I would love to sit and have a beer with him now to get some outtake stories that didn't make it into the book.

Troy Jensen says

I had never heard of Jared Dillian, nor his book Street Freak. And after reading it, I am shocked and embarrassed that I missed this fantastic account of Dillion's time working at Lehman Brothers. His tenure started literally on September 11, 2001, and his fascinating story goes right through to the gripping final pages, as Lehman Brothers begins it's still unreal death spiral that culminated in the New York Fed's "Lost Weekend" (when the Fed and Paulson gathered all the Bulge Bracket CEOs in an ultimately doomed effort to save Lehman) and the subsequent bankruptcy filing on September 15, 2008.

Dillian gives an incredibly realistic account of life inside Lehman Brothers. I found myself complimenting the author in my head chapter after chapter as he wove a descriptive narrative that really captured Wall Street during that era. Unlike most of the literally dozens of books that focus either on the most bombastic over the

top characters and events, OR the narrative tone is of a dry, financial history description that inevitably leads to the overt moral outrage and a pandering to the populist anger (bankers are from Hell! Capitalism needs complete reform! Hang them!!).

Instead I really enjoyed the REALISTIC retelling of what that decade was like from the author's point of view. Interestingly, Mr. Dillion's narrative hit me in a far more substantive and deeply emotive way than any other book I've read focusing on that time period.

And I think that's because in the end, Lehman Brothers, Wall Street and the collapse actually serve as a type of emotional background mood setting that the main plot plays out against.

And I can't say enough about that main plot. Without inserting any spoilers, Jared Dillian has his own very personal, heart wrenching and at times terrifying story that is unfolding throughout the book.

Bottom line: A MUST READ. I can use a ton of descriptors to summarize Street Freak but the overriding one: Inspirational. Mr. Dillian's first foray into the literary world is an unqualified success!

Andrew Tollemache says

Although I read a great many Street memoirs, it is a genre that has gotten pretty stale over the years. There are always tons of tales of debauched ways, porterhouse and Crown Royal diets and assorted hi-jinx. The characters all start to have a cookie-cutter quality: the young turk, bad asses, the 40ish, silverbacks who have seen it all and a mish mash of tools to serve as foils for snarky comments. Dillian, at times, flirts with padding this book with typical Street memoir tropes, but in the end has written one of the better memoirs. He seems to be a bit of a brooding, downer of a guy, which makes him less enthused about the partying angle of the biz. This is actually a plus as it allows the author to talk about meatier issues. Dillian actually goes into great detail detailing the various trading strategies he and LEH used from 2001-2008, he notes their weaknesses and their wins. He does a great job distinguishing between "flow traders" and "prop traders" and how strange the relationship is between "flow traders" and their clients.

I also liked his discussions of how chaotic this career choice can be on one personally. How much the constant stress plays havoc with your psyche and totally obliterate things like sex drive. In the end, he like many others around him crack under the pressure. He goes to the Loony bin and most of his friends become alcoholics.

A very honest read, but does not measure up to "Liars Poker" or "F.I.A.S.C.O", the two best in class of the Street memoir genre.

Jenny Tainsky says

I couldn't even finish this book, it was so annoying.

Bill says

In Wall Street terms, I am a piker - I know nothing of trading, stocks, or investing, and more importantly, it's not a topic I ever cared about. Until I read Jared Dillian's *Street Freak*. It's an immersive experience, written with gusto and such that it makes what was a dull topic to me sing. More importantly, it's a bold, brutally honest memoir full of pain, courage, and triumph. The author puts you on the trading floor and in his skin - it's a wild ride.
