Too Big to Fail (2011) - Reading Notes

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Content Notes:

- Begins with news reports describing sale of Bear Stearns to JPMorgan Chase
- Next major bank with potential to collapse: Lehman Brothers
  - Henry Paulson, treasury secretary, continually struggles with how to keep banks afloat
    - Otherwise, has no choice but to buy the banks out to prevent economic collapse (like definition of "Too big to fail")
    - After assistance with buyout of Bear Stearns, many banks (including Fuld) became increasingly reliant on support from government
  - Offer from Buffett to purchase represents significantly lower (yet realistic) amount from months previous, leading CEO Dick Fuld to reject
  - New President/COO negotiates deal with Korean investors, warning Fuld to stay behind
    - Fuld arrives unexpectedly, warning investors that their deal is undervalued
    - Immediately leave due to poor attitude of Fuld, ending deal
- Paulson makes clear announcement that the government will subsidize no more acquisitions of other banks, turning to other banks for Lehman acquisition
  - Calls CEOs of major banks together, requesting that all assist in BoA purchase of Lehman
    - BoA had agreed to only assist in purchase with federal support
  - Merill Lynch, firm in a position nearly as dangerous as Lehman, privately requests acquisition from BoA
    - Agreed to, ending possibility for Lehman deal
  - Lehman only acquirable by Barclays (who had been a potential buyer from the start)
    - British banking regulator prevents involvement of Barclays
    - Leads to complete bankruptcy of Lehman
- Collapse of Lehman has other dramatic effects on the stock market, leading to the decline of international insurance firm AIG
  - GE unable to do business with freefalling stock market
  - AIG's decline is responded to with $85 billion loan
- Paulson's solution to continual drying up is purchase of toxic assets
  - Receives support from Congress on second try
    - Earned with emphasis on possibility of second Great Depression
  - Not supported heavily by president
- Time to purchase toxic assets revealed to be too great, leading to final option: capital injections
  - Banks given large amounts of money
  - Paulson's staff's suggests that banks' use of money be regulated
    - Inability of banks to agree forces Paulson to give money without any strings attached

Thematic Notes:

In the greater context of Chapter 32, this movie takes place near the end of the Bush presidency (Obama's reforms after taking over as president are not mentioned) and is the representation of the adjustable-rate mortgage, the housing bubble, and the steps taken by Henry Paulson to recover from these terrible events. These events impacted the presidential election in a significant way: they allowed Obama to take an edge over McCain due to McCain's association with Bush purely due to his party (and some shared policies). Obama's several policies to recover from the recession also put him in a relatively favorable light for the 2012 election.