

INSIDE THE MELTDOWN

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FRONTLINE investigates the causes of the worst economic crisis in 70 years and how the government responded. The film chronicles the inside stories of the Bear Stearns deal, Lehman Brothers' collapse, the propping up of insurance giant AIG, and the \$700 billion bailout. *Inside the Meltdown* examines what Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke didn't see, couldn't stop, and haven't been able to fix.

As the housing bubble burst and trillions of dollars' worth of toxic mortgages began to go bad in 2007, fear spread through the massive firms that form the heart of Wall Street. By the spring of 2008, the investment bank Bear Stearns was the subject of rumors that it would soon fail. The company's stock had dropped from \$171 to \$57 a share, and it was hours from declaring bankruptcy.

To stabilize the markets, Federal Reserve Chairman Ben Bernanke engineered a shotgun marriage between Bear Stearns and the commercial bank JPMorgan, with a promise that the federal government would cover Bear Stearns' questionable assets tied to toxic mortgages. It was an unprecedented effort to stop the contagion of fear that seemed to be threatening the rest of Wall Street. While publicly supportive of the deal, Secretary Paulson, a former Wall Street executive with Goldman Sachs, was uncomfortable with government interference in the markets.

The episode sent shockwaves through the economy as confidence in Wall Street began to evaporate. In September 2008, another investment bank, Lehman Brothers, was on the brink of collapse. Once again, there were calls for Bernanke and Paulson to bail out the Wall Street giant. Paulson pushed Lehman's CEO Dick Fuld to find a buyer for his ailing company. But no company would buy Lehman unless the government offered a deal similar to the one Bear Stearns had received. But Paulson, under intense political pressure from conservative Republicans in Washington, let the company fail.

FRONTLINE chronicles the disaster that followed. Within 24 hours, the stock market crashed, and credit markets around the world froze. "This is the utter nightmare of an economic policy-maker," Nobel Prize-winning economist Paul Krugman tells FRONTLINE. "You may have just made the decision that destroyed the world. It is an absolutely terrifying moment."

How did it all go so bad so quickly? Who is responsible? How effective has the response from Washington and Wall Street been? Those are the questions at the heart of *Inside the Meltdown*.

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CREDITS

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