Margin Call: Instinctive Morality vs. Social Morality

van Es, R.

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
More than half a century after *Executive Suite* hit the big screen, *Margin Call* (2011) was released. Both movies are mainly set in offices with an occasional scene shot in the outside world. In *Margin Call*, however, the setting is not a family business but an investment bank. Like *Executive Suite*, *Margin Call* begins with a time lapse sequence of skyscrapers, but from a bird’s eye view. The viewer is shown right away that the top-down attitude will be an important theme in the film. The opening shot, set against a sound track of office sounds, ends with the bell opening the day’s trading on the New York stock exchange.

Then, approaching the camera from the far end of a long corridor is a team that has been hired by the bank to come in and lay off staff. One of the employees they give notice to in this routine round of redundancies is the head of risk management, Eric Dale. He tries to point out that he is working on something extremely important, but the lay off team is not interested. On his way out of the building, Dale manages to give his junior co-worker Peter Sullivan a USB drive.

**Take a look at it…. Be careful**

The drive reveals to Sullivan that the mortgage-backed insurance policies the bank trades are in a free fall – one that far exceeds the standard risk margins. This will have
big consequences; that much is clear.

The total loss for the company will be bigger than its market value.

The warning Sullivan sends to senior management sets off a chain reaction of meetings with the heads of sales and risk management, Sam Rogers and Sarah Robertson, and others. CEO John Tuld is flown in by helicopter for a decisive meeting from 3 to 4 in the morning.

Tuld wants to know who discovered the problem. Sullivan is also present and takes the floor, but only after Tuld uses body language and intonation to position himself in a remarkable way:

So Mr. Sullivan maybe you could tell me what you think is going on here, and please speak as you might to a young child or a golden retriever. It wasn’t brains that got me here, I can assure you of that.

Tuld uses sarcasm to strategically position himself and to steer the discussion in the direction he wants. He then explains why he earns the big bucks; he always knows “where the music plays,” or in other words, he knows the right path to a bright future for the company. Once Peter Sullivan has explained the situation, however, Tuld does not hear any music:

Standing here….I don’t hear a thing…. just…. silence.

Now what will he do? Tuld resorts to his tried and true ways. There are three ways to make money in this business: be the first, be the best, or cheat. It’s always good to be the first, he argues, so let’s sell our toxic products the moment trading opens. Sam Rogers, Tuld’s head of sales, knows the drill. But this time he says it is going too far:

But John, if you do that, you will kill the markets for years, it’s over. And you are selling something that you know has no value.

We are selling to willing buyers at the current fair market price, so that we can survive.
You will never sell anything to any of these people again.

I understand.

Do you?

Do you?! This is it, I'm telling you, this is it!

John Tuld sees the crash looming and wants to be the first to jump ship. However, he needs Sam to motivate the sales team to sell out. This will cost them their credibility; they'll have to find another career. Big bonuses will be needed to soften the blow. Despite his misgivings, Sam's loyalty to the company gets the better of him and he agrees to give his people a pep talk. He persuades his sales reps to dump their toxic products and lose their jobs in the process.

In the meantime, Tuld has Eric Dale tracked down and brought in. Dale must be kept quiet until the stock exchange closes. In return, he will receive an extra one million dollars. Tuld also speaks with Sarah Robertson in private:

Sarah, I need a head....

It was Robertson who had earlier warned him about this risk and she feels it is unfair that she has to be the 'fall guy'. Tuld does not go for fairness, but only for effectiveness:

I'd really appreciate it if you didn't fight me on this.

Sarah Robertson and Eric Dale spend a well-paid day together while waiting for the stock exchange to close. Both have expressed their objections to the position they're in. Sarah feels she has been treated unfairly ('I warned you and now my head's on the block'). Eric questions the use of all his work for the bank ('I once built a bridge, before I came to work here. That saved thousands of people many hours of travel time.'). They show feelings of indignation and pointlessness. Despite (or perhaps because of) the huge bonuses they will receive, they exude restlessness.

Sam feels it too, and tells Tuld as much in no uncertain terms:

I want out.

But Tuld needs him, his experience and influence for another 24 months. Tuld implores him to get a grip on himself. The crisis is a recurring thing, Tuld argues. We never learn. There will always be losers, there will always be winners and that's just the way it is:

It's just money, it's made up.
Sam agrees to stay on for another two years. He needs the salary…

We start to understand why he might need the money when, in the final scene, we see Sam digging a hole – ‘real’ labor at last – on what appears to be a small country estate. This is his former property, where his ex-wife still lives. They’ve gone through an acrimonious divorce but Sam is good for the alimony. He got the dog in the settlement, but the dog got liver cancer and died. Caring for the sick dog is an emotional subplot throughout the narrative:

**My dog is dying.**

That’s why he is digging the hole: ‘the dog belongs here.’ Or do those words apply to him too? Where does Sam actually belong? His ex-wife makes it clear that he no longer belongs there. Fade to black.

This actors’ film is not just about the stereotypes of a shark (Tuld) versus a mensch (Rogers). Both have been in the business of buying and selling financial products for years. Rogers is affected by personal problems and as the head of sales feels that mutual trust is the key value in his profession. As a CEO, Tuld sees banking as ‘business as usual’. His world view is confirmed. There’s no room for social morality: instinctive morality prevails.

**Margin Call, 2011, 109 minutes**

Screenplay and direction: J.C. Chandor

Actors: Jeremy Irons (John Tuld), Kevin Spacey (Sam Rogers), Stanley Tucci (Eric Dale), Demi Moore (Sarah Robertson) and Zachary Quinto (Peter Sullivan).
Virtues and Values

Intrinsic values: justice, respect, trust.

Instrumental values: assuming professional responsibility in your industry, guarding public interest (Virtues); abusing trust, passing personal failures on to society (Vices).

Relevant Connections

The investment bank in *Margin Call* is largely based on Lehman Brothers, whose CEO at the time of its bankruptcy in 2008 was Dick Fuld. Until 2008, Lehman Bros. made massive profits by investing *borrowed* money in faulty mortgage-backed securities. When huge losses and market volatility exposed the weakness of Lehman Brothers' position, the bank tried to sell off a majority stake in its investment management business. When it failed, bankruptcy was inevitable; the fall of the bank played a major role in the global financial crisis of the late 2000s.

Before 2008, at least two films elaborated on the critical and social commentary in *Wall Street* (1987). One of these was *The Corporation* (2003), by Canadian filmmakers Mark Achbar and Jennifer Abbott and based on Joel Bakan’s book *The Corporation, the Pathological Pursuit of Profit and Power* (2000). The main point of the film, a hybrid piece of investigative journalism and social criticism, was that the behavior of corporations is surprisingly similar to that of clinically diagnosed psychopaths. Market insiders initially dismissed it, calling the film ‘excessive’ and ‘exaggerated.’ However, its conclusions about the world of finance were largely borne out by the events of 2008.

In 2005, American filmmaker Alex Gibney released a documentary called *Enron: The Smartest Guys in the Room*, which was based on Bethany McLean and Peter Elkind’s eponymous book. The key to this cross between crime reporting and political documentary was the assertion that Enron’s profits were ill-gotten gains attained through large-scale fraud and the abuse of mark-to-market accounting. The Enron scandal inflicted damage not only on individual investors, but also on public utility companies.

After the 2008 banking crisis, Charles Ferguson’s film *Inside Job* (2010) thoroughly analyzed international fraud and corruption by large multinationals. Ferguson clearly demonstrated that workers and small investors ended up paying the price, while corporate executives implicated in the scandals escaped more or less unscathed. The culture of excessive bonuses remained intact, as did the elbow-rubbing with some academics. Released in the same year as *Margin Call*, Curtis Hanson’s feature-film-disguised-as-documentary *Too Big to Fail* (2011) dissected US Treasury Secretary
Henry Paulson’s attempts to get a grip on the 2008 financial crisis. His political maneuvering space turned out to be miniscule. In the book *After the Music Stopped* (2013) – a title John Tuld would have wholeheartedly appreciated – author Alan Blinder presented yet another clear analysis of the causes of the financial crisis in the USA.

By then, the diagnosis was staring everyone in the face, but room for intervention was still minimal. In Marc Bauder’s *Master of the Universe* (2013), international investor Rainer Voss looks back on his career in Frankfurt. He concludes that banks will never fundamentally change as long as self interest, power networks and big money are so intertwined. The system is self-perpetuating and based on the instinctive morality that tells people to focus on personal profit, to care only about those in their immediate surroundings and to cooperate only in the short term. In *Dit kan niet waar zijn. Onder bankiers* (2015) – the English translation is coming soon – Dutch journalist Joris Luyendijk draws the same conclusions about haute finance in the City of London. But his idea of reaching solutions in the existing political world Voss would call naive.

(Word’s Worth)