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**Analysis of “the Big Short: Inside the Doomsday Machine by Michael Lewis” While Explaining How Marxism Relates to the Financial Crisis of 2008**

The financial crisis of 2007-2008 brought severe crises to the American economy after the Great Depression of the 1930s and this is the reason economists call it the Great Recession. The Great Recession started in 2007 after the crisis happened in the banking and subprime mortgage. The recession brought crisis not only to the American economy but soon its impact reached other Asian economies like China, Hong Kong, and India. Michael Lewis wrote a book in which he discussed the Great Recession and its impact. On the other hand, Karl Marx criticized capitalism from different aspects and claimed that it will bring a recession in the future. The main purpose of the research is to analyze the work of Michael Lewis and critique by Marx to understand the fact that even today, Marxism is efficient to understand the process of capitalism and its impact on the economy as well as society.

The Great Depression resulted in a vast change in economic activities as well as the pattern of society. The behavior of society and decision making changed after the Great Depression and various economic theories failed to understand the reason for the crisis. The same thing happened with the Great Recession where financial, as well as economic policies, failed and the condition of banking and subprime mortgage market became worst. Economists compare this crisis with the Great Recession while this research paper will analyze the main factors contributing to the recession and criticism of Marx towards capitalism which can be observed in the crisis. It has been decades when Marxism presented its arguments against religion and capitalism but it seems that those statements and criticism are still working in the society as well as economy somewhere. Before analyzing the book and Marx's view, the background of both is important to understand.

**Background of the Book:**

The book, "The Big Short" written by Michael Lewis highlights the factors that resulted in the financial crisis of 2007-2008. The author not only discussed the factors but also highlighted the impact of the crisis on the banking system, investment, economy, and a common civilian who became unable to pay his loan. Men who became the reason for the financial crisis were portrayed as main characters to indicate how self-interest of a few people can be dangerous for the whole nation. The book is based on ten chapters in which the author explains the various situations that happened with the characters due to the crisis. The author Michael Lewis also shows interest in elements like finance and money and this is what can be observed in this book. He set the plot of the story around the financial activities of the people and the game of money that changed the life of the people (Lewis).

**Karl Marx and Capital:**

Karl Marx is considered an atheist by the people who tried to show the bad side of the religion. However, his work about capitalism indicates that Marx was not against religion as he discussed about philosophy, religion, sociology and economics to criticize the change that occurred due to capitalism. He highlights the ideology of the people that helps them to make the decision in a different situation in which religion, ideology, and stereotypes play an important role. For instance, Marx relates capital with labor force. The choices of labor and purchasing of labor by the producer can impact the capital and within capitalism, such elements pay an important role as the producer can exploit the labor to increase their profits. Let us now analyze the book, "The Big Short" and compare it with the critique of Marx regarding the capital to understand the reason for the financial crisis of 2007 and 2008 (Tucker et al.).

**Analysis:**

In the first chapter of the book, the author puts the main focus on the character "Steve Eisman". He got a job with the help of parents and served as an investment banker in the book. He remained the central character throughout the book due to the decision making that had a great impact on his and others' life during the crisis. The decision was to bet against the subprime mortgage, "Most people didn't understand how what amounted to a two-decade boom in the bond market had overwhelmed everything else. Eisman certainly hadn't. Now he did. He needed to learn everything he could about the fixed-income world. He had plans for the bond market. What he didn't know was that the bond market also had plans for him. It was about to create an Eisman-shaped hole,” (Lewis). When investors were interested to spend their investment in the subprime mortgage, Steve was one of the investors who believed that subprime mortgages will result in loss or crisis in the future. The first chapter indicates the lots of details regarding the financial activities between Steve Eisman and his accountant Vincent Daniel. Steve used the credit default swaps during the crisis which gave him lots of money which means lots of profit at the time of crisis. These elements can be observed in the Karl Marx explanation of the commodity where he explained that, “Exchange-value, at first sight, presents itself as a quantitative relation, as the proportion in which values in use of one sort are exchanged for those of another sort a relation constantly changing with time and place,” (Tucker et al.). These lines indicate that whenever a person makes the decision for the financial activity, its result may vary. For instance, Steve was against subprime mortgage while at the same time other investors were in favor of a subprime mortgage. In 2005, the investment was profitable and helpful for increasing the profit but over time, negative consequences appeared. However, it is not easy to say which party is right because the exchange-value of both shows positive results. The people who invested put their focus on the exchange value of the present time. On the other hand, Steve was more focused on the future exchange value. The investment and fraud started in subprime mortgages did not happen in the same year when the crisis started. It was the impact of the financial activities that started a few years back. As written in the book, bankers started making strategies to get profit through investing in the subprime mortgage market. Marx identified such capitalists who work for their self-interest and revenue rather than the overall growth of the economy.

In the second chapter of the book, Michael Burry was the character that was discussed in detail. He was also an investor like Steve but Lewis portrayed him linked with the stock market. Burry acquired interest and knowledge of the stock market and therefore, his financial activities were related to the stock, bonds, and people related to the stock market. This chapter discussed the various dark humor related to the financial crisis of 2007 and 2008. Being an investment banker, Burry decided to invest his money in bonds. In addition, his interaction with the customer was shown as non-verbal communication. Most of his discussions with the customer were made through the internet rather than face to face interaction. He decided for subprime mortgage bonds through the credit default swaps. However, before the implementation of his decision, Lewis portrayed him as a responsible and a person who does a lot of research to avoid loss. After researching and investigating various companies and their stock values, he finally developed a hedge fund company scion capital. The chapter gave deep details of Burry's financial activities and his interaction with the client. Lewis also clearly explained his goal to wait for the time when he can sell his bonds to get maximum profit. However, the future was opposite to his expectation which can be observed through the lines, “The loans suddenly were going bad at an alarming rate. Back in May, Mike Burry was betting on his theory of human behavior: The loans were structured to go bad. Now, in November, they were actually going bad,” (Lewis). This unexpected change can be observed, "The simplest value-relation is evidently that of one commodity to someone other commodity of a different kind. Hence the relation between the values of two commodities supplies us with the simplest expression of the value of a single commodity,” (Tucker et al.). It implies that the value of one commodity can impact the value of the other commodity. For instance, the stock market and banking system faced a crisis in the Great Recession side by side. The factors like low investment and selling of stock in the fear of more loss resulted in a loss for two different financial sectors. Subprime mortgage market values affected the stock market and people who were in any of the market faced loss or some got extraordinary profit. Marx's critique of capital, therefore, seems accurate where two commodities show a correlation with each other and can affect the economy at an extreme level. Marx claimed that, "The relative form and the equivalent form are two intimately connected, mutually dependent and inseparable elements of. the expression of value; but, at the same time, are m usually exclusive, antagonistic extremes-i.e., poles of the same expression,” (Tucker et al.) It can be considered as true by analyzing the lines of the book above where subprime mortgage market and stock market were mutually dependent during the recession. This indicates the situation of America when the stock market was used to invest money in such a way that the impact of baking and subprime mortgage market results in the profit of the investor. Economic models indicate that various variables show correlation and fluctuation in one variable results in the fluctuation of other variables. The same happened in the financial crisis of 2007-2008 when people became unable to pay back the loan, it increased the burden on the bank to circulate the required amount of money in the market. It affects the investment level, therefore, the stock market also faced a problem. The problem started with the subprime mortgage and reached the overall growth of the economy and the nation had to face the serious issue of the Great Recession.

In the next two chapters, Lewis's narration was clear and detailed about the situation during the crisis. He discussed the new character; one of the key people in the story who was working in the Deutche Bank named Gary Lippmann. Gary made a deal with Steve's company front point. The first chapter was based on 2005 when investors were so positive about the subprime mortgage market while these two chapters were portraying the situation of 2006 when few of the crucial aspects became the worry of the investors. On 700 million dollars’ worth loan, Burry owned credit default swaps. He was also involved in reinsuring and defaulting loans. The relationship between characters started from these chapters and therefore the impact of one's financial situation started to affect the situation of the other character. The financial activities like targeted AIG and the deal between Gary and Steve was based on self-interest. Both men were in search of big shots where they can get a good opportunity to get millions by using a subprime crisis in their favor. This part shows the real world factor where people use the customers and exploit them by giving them high amounts of loans. Such people became the reason for the condition known as a recession. For instance, “The beauty of the credit default swap, or CDS, was that it solved the timing problem. Eisman no longer needed to guess exactly when the subprime mortgage market would crash. It also allowed him to make the bet without laying down cash upfront, and put him in a position to win many times the sums he could possibly lose,” (Lewis) shows how Garry and Steve set their net on customers and start waiting for the crisis so they can earn money and become millionaires. Marx also believed that producers or capitalists spend their money in such a way that they can earn more money from it. The main purpose to increase transaction is the revenue. For instance, Marx’s explanation that, “The capitalist knows that all commodities, however scurvy they may look, or however badly they may smell, are in faith and truth money, inwardly circumcised Jews, and what is more, a wonderful means whereby out of money to make more money,” (Tucker et al.) It depicts the situation of Garry and Steve who used their money in such a way so that they can get more money. During the financial crisis, various bankers gave loans to the people without telling them complete information regarding the payment of the loan. When the crisis began, people were unable to pay the loan as the amount was higher than their expectations. Bank started to face a crisis that resulted in the Great Recession. Marx was true to understand the fact that capitalists understand when to play which card to acquire wealth and revenue. Capitalism brought the need for power and success rather than equality and a balanced economy. People spent their money in such a way that even during the crisis they can be safe. The concept of mutual interest as Marx discussed disappeared from the economic activities.

In the next few chapters of the story, various characters including Jamie Mai, Charlie Ledley, and John Paulson were introduced who were linked with Garry and Steve and their financial activities were correlated. During the financial crisis, banks and common people were high on risk while the people who gave huge loans got the profit. It resulted in the unequal distribution of wealth in the economy where the banking system, stock market, and subprime mortgage were about to fail. People lost their trust and held their spending on banking and stock market, "A tiny handful of investors perceived what was happening not just to the financial system but to the larger society it was meant to serve, and made investments against that system that were so large, in relation to their capital, that they effectively gave up being conventional money managers and became something else,” (Lewis) these all were because of the people like Steve and Garry discussed in the story. For instance, Marx explained that, "It is under the form of money that value begins and ends, and begins again, every act of its own. “Spontaneous generation” (Tucker et al.) , shows the strategy of people who invest their money in such a way that any negative impact on the subprime mortgage gives is treated in the form of money. People who invest in self-interest rather than mutual interest often exploit a particular group of the population. In the case of the Great Recession, exploited people were the civilians who got a loan for the mortgage and became unable to return the loan. This was the time when the financial crisis became the biggest worry for the subprime mortgage market, stock market, and the people who had to pay the loans. On the other hand, people who gave high loans by hiding the actual price and other policies enjoyed the high profit.

In the last few chapters, author brought various other faces as influential players in finance that make billions of money through credit default swap like Howie Hubler. The last chapter of the book indicates the downfall of the hedge funds. The ending portrays the time of the year 2008 when there was a complete recession. Banks were trying to stay while the stock market was trying to control the investment for further crisis. In this situation, the leading character of the story sold their Front point bonds to become the big shot. The typical story ending in which a liar or the bad person loses their battle is not portrayed instead Lewis showed the real image of the financial crisis. The situation which brought loss in people life from which they were unable to come out. He also showed the profit of the specific group who earns millions of dollars and tried to maintain their business, "It was like last on the list of the things we needed to do to keep our business running. Morgan Stanley had seventy billion dollars in capital. We knew the money was there." Exact behavior was discussed by Marx years ago, “The repetition or renewal of the act of selling to buy, is kept within bounds by the very object it aims at, namely, consumption or the satisfaction of definite wants, an aim that lies altogether outside the sphere of circulation. But when we buy to sell, we, on the contrary, begin and end with the same thing, money, and exchange-value; and thereby the movement becomes interminable." It indicates how accurate Marx's critique was for capitalism. He analyzed the behavior and financial activities of the capitalists through the perspective of religion, self-interest, sociology, economy, and as a philosopher. His critique no doubt reflects the situation of the Great Recession years ago. The evidence indicates that Marx understood the factors affecting capitalism and its impact on society and the economy of the nation. This is why he was against capitalism and believed that it can kill the positive pattern of the society. Issues like unemployment, exploitation, dominance, and inequality can be the result of capitalism. He discussed the correlation between capital and labor in detail to indicate how the lives of labors are in the hand of the capitalists. The main agenda of the capitalist is to earn money. Capitalists are least interested in the condition of the labor and society. Therefore, a crisis like a Great Recession can be the result of capitalism. When the recession began to resolve, people who had bought bonds and shares started to worry because the time for their profit came to an end. Various factors helped the banking system and other markets to handle the situation and people who were involved in fraud became worried to reinvest their money to maintain the profit.

**Conclusion:**

The analysis of the movie, "The Big Shorts" written by Michael Lewis depicts the real image of the situation of the financial crisis of 2007- 2008. The characters portrayed in the book were linked to the financial activities and their decision making was based on the profit acquired at the time of crisis. The book is meaningful to understand the factors and elements that played an important role in the Great Recession. Markets started to shrink and lost investment. Investors hold their investment and tried to get their money back due to the fear of the future. People who took loans were also worried as they were unaware of the actual amount of the loan and were unable to pay it back. Lewis showed various bankers who invest their money and adopt different strategies to earn the profit. They wait for the crisis so that they can sell their shares or bonds to get millions of money. The same concept was given by Marx years back. Marx identified the capitalists as a group of people who think for their profit only and exploit the labor and other capital of the economy. He explained that capitalists spend their money in the market and make more money from it. The process of spending money keeps on going until they get high revenue in return. Factors like self-interest and exploitation of labor can result in the failure of the economy of recession. His critique seems true after analyzing the Great Recession with the help of the book. The bottom line is that various people lost their money in the Great Recession while some got a high return through the crisis. These uncertainties increased the inequality of wealth in the economy.

**Work Cited:**

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