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## Greed, Arrogance Fuel Subprime Disaster in 'American Casino'

Interview by Rick Warner - Sep 09, 2009

Sept. 9 (Bloomberg) -- In January 2008, when Andrew Cockburn and his wife Leslie started making a documentary about the subprime mortgage crisis, the Dow Jones Industrial Average was above 13,000, the U.S. unemployment rate was under 5 percent and Lehman Brothers and Bear Stearns were still big names on Wall Street.

During the next 11 months, the Dow plunged 43 percent, Lehman Brothers and Bear Stearns collapsed and the U.S. economy fell into its worst slump since the Great Depression.

"It was a big story when we started, but it got even bigger as we were making the film," Andrew Cockburn said. "We certainly didn't know that all these huge banks would fail and that the market would crash."

The Cockburns examine the roots and ramifications of the subprime debacle in "American Casino," which shows how the resulting financial crisis has affected Main Street as well as Wall Street. The film is playing in New York and will open in other U.S. cities throughout September and October.

Andrew Cockburn, 62, whose father Claud covered the 1929 stock-market crash for the Times of London, has made numerous documentaries with his wife. They also wrote and produced "The Peacemaker," a 1997 Hollywood thriller starring George Clooney and Nicole Kidman.

Cockburn, who lives in Washington, spoke to me on the phone last week while visiting New York to promote the film.

Gold Garbage

Warner: Why did you call it "American Casino"?

Cockburn: Because all these financial institutions were making very risky bets. It was just like a casino, except there were no rules.

Warner: Before you made this film, did you understand the subprime mortgage problem?

Cockburn: Not really. I knew it was a major problem, but I didn't understand all the terms like derivatives and credit- default swaps. And I didn't understand that people were taking garbage and spray-painting it gold.

Warner: How did it happen? Why were there no regulations to prevent it?

Cockburn: The deregulation started with the Reagan administration and continued through the Clinton years. In December 2000, something called the Commodity Futures Modernization Act effectively prevented any regulation of credit-default swaps and other derivatives.

Not Deadbeats

Warner: Mortgage lenders specially targeted low-income, minority areas for these subprime loans. Why?

Cockburn: Interest rates were so low that anyone with any money or financial acumen had already refinanced. So the fresh market was all these poor people who didn't usually have access to credit. Banks were willing to lend them money even if they didn't meet the guidelines because they could charge very high interest rates and they made money off every transaction.

Warner: You follow the cases of a high-school teacher, a minister and a clinical therapist in Baltimore who lost their homes because of subprime loans. So we're not just talking about deadbeats, are we?

Cockburn: We wanted to make the point that most people who defaulted on their loans weren't irresponsible lowlifes. They were hard-working people who found themselves in a situation they couldn't control.

Warner: A lot of people got very rich making these subprime loans. Was it all about greed?

Cockburn: Greed and arrogance. They never thought it would turn into such a disaster.

Note: Bloomberg News reporter [Mark Pittman](#) was interviewed for "American Casino" and his comments are included in the film.

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