

# *The Big Short: The criminality of Wall Street and the crash of 2008*

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*Directed by Adam McKay; screenplay by McKay and Charles Randolph, based on the book by Michael Lewis*

Adam McKay's new film *The Big Short* is a hard-hitting comedy-drama about the historic collapse of the US housing bubble in 2008.

Based on Michael Lewis's book, *The Big Short: Inside The Doomsday Machine* (2010), the film offers a picture of rampant criminality on the part of the financial establishment and its government co-conspirators who, while systematically looting the American economy, created a financial disaster.

The calamity was further deepened by the use of hundreds of billions of dollars in taxpayer money to bail out the biggest Wall Street firms. For millions of people in the US and around the world, the 2008 collapse was a social tragedy from which there has been no meaningful recovery. Yet, as *The Big Short* points out, the bankers and speculators—who ought to be sitting in prison—are richer and more powerful today than ever.

McKay's *The Big Short* centers on a number of Wall Street "outliers" who, despite the efforts of the banks, government regulators and media lackeys, uncover the truth about the explosive market for bonds based on subprime mortgages: that the latter are "junk" and a rotten foundation for an economic boom.

The film takes the form of a series of vignettes involving these figures, a number of whose paths cross at critical moments.

Bankers, *The Big Short*'s narrator (Ryan Gosling) explains at the outset, were once perceived as staid and conservative. Now, as the trade in mortgage-backed securities mushrooms and a vast housing bubble develops, they have gone "from the country club to the strip club," a function of the degree of parasitism and degeneracy in the system.

Christian Bale plays the real-life San Jose, California neurosurgeon-turned-money manager Michael Burry, who sports a glass eye and has a penchant for heavy metal. With a manic focus, he spends the end of 2004 and early 2005 scanning hundreds of home loans that are packaged into

mortgage bonds, eventually discovering an alarming pattern. As opposed to the prevailing wisdom that "the housing market is rock solid," Burry comes to believe it is a flimsy house of cards.

Burry approaches Goldman Sachs, seeking to purchase hundreds of millions of dollars in credit default swaps (a form of insurance against a loan default or other credit event) that amount to a bet against the housing market. His hedge fund's owners and investors are apoplectic, but the eccentric, anti-social Burry is convinced that patience is the key as he waits for the bottom to drop out and his assumptions to pay off. (According to Lewis's book, Burry explained, "I'm not making a bet against a bond, I'm making a bet against a system.")

He admonishes his skeptics: "[Federal Reserve Chairman] Alan Greenspan assures us that home prices are not prone to bubbles—or major deflations—on any national scale. This is ridiculous, of course.... In 1933, during the fourth year of the Great Depression, the United States found itself in the midst of a housing crisis that put housing starts at 10 percent of the level of 1925. Roughly half of all mortgage debt was in default. During the 1930s, housing prices collapsed nationwide by roughly 80 percent."

Jared "Chicken Little" Vennett (Gosling, playing a fictionalized Greg Lippman), a Deutsche Bank subprime mortgage bond manager, gets wind of Burry's astonishing gamble. Vennett, slick, sleazy and smart, crunches the numbers and sees a potential gold mine.

Vennett solicits financial backing from Wall Street-bashing Mark Baum (Steve Carell, based on Steve Eisman), head of FrontPoint Partners, a unit of Morgan Stanley. Vennett explains the certainty of a housing catastrophe. The irascible Baum, who continues to suffer from his brother's suicide, is chronically appalled by the banks' shenanigans.

To investigate Vennett's claims, Baum sends his colleagues to a subdivision in Florida, where they discover homes in foreclosure, delinquent mortgages that were purchased in the name of family pets, and a stripper who owns several properties—all with adjustable rate mortgages

(ARMs)—and was told that continuous refinancing would always work in her favor. In one abandoned south Florida home, an alligator has taken over the swimming pool. One of Baum's associates says, "It's like Chernobyl."

Baum also talks to cocky young mortgage brokers who inform him, with a laugh, that they have made millions selling subprime mortgages to poor people and immigrants. He subsequently meets with a Standard & Poor's representative (Melissa Leo), who tells Baum she has to rate all the banks' financial vehicles at AAA (the top rate) to keep their business.

Another of *The Big Short*'s plot strands involves young, inexperienced money managers, Jamie Shipley (Finn Wittrock) and Charlie Geller (John Magaro), who parlay \$110,000 of their own money into a \$30 million fund. Also seeing the writing on the wall for the housing market, they enlist the help of retired guru/trader and drop-out Ben Rickert (Brad Pitt, based on Ben Hockett), whose connections help them secure an agreement enabling them to work directly with the banks.

The filmmakers intersperse the narrative with comic interludes featuring what they call "celebrity explainers," brought in to help make the complicated terminology comprehensible. In the movie's production notes, director McKay elaborates: "Bankers do everything they can to make these transactions seem really complicated, so we came up with the idea of having celebrities pop up on the screen throughout the movie and explain things directly to the audience."

Sipping champagne in a bubble bath, actress Margot Robbie discusses mortgage-backed securities, while chef Anthony Bourdain compares a "toxic financial asset" to a seafood stew. (McKay recruited Bourdain after reading the latter's recommendation that no one should "order seafood stew because it's where cooks put all the crap they couldn't sell."

The director goes on, "I thought, 'Oh my God that's a perfect metaphor for a collateralized debt obligation, where the banks bundle a bunch of bad mortgages and sell it as a triple-A rated financial product.'")

Economist Dr. Richard Thaler and actress Selena Gomez take part in a casino sequence to demonstrate how synthetic Credit Default Obligations (CDOs)—essentially groups of bad mortgages bundled together to hide the real likelihood of default—are the means of arranging numerous layers of speculation. Says McKay: "It was investors making those kinds of side bets on mortgage-backed securities through CDOs that drove the whole world economy to where it was poised to crash."

The film's tipping point comes when Vennett convinces Baum to attend the American Securities Forum in Las

Vegas, an event whose out of control goings-on prove to be the latter that the housing market is a gigantic Ponzi scheme.

The vindication of the nay-sayers is delayed when the housing market begins to collapse, but the value of the CDOs remains steady. Only then do the protagonists realize that the banks are concealing the toxicity of their holdings on a massive scale.

As the meltdown approaches, the mood of *The Big Short* markedly darkens. Baum starts to believe the "party's over" and that "the world economy will collapse." He is convinced the bankers "are crooks and should be in jail."

This is effectively highlighted by a scene where Baum debates a representative of Bear Stearns. The latter sings the praises of the housing market even as the firm's stock price falls off the cliff.

*The Big Short*'s approach to the run-up to one of the greatest financial crises in history, despite its comic-absurdist mode, is a serious one. The filmmakers do their best to bring this crisis and its human dimensions to life.

The film touches upon the systemic and far-reaching character of the 2008 crash. McKay and his collaborators are obviously appalled by its outcome and consequences, and even invent an alternative scenario in which the bankers responsible for the crash are jailed and the banks become regulated. They point the finger at not only those who issued the mortgages, but those who sliced and diced them into rotten products and the credit agencies that gave them top ratings. They conclude that the financial establishment made super profits through the immiseration of the population. The various actors, as clearly demonstrated by their performances, were fully committed to the project.

Of course, dramatizing something as complex as the 2008 financial collapse is an immense undertaking, involving a mass of historical and social questions. *The Big Short*'s makers have chosen one means of treating it. This film is clearly not the final word. While McKay and the others involved obviously feel sympathy for those devastated by the crisis, the mass of the population is largely absent. Their attitude to capitalism is a critical one, but they are not opponents of the profit system.

However, at a time when most filmmakers seem obsessed with gender, sexuality and race (and themselves), McKay and the others have chosen to treat—and treat trenchantly—one of the critical events in recent times. Genuine credit is due them.



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