

## 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>