Set during a 24-hour period, *Margin Call* illustrates the beginnings of the financial meltdown of the banking industry, and the decisions made by one fictional investment firm leading up to the disaster.  This film attempts to explain not just *how* the financial crisis happened, but rather, to explain *why* it happened.

“…There were no capitalist masterminds who were able to maliciously game the entire financial system, no conspiratorial “fat cats” who single-handedly brought about the crisis. That’s why there have been no major prosecutions of any of the leading figures of American finance: because they didn’t actually break any laws. (Investigations across Wall Street since 2008 have turned up a few cases of isolated fraud and some infractions of SEC regulations, but nothing that could possibly be seen as a major cause of the crisis). And this is the core dilemma that is so vexing to the American people. How can something so bad, that hurt so many people and caused so much damage, have come about without any overt wrongdoing?”

<https://newrepublic.com/article/96569/margin-call-2008-financial-crisis-banking-reform>

1. Collective action occurs when a number of people work together to achieve some common objective. However, it has long been recognized that individuals often fail to work together to achieve some group goal or common good. The origin of that problem is the fact that, while each individual in any given group may share common interests with every other member, each also has conflicting interests. If taking part in a collective action is costly, then people would sooner not have to take part. If they believe that the collective act will occur without their individual contributions, then they may try to free ride.
2. Mancur Olson wrote in 1965 that coercion or some other device must be present in order for a group of individuals to act in their common interest. Olson suggested that collective action problems were solved in large groups by the use of selective incentives. These selective incentives might be extra rewards contingent upon taking part in the action or penalties imposed on those who do not. However, in order for positive selective incentives to work, individuals who take part in collective action must be identified; and for negative selective incentives, those who do not take part must be identified. Either way, a good deal of organization is required.

Questions (3pts each)

1. Are bubbles “unavoidable”? Are they destined to build and burst within a capitalist financial system? Provide examples or data to support your answer.

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1. Describe the brutal efficiency in which the company terminates the employment of the senior executive.

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1. Describe the moral dilemma Sam feels after his talk with Tuld.

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1. Identify three characters who “sold out” to the failing company to survive. Include an example for each to support your response.

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