

All Flash but Plenty of Substance, One Author's Chronicle of Wall Street's Unsung Heroes
Review of: *Flash Boys: A Wall Street Revolt*

Michael Lewis
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"I'm immediately skeptical of people who say they are looking out for my interests, especially on Wall Street." (p. 114)

Michael Lewis's, *Flash Boys: A Wall Street Revolt*¹ is a high energy sprint through the world of High Frequency Trading (HFT), a phenomenon within Wall Street which came to dominate the U.S. stock market and various other stock markets worldwide starting in late 2009 and continuing until its exposure by the novel's protagonists in 2013. Perhaps the most compelling aspect of Lewis's work is not that he does not take a position on the issue of the HFT takeover and subsequent fall, but that he allows the book's characters to do it for him, only injecting an omniscient author's perspective in the gaps within the plot. The novel's main character and chief protagonist, Brad Katsuyama, serves as the vehicle for Lewis's own thesis, that HFT has created an unfair, deceptive subculture within Wall Street that is focused not on protecting and furthering the interests of investors, but instead on ensuring its own primacy within the stock exchange at the expense of all other parties. The novel itself follows the story of Brad Katsuyama and his ragtag band of fellow idealists, and Lewis paints an impressively complete picture of Wall Street through their eyes, allowing even the most uninformed reader (such as myself) to understand the complexity of the situation. By using each major character as a lens through which to introduce the reader to each aspect of High Frequency Trading, Lewis

¹ MICHAEL LEWIS, *FLASH BOYS: A WALL STREET REVOLT* (Starling Lawrence ed., 2010).

showcases multiple perspectives, as the reader experiences the novel's events in several distinct ways.

Anyone familiar with Michael Lewis's background and previous works will be unsurprised at the ease with which he guides the reader through the events of the novel, despite the complexity of the issues in play. Lewis has authored several extremely successful books, including; *Boomerang*, *The Big Short*, *Home Game*, *The Blind Side*, *Coach*, *Moneyball*, *Next*, *The New New Thing*, *Losers*, *Pacific Rift*, *The Money Culture*, and *Liar's Poker*. He is also the editor of the novel, *Panic*. Michael Lewis holds a B.A. in Art History from Princeton University, and an M.A. in Economics from the London School of Economics. Lewis began his career in finance working as a bond salesman for Salomon Brothers in London, before quitting to become an author. Lewis's first major novel was *Liar's Poker*, which described his work in the finance industry and was published in 1989. From there Lewis went on to write the titles listed above as well as various articles for many major news outlets such as, *The New York Times Magazine*, *Vanity Fair*, and *Bloomberg*. While he has made forays into the world of professional sports with books like *The Blind Side* and *Moneyball*, the majority of Lewis's works are on the subjects of high finance and business.

Flash Boys does not use rule of law to provide most of the justification for its position on the evils of High Frequency Trading, but rather relies on morality and common decency to support the actions of the main characters. What law that is discussed is mostly couched in the form of regulations meant to govern Wall Street set down by the Securities Exchange Commission (SEC). In referencing the laws, the novel portrays HFT as the enemy, a greedy, shadowy, technologically superior oligarchy that loves nothing more to exploit loopholes in the law in order to maximize profits at the expense of investors and unsuspecting traders in a

technically legal manner. The book is broken up into eight chapters, most of which focus on one or two characters in specific, allowing the reader to not only view the issues from various perspectives, but also to understand that the problems created by HFT affected everyone working on Wall Street, regardless of company affiliation or position. The flow of each chapter switches between a third person character perspective and the author's omniscient narration, giving the novel the feel and rhythm of a piece of fiction, but with enough factual information to remind the reader that the events, people, and companies involved are all real.

Chapter one explains the genesis of High Frequency Trading, by detailing the construction of a secret underground fiber cable line stretching from Northeastern New Jersey to Chicago, Illinois. Lewis explains, through the mouth of Dan Spivey, the line's creator and owner, that the line was what made HFT possible, and that it represented a paradigm shift on Wall Street, though ironically only a select few were to know of its existence until it was exposed by Katsuyama and his team. The chapter ends with Spivey convincing a large number of major Wall Street banks and brokerage firms to buy into his new line, an event that sets the stage for the remainder of the novel.²

Chapters two and three of the novel introduce the reader to two of the most important characters in the book, Brad Katsuyama and Ronan Ryan respectively. Both Katsuyama and Ryan work on Wall Street during the dawn of HFT, Katsuyama as a trader for the Royal Bank of Canada and Ryan for BT Radianz, a company tasked with updating the computer systems of the banks and companies switching over to HFT from their previous systems. Both characters see the injustices being perpetrated but feel powerless and uninformed. Katsuyama is the first to exhibit these feelings, and he seeks out Ronan to aid him in his goal of bringing transparency and equality back to Wall Street.

² See *supra* note 1, at 22.

Chapters four and five focus on the fight of Brad and his team against HFT, despite the fact that for the most part, they are in the dark about who it is they are actually fighting against. Katsuyama's team gains a viable weapon against HFT in the form of Thor, a computer program created by Brad and his colleagues to level the playing field between regular traders like themselves and High Frequency Traders. It is at this point in the novel that Lewis explains in depth what HFT really is. Put succinctly, HFT is all about speed, and in a world where the speed of electronic transfer of information between buyers, sellers, and brokers is everything, the HFT firms represent cheetahs moving amongst a vast pack of rhinoceros. HFT firms are able, thanks to the secret underground cable created by Dan Spivey, to circumvent the normal routes of data transfer used by most traders and utilize much faster data conduits, allowing them to influence and sometimes even directly control the market and stock prices and quantities. Chapter five is a slight aside into the personal story of Serge Aleynikov, a Russian computer programmer who was responsible for updating Goldman Sachs's computer system so that it could upgrade to HFT. Serge decides to leave Goldman Sachs, and takes with him several pieces of open source software he had previously used to upgrade Goldman's own system. Goldman subsequently has Serge arrested by the FBI for IP theft, and Serge is convicted and sentenced to eight years in prison without saying so much as one word in his own defense.

Chapter six shows Brad and his team first declaring war on HFT by deciding to create their own stock exchange. The chapter details the struggle to find capital and investors for the venture, and showcases the worries of Brad and the others as they come to grips with the fact that the stock exchange will live or die on the integrity of the brokerage firms and banks they are trying to attract. It is here that Lewis truly brings the morality, or lack thereof of Wall Street to the fore of the novel, as he deftly portrays Brad and his team as a small band of idealistic

resistance fighters striving to create equality and fairness in a fundamentally flawed and broken system. This diametric opposition between Katsuyama's team and HFT continues into chapter seven with the opening of the new stock exchange. While it does not do well initially, gradually the new exchange (known as IEX) picks up momentum as investors and brokers begin to see the benefits of trading in an exchange that is not preyed upon by High Frequency Traders.

Chapters eight and nine serve to close out the book on a somewhat mixed note. Chapter eight is the continued chronicle of IEX and its early days as an exchange. IEX is ironically aided by Goldman Sachs, a bank made out to be one of the principal villains in the novel. Goldman agrees to do the majority of its trading on IEX for one day, and thus enables Katsuyama to prove to his investors, and to a lot of other major players on Wall Street, that the integrity of IEX and its freedom from HFT are worth more to them than all of the kickbacks and shady deals that the previous system allowed. Chapter nine returns to the trial of Serge Aleynikov, and the reader is made to feel great sympathy for Serge. Lewis portrays Serge's trial as taking place in a kangaroo court, with the odds stacked against him even before opening arguments begin. On appeal Serge is released, only to be brought up on new charges in New York State Court. However despite losing his marriage, his home, and all of his money, the novel ends with Serge being hopeful about the future, a sentiment the reader is meant to perceive applies to the future of Wall Street as well.

Throughout the novel, Lewis stresses to reader that the stock market system is almost universally corrupted, and that while Brad Katsuyama, Ronan Ryan and the others are not the only ones who see the problems, they are the only ones willing to stand up and do something about the problem. The other major theme throughout the novel, is the sheer amount of ignorance that seems to be almost unanimous on Wall Street. Katsuyama spends much of his

time simply convincing others that there is a problem, and not that they should help him solve it. Perhaps the greatest strength of the novel is the fact that Lewis takes an extremely complicated concept, one that many professional traders on Wall Street admit to being ignorant of throughout the novel, and simplifies it to make the novel accessible to even the most pedestrian of readers. The book is quick, and the reader is not allowed to get bogged down in finance jargon, an impressive feat when one considers the subject matter the novel addresses in under 300 pages. From start to finish Lewis sets a rapid pace, and when the reader finally closes the book for the last time, they are left with the feeling that what they have just read was actually much longer than a mere 271 pages.

Overall the novel is a tour de force, with compelling characters, a strong and fast paced plot, and an interesting array of subject matter. Michael Lewis does a great job of keeping the reader engaged without watering down the issues to the point where their significance is lost. This is a difficult balance to strike but Lewis manages it with an admirable simplicity that makes the book read like a sophisticated science fiction novel. However the book does have a few faults. Primarily, the reader is given almost an oversimplified view of the problems on Wall Street, with Lewis painting good and evil with an extremely broad brush. The other issue really seems to be unavoidable, and it is that the banks and brokerage firms are largely portrayed as faceless, conglomerate masses controlled by groupthink without any sort of independent thought within them. Obviously had Lewis gone into a case study of even one of the major banks the novel would most likely be at least triple its current length, but nonetheless the reader is given the distinct impression that each bank is full of nothing but greedy, deceptive people who want nothing more to perpetuate the current system. I personally enjoyed *Flash Boys* a great deal, and would recommend it to anyone the least bit interested in Wall Street and electronic trading.

While the novel takes on some very complicated subject matter, it is a remarkably quick read, and it is certainly a story worth telling.