

# Economics at the Movies

## Crises, Sports, Statistics and Humor on the Big Screen

**W**all Street, brokers, and hedge-fund guys. Fraud and corruption. Documentaries, fiction and comedies. Futures markets, housing markets. Short selling, margin calls, and toxic assets. Lehman Brothers and Bear Stearns. Fraud, corruption, price fixing, and insider trading.

With all-star casts, talented directors and Oscar nominations to tout, before and after the 2007-10 financial crisis Hollywood and other industry outlets have treated us to a wealth of complementary movie entertainment, albeit some of which may still make us wince today. A brief sentimental tour of my 10 favorites.

Leading off the popcorn parade is *Wall Street*, the 1987 film starring Charlie Sheen, a young, ambitious stockbroker willing to do almost anything to succeed, including trading on inside information. And his corporate raider mentor Michael Douglas, in the role of Gordon Gekko, is forever tied to his “Greed is Good” utterance.

### BY ALLEN R. SANDERSON

Next in chronological order comes *The Informant!*, a 2009 film starring Matt Damon and based on the real-life account of Archer Daniels Midland whistleblower Mark Whitacre and a price-fixing conspiracy within ADM. The following year, Damon took another seat at the corruption table by narrating *Inside Job* (2010), a documentary about the financial services sector, the deep-rooted corruption on Wall Street, and the global financial meltdown that led to the 2008-10 “great recession.”

The 2011 movie *Margin Call*, starring Kevin Spacey, walks us through a 24-hour period to contain the damage inside a large Wall Street investment bank in the early days of the 2007-10 crisis. One reviewer labeled it “easily the best Wall Street movie ever made.” The title comes from a financial-industry term that comes into play when an investor is faced with a situation in which his investment has decreased in value and must be made up. Related to “short selling” (see below).

Produced for the small screen (HBO) also in 2011, *Too Big to Fail* is another documentary, based on a 2009 non-fiction book by Andrew Ross Sorkin. Its focus is the 2008 financial crises, the collapse of Lehman Brothers, and the roles played by Fed chair Ben Bernanke and Treasury Secretary Henry Paulson. The title—“Too big to Fail”—has become part of our common vernacular to describe perilous situations in the financial, economic and political worlds.

Starring Richard Gere as a hedge-fund magnate, the 2012 film



*Arbitrage* introduces us to the economic term pertaining to the simultaneous buying and selling of similar or identical assets, including financial instruments, in different markets to profit from small differences in price. Gere faces a moral dilemma traced back to fraud he had committed earlier in this fictionalized thriller.

Based on a true story, this popular 2013 film starring Leonardo DiCaprio, *The Wolf of Wall Street* recounts the factual retelling of stockbroker Jordan Belfort’s Wall Street descent into corruption and fraud.

The 2015 *The Big Short* focuses on the housing industry’s major role and housing bubbles in triggering the 2007-08 crisis. It introduces us to the now familiar “subprime mortgages,” “credit default swaps,” and CDOs (collateralized debt obligations) terminology.

Moving from Wall Street and Main Street into the dugout, *Moneyball: The Art of Winning an Unfair Game*, the 2004 bestseller by Michael Lewis, led to a popular 2011 film of the same title starring Brad Pitt, and brought the factual account of Oakland A’s manager Billy Beane and his attempt to incorporate the empirical and analytical contributions of Bill James to baseball. This highly successful application of statistics to build rosters and develop strategies—swinging for the fences—has migrated from baseball to basketball and football—reliance on the three-point shot and emphasis on passing, respectively.

Sylvia Nasar’s award-winning biography of mathematician and economist John Nash, *A beautiful Mind*, was turned into a 2001 Oscar-winning film of the same name, starring Russell Crowe. Nash had won the 1994 Nobel prize in economics for his revolutionary contributions to game theory.

Originally developed by John von Neumann and Oskar Morgenstern, game theory is the study of using mathematical models and strategic interactions to decision making in economics and other social sciences. Think recent Supreme Court nominees and events in Russia and the Ukraine in 2022.

In an era in which concerns about social justice, diversity, and equity today loom large in portrayals and language usage, the last entry on this brief tour of artistic contributions, the 1983 film *Trading Places*, starring Dan Aykroyd and Eddie Murphy, most likely could not be made. As a comedy, in its day it was a huge box office success, and told the tales of commodity exchanges, insider trading, and futures markets (in general, and orange juice in particular). While trading on insider information wasn’t illegal 40 years ago, it is today, and ironically the banned practice is often referred to as “the Eddie Murphy Rule.” □