

Too Big to Fail

Synopsis:

Too Big to Fail chronicles the 2008 financial meltdown, focusing on the actions of Secretary of the Treasury Henry Paulson (William Hurt) to contain the problems during the period of August 2008 to October 3, 2008. Dick Fuld (James Woods), CEO of Lehman Brothers, is seeking external investment, but investors are wary as Lehman is seriously exposed to toxic housing assets and the Treasury is ideologically opposed to offering any sort of bailout as they did for Bear Stearns.

Paulson attempts to arrange a private solution to the Lehman problem, and both Bank of America and Barclays express interest in Lehman's "good" assets. Bank of America pulls back from the deal and instead chooses to purchase Merrill Lynch. Barclays is prepared to accept the terms of the merger, but British banking regulators refuse to approve the deal. Paulson directs Fuld to declare bankruptcy before the market opens.

The initial reaction on Wall Street is favorable as is the political reaction. However, Paulson quickly learns that Lehman's counterparty risk is impacting the entire financial market and the stock market is in freefall. Another crisis arises as AIG begins to collapse.

Paulson's team realizes that if AIG is allowed to fail, its entire insurance portfolio will default and the entire financial industry will suffer massive losses. The Treasury takes over AIG. Ben Bernanke (Paul Giamatti), Chairman of the Federal Reserve, argues that the status quo is unsustainable and that the Congress must pass legislation to authorize any continued intervention by the Fed or the Treasury.

Paulson's plan is to buy the "toxic" assets from the banks. Direct capital injection is considered and rejected. Timothy Geithner (Billy Crudup), President of the Federal Reserve Bank of New York, realizes that the market cannot wait for Congressional action and attempts to arrange mergers between consumer banks and investment banks, but this proves untenable. Paulson receives a call from Jeffrey Immelt (Tom Tammi) of General Electric who tells him that GE is unable to finance its daily operations. Paulson realizes the crisis has spread to Main Street.

Bernanke and Paulson lobby Congress, with Bernanke emphasizing that a lack of credit helped make the 1929 stock crash into the Great Depression, and that if Congress fails to act that the fallout will be far worse. The legislation looks likely to pass, but is thrown into chaos when John McCain suspends his campaign for president to join the negotiations.

Paulson begs Nancy Pelosi not to back away from the negotiations, but too many Republicans vote "no," causing an immediate drop in the Dow of 600 points. After a wave of panic and personal haranguing from President George W. Bush, the legislation passes on a second attempt, and the Emergency Economic Stabilization Act of 2008 is signed into law.

Paulson decides that the only way to get credit flowing again is direct capital injections. With the help of FDIC chair Sheila Bair and the threat of an FDIC audit, Paulson informs the participating banks that they will be receiving mandatory capital injections and they must use this money to get credit moving again. The banks agree, but Paulson balks at putting additional restrictions on how the funds are to be used. Paulson's Treasury deputy for public affairs (Cynthia Nixon) laments that the parties who caused the crisis are being allowed to dictate the terms. Bernanke states that he hopes the banks will use the funds as intended.

An epilogue reveals that although markets did stabilize and the banks repaid their Troubled Asset Relief Program funds, credit standards continued to tighten resulting in rising unemployment and foreclosures. As bank mergers continued in the wake of the crisis, these banks became even larger and at the time of the film, 10 financial institutions held 77% of all US banking assets and have been declared too big to fail.

Important Cast of Characters includes the following:

- Henry Paulson (Secretary of the Treasury, former Chairman and CEO of Goldman Sachs)
- Jim Wilkinson (Chief of Staff, Treasury Department)
- Michele Davis (Assistant Secretary of the Treasury, Public Relations)
- Dan Jester (Treasury Department)
- Neel Kashkari (Treasury Department)
- Christopher Cox (Chairman of the Securities and Exchange Commission)
- Rep. Barney Frank (D-MA) (Chairman of the House Committee on Financial Services)
- Rep. Nancy Pelosi (Minority Leader of the United States House of Representatives and served as the 60th Speaker of the United States House of Representatives from 2007 to 2011)
- Timothy Geithner (President of the Federal Reserve Bank of New York)
- Ben Bernanke (Chairman of the Federal Reserve)
- Warren Buffett (Chairman and CEO, Berkshire Hathaway)
- Christine Lagarde (French Minister of Finance)
- Chris Flowers (Chairman, J.C. Flowers & Co.)
- Dick Fuld (Chairman and CEO, Lehman Brothers)
- Erin Callan (former CFO, Lehman Brothers)
- Joe Gregory (former President and COO, Lehman Brothers)
- Bart McDade (President and COO of Lehman Brothers)
- Bob Willumstad (Chairman and CEO, AIG)
- Vikram Pandit (CEO, Citigroup)
- Greg Curl (Bank of America)
- John Thain (Chairman and CEO, Merrill Lynch)
- Jamie Dimon (Chairman and CEO, JP Morgan-Chase)
- John Mack (Chairman and CEO, Morgan Stanley)
- Lloyd Blankfein (Chairman and CEO, Goldman Sachs)