

Causes of the 2007/2008 global financial crisis

Exercise (*work in pairs, plenary session*)

- 1.** (*Work in pairs*) Nobel laureate Joseph E. Stiglitz makes a statement about the financial crisis in the video (min. 04:08 – 04:36). Makes notes on how he sums up the 2007/2008 financial crisis.
- 2.** (*Work in pairs*) Evaluate his and the following arguments on the causes of the financial crisis either as “definitely not true” (0), “probably not true” (1), “probably true” (2) or “very true” (3).
- 3.** (Plenary session) Compare and discuss your evaluations and work out which possible political measures could result from each of the arguments.
 - Argument 1: “The monster created by the financial sector took its prey in almost every part of the world”.
 - Argument 2: “The crisis was a chain of unfortunate circumstances that no one could anticipate”.
 - Argument 3: “Bonuses were designed by shareholders in such a way that managers sought to and had to take risks. Return targets of 25 percent and more, as demanded by some shareholders, can only be earned with risky deals”.
 - Argument 4: “...Greedy brokers, bank managers driven by bonuses...”
 - Argument 5: “Where are the handcuffs? No top American banker has been convicted of fraudulent business practices prior to the crisis in criminal proceedings”.
 - Argument 6: “The arrogant attitude of the managers that we sometimes saw – along the lines of ‘we are smarter than the others’ – eventually lead to disaster”.

Sources:

Argument 1: <http://www.mediatheque.lindau-nobel.org/videos/31586/this-mini-lecture-addresses-causes-and-possible-solutions-of-the-global-financial-crisis-2013>

Argument 2: Ben Bernanke, US Chairman of the Federal Reserve, quoted in: *Financial Crisis Inquiry Commission, Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*, January 2011. Quoted from: <http://www.bpb.de/politik/wirtschaft/finanzmaerkte/135463/ursachen-der-finanzkrise?p=all>.

Argument 3: <http://www.tagesspiegel.de/wirtschaft/finanzen/hans-werner-sinn-1929-traf-es-die-juden-heute-die-manager/1357144.html>

Argument 4: Schreier, Jürgen (2009). “Finanzkrise, Vertrauenskrise oder Kulturkrise” (Financial crisis, confidence crisis or cultural crisis). *MaschinenMarkt, Das Portal der Industrie*. March 2009. Quoted from: Todev, Tode, Johann Brazda, Juahni Launnkan (2013). *Vor und nach der Banken- und Finanzkrise: Realitäten und Illusionen* (Before and after the banking and financial crisis: realities and illusions). Bremen: Europäischer Hochschulverlag, 54.

Argument 5: <http://www.sueddeutsche.de/wirtschaft/bankmanager-nach-der-us-finanzkrise-die-unantastbaren-1.1584734>

Argument 6: Peer Steinbrück. Quoted from: <http://www.stern.de/wirtschaft/geld/finanzkrise-steinbrueck-attackiert-bankmanager-3220026.html>