INSIDE JOB

Review by Stephen McCloskey

While most of us have a vague notion as to the origins of the global financial crisis, the detail remains a mystery to those outside the financial sector and not conversant in economic speak. Among the many attributes of this distinguished documentary, winner of the 2010 Academy Award for 'Best Documentary Feature', is its capacity to deconstruct the complex and often nefarious operations of the private financial sector and make them accessible to the 'outsider'. It more than matches its claim to trace 'the rise of a rogue industry' and unveil 'the corrosive relationships which have corrupted politics, regulation and academia'. What emerges in a compelling narrative, worthy of any thriller, is a jaw-droppingly corrupt sector driven by bottomless greed and impervious to its impact on wider society. Perhaps the most depressing aspect of the story is the absence of any sense of lessons learned or evidence of remorse for the tens of millions of people who have lost their jobs, savings and homes as a result of the crisis.

The story begins in Iceland, a stable democratic society described as almost attaining 'end of history status'. This small, prosperous state of 320,000 people became a basket case almost overnight when its three main banks were privatised and began borrowing three times the country's Gross Domestic Product with the capital mostly accumulated to incredible levels by bankers. In a scenario repeated in Ireland, Britain and the United States (US) the financial regulators failed to raise the alarm or halt the reckless borrowing and, in the case of Iceland, one-third of the regulators went to work for the banks. The story then moves to the US and the collapse of Lehman Brothers in 2008 that sent shudders through the financial markets and sparked a global downturn that would shed 30 million jobs.

Like all good documentaries, *Inside Job* contextualises its subject and traces the origins of the 2008 collapse to the unravelling of financial regulation in the US initiated by the Reagan administration but continued by his successors irrespective of party affiliation. The financial sector is likened to an oil tanker with separate compartments to afford protection and prevent disaster. Thus speculative investment compartments were separated from savings and pensions to ensure the security of depositors' money but also the probity and liquidity of financial institutions. From the 1980s onward deregulation dismantled the 'compartmentalisation' of the sector, most lucratively in the housing sector, which experienced a huge acceleration in mortgage approvals to borrowers who were out of their financial depth.

The financial bubble that led to the collapse in 2008 resulted from a breakdown in the 'securitisation food chain' which was the traditional practice of borrowers securing a loan for a mortgage and then paying it back to a financial institution over a specified period with interest. In the post-Reagan period of deregulation the investment banks or lenders sold the loans to investors who in turn gambled trillions of dollars on the unregulated market. When loans are off-loaded to the private sector, the lender is no longer concerned as to the quality of the loan or the borrower's capacity to repay. Thus, from 2001-2007 the financial sector in the US was a 'ticking time bomb' as the number of loans accelerated exponentially and banks continued to borrow recklessly 'buying' loans that could not be repaid.

This borrowing bonanza and credit bubble was facilitated and abetted within the sector by Alan Greenspan, the chair of the Federal Reserve, America's central bank, who resisted the regulation of derivatives – the selling of loans to investors – and refused to downgrade the credit rating of banks on the brink of collapse. Lehman Brothers, for instance held a 'double A' rating when it failed and the mortgage lender Fanny Mae and Freddy Mac held a 'triple A' rating at the time of the collapse. Further negligence was evident in the leverage of the largest banks which is the amount borrowed relative to the banks' own money. In some cases this ratio was 33:1, meaning that some banks were borrowing 33 times their own holdings leaving them hopelessly over-extended when the bubble burst.

In addition to the failings of the sector to regulate itself, *Inside Job* identifies two other factors crucial to the financial collapse and the failure to prevent it. First, there is what one witness describes as a 'Wall Street government', which pro-actively removed the layers of government scrutiny of the sector and its means of protecting account-holders and lenders. This is largely the consequence of key government appointments being offered to high-ranking sector insiders. For example, President George Bush Jr's Secretary of the Treasury Henry Paulson was a former Chief Executive Officer (CEO) with investment bank Goldman Sachs. Second, the documentary rightly excoriates the academic community in the US which, like the government and the banking sector, became a cheerleader for deregulation and refused to expose the growing liabilities of the banks and the risks to their stakeholders, mostly ordinary Americans with savings, loans and pensions.

Two of these 'academics' are put to the sword on film. Fredric Mishkin was on the Federal Reserve Board as the crisis broke and resigned to 'edit a textbook'. He is reduced to gibberish nonsense when trying to explain payments from private financial institutions for academic papers that conflicted with the realities of the sector before the crisis. Another unrepentant academic, Glenn Hubbard was Chief Economic Advisor to George Bush Jr and Dean of Columbia Business School. As the documentary points out academics and the financial sector have 'corrupted the study of economics itself'.

Inside Job is lucidly narrated and effectively combines graphics and witness accounts to help us traverse the turpentine path followed by the financial institutions. The witnesses are both a strength and a weakness. It's useful to hear from the horses' mouths how this catastrophe unfolded with helpful analysis from politicians, authors and economic specialists. What we lack, however, are more perspectives from 'outsiders' who have a greater ideological distance from those working within the economy. *Inside Job* does not question the fundamentals of capitalism and how they can result in boom and bust cycles that derail generations of young lives and exacerbate social inequalities. This is a film appealing for a return to sounder economic stewardship and tighter regulation rather than searching for alternative models of managing our economies. Indeed, such is the range of perspectives offered by *Inside Job* that the International Monetary Fund (IMF), the co-author of the debt crisis in many developing countries since the 1970s, is proffered as a voice of sanity and financial soundness amidst the surrounding madness. Indeed, former IMF chief executive Dominique Strauss-Khan and his successor Christine Lagarde are among the witnesses interviewed.

The film also needed to offer more of a voice to those who have been rendered homeless and penniless by the banks. We see a tented city in Florida now home to many Americans left homeless after six million foreclosures in 2010 with another ten million predicted for 2011. *Inside Job* is undoubtedly at its best when probing the banking sector and the 'type A' personalities that led it to collapse. These impulsive and risk-taking Wall Street tyros often extended their amoral behaviour to using prostitutes and cocaine believing themselves to be invulnerable to any form of legal or moral accountability. This ultimately proved to be the case with not a single criminal prosecution reported of any of the financial executives complicit in the financial collapse. The legacy of the collapse is that inequality is higher in the US than any other developed society and many of the banks, like JP Morgan, are bigger now than before the crisis through a process of consolidation. Meanwhile, President Obama's treasury team is almost entirely drawn from the financial sector and is headed by Timothy Geitner, who, as President of the Federal Bank Reserve during the crisis, ensured that Goldman Sachs received '100 cents in the dollar' for all the bets it lost speculating against mortgages.

The cool analysis of this film with its expert, dispassionate questioning of some very unsavoury insiders will leave the viewer boiling with anger but much better informed as to how the bottom fell out of the global economy, particularly that of its leading player. The narrative is never over-whelming and will arm the viewer with a useful understanding of how the global economy operates. The film was made with an adult audience in mind and at third level would strengthen the delivery of courses in sociology, politics and economics particularly those focused on the global economy and globalisation. It is excellent in mapping the relationship between the financial, political and academic sectors and the need for greater oversight within all three. *Inside Job* would also benefit community and adult education classes as a form of economic and development literacy. It will generate immense debate and questions on a story that sadly maintains a growing relevance and topicality to our everyday lives.

Inside Job, Sony Pictures, Director Charles Ferguson, 2010, 1hr, 44 mins.

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