Different approaches to the causes and consequences of the financial crisis

Botos, Katalin

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Katalin Botos

Unquestionably the behavior of the financial institutes caused the US financial crisis which became a worldwide phenomenon. It is too easy but not enough to blame greedy banker (though not superfluous). The subprime crisis was the consequence of the profit-seeking activity of the different financial institutions (which belongs to the logic of the market). What happened was not against the market but according to the logic of the market. There were some mistakes in functioning of the market institution which must be corrected. These distortions were caused mainly by the intervention of the states. Competitiveness in the sector was confused by the belief that some big institutions will be saved by the state because they are too big to fail. (And at the end they were not disappointed, that was what happened.)

According to Raghuram Rajan the fault lines causing the crises lay in the income situation of the society and in the government interventions. According to him too much state in business should be reduced. Financial institutions should take the responsibility of their activity, state should not rescue them, and probably only the very small institutions should have even deposit insurance. The customers of the financial institutions should learn to make differences between correct and too much risk-taking institutions. Another famous American expert, Richard Portes doesn't share his views about too much state. He says the deregulation process which started in the early seventies has the main responsibility. There is much more state regulation necessary within and between states, maybe not in the midst of the crises but soon afterwards. Both scientists agree that the remuneration system of the financial sector employees should be changed and bound to the long term effect of their activity.

Keywords: financial crisis, state intervention, banking regulation, fault lines, social safety network

1. Introduction

The question is where we start analysing the roots and consequences of the contemporary financial and economic crisis. Starting from the problem that the crisis was caused by the *financial innovations*, the question arises: why did the state *not intervene earlier*? Why was the state regulation in the US so weak? We may blame the business, the greed of the bankers and the weakness of the state allowing and promoting worldwide deregulation and liberalization to go as far as it has gone. This has led to the housing bubble which burst in 2008 (Posner, 2009).

Starting a bit *earlier*, we can state that *the state* was not at all innocent in the economic disaster that happened in 2007-2008. First, it let deregulation go so far as it has gone. Second, it has misused its power for political purposes. The ruling governments wanted to have satisfied voters. But most of the population in the USA was not so happy because of the growing differences in earnings amongst the layers of the society. So the governments intervened into the economic process offering state sponsored and guaranteed possibilities to get cheap credits for housing ownership- and even more. They could not force the employers to pay more for their employees, so the state offered cheap credit for them. „Let them eat credit" (Rajan, 2010, p. 21).

We may ask what was first: the hen or the egg? We get different answers depending on where we have started from. State or business is responsible for the catastrophe? Naturally, the different starting point leads us to somewhat different conclusions. Any responsible person would say that the form of liberalization and deregulation the world has followed in recent decades has to be changed in a certain sense. Here the two quoted authors agree, too. But they have put the stresses differently on either the state or the business actors. But let us see the details!

2. Are bankers stupid?

Many of the experts say that there were signals enough showing that the economy is running into a housing bubble. A lot of articles were written on the topic. The journal *The Economist* had written: “The first law of bubbles is that they inflate for a lot longer than anybody expects. The second law is that they eventually burst...” (July 2, 2004).

How was it possible then for banks to offer such a big amount of risky loans for their clients? Either the bankers are not honest or they are not clever? But neither of this qualification can be proven. Maybe bankers are not charitable persons and are even led by greed, but are not consequently dishonest. „...bankers are not the horned, greedy villains the public now seems them to be. In the classes I have taught over the years the future bankers were as eager, friendly and ready to share as other students in the class.(…) I have no doubt they continue to be decent, caring human beings” (Rajan 2010, p. 126). They play a game according to the rules. Their IQ is much higher than that of the average person of the street, even higher than that of some other economists or professors (Posner, 2009). They are not stupid. “Had the mistakes that brought down the banking industry been *readily* avoidable, they would have been avoided” (Posner, 2009 p. 77).

Why did the banks then accumulate such big amounts of bad loans, “poisoned” securities? Bankers must have known as much as journalists about their profession. They had to know that there was a lot of risk in their capital structures. They even have known that credit agencies have conflict of interest in qualifying the securities- they were paid by the issuers themselves. Banks knew that in order to be profitable, they had to borrow short term, and lend long term. Lending in housing business they had to calculate whether the house-prices will once drop and the bubble burst. But they thought it had a very low probability – let’s say 1% or so – to occur in the near future. So, based on well-made calculation, they lent further on in the housing business. Naturally a cascade of bank- bankruptcies would ruin the economy, but none of the banks felt it had to be too cautious, not accepting 1% risk of bankruptcy. Risks and profits are connected. Those who won’t take some risk are lagging behind in the competition. It is also understandable that banks did not want on their portfolio the long-term credits. If it was possible, they wanted to channel this to such institutions or market-players which were willing to accept a good investment possibility though connected with some risk. In that case banks can further on the crediting of the housing industry and earn money by it. Securitization offered for them such a possibility.

The innovation of mortgage backed securities seemed absolutely logical according to the bankers’ way of thinking. Let us have a short look on the waves of innovations, beginning 30 years ago (Botos, 1987)! (Let me remark that as I know I was the first expert who wrote in the special literature in Hungary about the financial innovations, based on the Report of the BIS in 1986.)

3. Innovations in banking business

After the Great Depression the strict regulation in banking did not allow banks to offer high interest rate for the deposits in their resource-side of their balances in exchange of the Federal Deposit Insurance Company (FDIC) guaranteeing those deposits. Deposits in banks were that time safe but brought very low income. Banks were regulated to avoid the expenditure in case of a bankruptcy for the FDIC. They had to have capital of their own to cover the possible risk of such an event. They had to have a portion of their deposits as non-interest reserves at the FED, which, too, made them safer, but less profitable.

The wave of deregulation in the seventies changed the situation. Many other financial institutions started to collect money and invest it in the economy, so they were competing with banks for the savings of the population in the USA. These institutions were not insured, but offered much higher return for those who put their money in these institutions, compared with (commercial) banks. Banks started to lose their resources, so they were lobbying for easing up the strict deposit interest rate ceiling. It has lead to a higher credit interest-rate, naturally. Banks introduced the so called "sweeping accounts" (Botos, 1987). They were moving the money on their accounts into investment funds (paying interest) until it became necessary to pay their bills. Then they called them back. And money market funds arose to provide people with checkable accounts, just like banks (but uninsured ...) actually the US financial system doubled: one part was insured, the other not. "The deregulatory strategy of allowing nonbank financial intermediaries to provide services virtually indistinguishable from those of banks, such as the interest – bearing checkable accounts offered by money-market funds, led inexorably to a complementary deregulatory strategy of freeing banks from the restrictions that handicapped them in competing with unregulated (or very lightly regulated) financial intermediaries, nonbank banks, in effect" (Posner, 2009, p. 23).

When regulatory restrictions were lifted for banks as well, they started to go in more risky lending. They became willing to offer „subprime" mortgage loans which actually were of high risk of defaulting. Rajan and others, too, Galbraith for instance (Galbraith, 2008), draw the attention to the fact that banks *knew* what they were doing. The names of certain securities are showing that: NINJA loans, toxic wastes, and so on. The lenders were willing to give the borrowers 100 % credit for their house purchase price. Interest rates were adjustable, if market rates were becoming higher. In 2006 more than 40% of housing financing was such subprime credit. Financial institutions have eased up their credit-standards – for instance the New Century Financial Company that Robert M. Hart has written about: "They would have sold a loan to a dog" (Rajan, 2010 p. 127). Those, who were offering such type of credits, were like partners in a real estate business: they easily could find themselves as owner of a lot of houses, which they have to sell to get again liquid money. This was in a time when the prices of houses are going down... Maybe prices never would go down? That's unrealistic.

Why didn't bankers believe that? Why did they think that house-prices will go upwards forever? It is true; one can only say that it *was* a bubble when it burst. But even then: Didn't bankers feel the accumulating risks?

Maybe the answer is: *They really did not*. And that is connected with the nature of the subprime risk.

4. The nature of the subprime risks

Both authors, Rajan (2010) and Posner (2009) explain quite clear the nature of the subprime risk which is a so called „*tail risk*". These risks occur in the tail of the probability distribution – that is very rarely. System wide adverse events would be necessary to trigger them. System wide scarcity of available funds for financing, nationwide defaults of mortgages... But, if it is happening, it is extremely costly for the nation, so it must not be any time neglected.

We know how securitization happened: banks were packing their mortgages together and sold it in exchange of securities backed by those mortgages. Or they themselves created such securities which they were able to sell to third parties. Securities were dependent on mortgage revenues. Each security was sliced into different risk-return combinations. The buyers could pick up what they want: more risk, higher return, less risk, lower return... The top tier would have the first claim on the income generated by the pool of mortgages. It had the highest credit rating and paid the lowest rate The bottom tier would have the last claim on the income, and paid the highest interest rate. Posner has shown us a simplified example to understand the deal: "Suppose that the first mortgage is 1 million dollars, the second mortgage 500 000 dollars and the owners' equity is 500 000 dollars, so that the total value of the house is 2 million dollars. And suppose, the owner defaults and the house will fetch only 1 250 000 in a foreclosure sale. The second mortgage will foreclose and the house will be sold at the foreclosure sale for 1 250 000 dollars. The owner will lose his entire equity, the second mortgagee will lose half of his investment but the first mortgage will lose nothing since the price at the foreclosure exceeded the value of his investment (...) The mortgage backed securities are nothing like shares of stock, functionally they are bonds secured by (and in fact constituting) fractional shares of mortgages of varying degrees of risk" (Posner, 2009, p. 51).

The banks and pension funds have bought the top tier in each mortgage backed security. These securities have got AAA qualification from the rating agencies. The nonbank financial intermediaries tended to buy lower tiers.

In addition to the good rating, many of the banks purchased credit default swaps – CDS, another important financial innovation - for being doubly sure - to be covered against the bankruptcies of the mortgagors. Insurance agencies started from the same idea we have seen earlier. *It is very unlikely*, a tail risk, that the issuers of the top tier securities will be losing even in case of bankruptcies of the borrowers, so those who bought these securities only „for the sake of" appearances (and for some regulatory advantages) bought a fairly cheap insurance against the very unlikely loss. CDS reduced the necessary amount of collateral a lender needed in order to protect themselves from the consequences of the borrower's default. That is another argument for buying a CDS. Swaps were thought to reduce the lender's risk and so allowed greater leverage and greater returns for the institutions. They were ready and happy to pay the low fee.

Originally the credit default swaps were invented for insurance *bond defaults*. Such defaults had a *long history*, so the insurance institutions had an idea what premium could be computed with reasonable confidence. But *mortgage backed securities did not have a long history* so premiums were calculated fairly low. But, small fish are good fish – for the insurance companies it was a profitable activity, which resulted in a good income.

What makes the situation more complicated is that the *swaps themselves became securitized*. This has led to the globalization of the problem which could be a deficiency only for the American economy. In that way institutions all over the world became insurers of American mortgage backed securities (Posner, 2009).

When it turned out that the whole system collapsed, America's greatest insurance company, AIG, had not enough reserves to serve its obligations. It needed massive state interventions - money of taxpayers - to save the big institution. Even banks were amongst the issuers of CDS-s. That way they also became the insurers often of other banks. This has led to a domino-effect.

5. Interests in banking business

Undoubtedly, in financial decision making the role of the managers is very important. Therefore it is worth studying their incentives in fulfilling their jobs. Financial intermediaries have to attract more investors to their institutions. "...Investors will reward a manager handsomely only if the manager consistently generates excess returns, that is, returns exceeding those of the risk-appropriate benchmark. In the jargon, such excess returns are known as 'alpha'." "(A manager) has to give the appearances of superior performance. The most direct way is fudge returns..." "What then is a financial manager to do if she is an ordinary mortal – neither an extraordinary investor nor a great financial entrepreneur – and has no bright ideas on new securities or schemes to sell? The answer for many is to take on tail risk" (Rajan, 2010, p. 138). And that way managers look clever, what clever, a genius!

The quotation above explains why it is so common to take tail risk in the sector. The incentive of the managers leads directly to that conclusion. Though the top-management is often an owner in the firm itself, so the consequences for him/her are not having a one-way effect. He may even lose when something wrong happens. Therefore he should be even more careful with his decisions. How could they be so careless?

Because tail risk occurs so rarely, it can be hidden for a long time. It may happen that the manager *may not even be aware* that he/she *is taking it*! Anyhow, tail risk-taking was popular. "In other words: it is the very willingness of the modern financial market to offer powerful rewards for the rare producer of alpha that so generates strong incentives to deceive investors (....) What is particularly pernicious about tail risk is that when taken in large doses, it generates an incentive to take yet more of it A seemingly irrational frenzy may be a product of all-too-rational calculations by financial firms" (Rajan, 2010, p. 139).

Naturally, not all decisions are made by top management. Therefore the incentive system is important within the firm. First we have to mention that the top management has a push not only from the shareholders but from the employees as well. The traders' income is connected with the successful deals they make. Naturally, they are interested in as many a deal as they can do - the consequences are not their problem. There is the traders department, and there is the risk management group or center in the firm's internal structure. But the risk management department is not a profit center. Actually, there are conflicting interests within the institution, and the "financial firm will tend to give more weight to the views of successful traders than to those of the risk managers" (Posner, 2009, p. 80).

As we see, both experts – Rajan (2010) and Posner (2009) – think that the back office risk managers are lagging behind the traders division in importance within the firm. Rajan even states that in remuneration, too. Much less paid than traders. And that always has its contra-selective effect that concerns the quality of the employed persons, which lessens their convincing power towards the managers, too. Though, we must acknowledge that the quick evolution of the financial sector has drawn the best talented pupils from the high schools, MA, PHD students as labor force. After the deregulation of the financial sector starting in the 80s the salaries of bank employees started to climb up very quickly. The earnings of employees of banks were much higher than MA or PHD students in the field of, let's say, engineering. Contemporary financing needs much more mathematical knowledge than before. Sometimes even it is thought -not without any basis- that banking assistants are more clever that their chiefs, the top managers. No wonder, they earn well. But, first of all, as traders. One of the risk managers on a conference meeting in 2007 told Rajan that they didn't dare to stress their caveats to the managers because of their existential fears: "You must understand, those who were worried were fired long ago and are not in this room" (Rajan, 2010, p. 141). The responsibility therefore is on the top management, clearly.

One may think that the *owners* and their representative, *the board* should somehow better combine the two aspects: risk and profitability. Why did they not pay enough attention to the riskiness of the subprime business? The board itself is partly combined from independent persons so they could control even the managers. *If they really could*. Rajan (2010) quotes the fact that some of the collapsed Lehman- bank's board members – according to an ex-post investigation – were not even experts of the financial fields, had no financial education or practice. This happens often: the so-called extern members of the boards are not at all able to follow what is happening within the firm. Partly because they do not have the skill to do so, partly because the meetings are rare and very formal. (Let me make a comment based on my own experiences on the collapsed Hungarian bank in the 90s, where the investigation from the side of the State Audit Office I had to lead: The Postabank board, too, had its meetings sometimes only based on e-mail letters, there was no real discussion, they voted without really examining the concrete situation. The board members, sometimes even university professors had no banking practice and skill at all. They accepted the membership for the nice remuneration as an honorary job, without much intervention into the current business.)

And, let us see, that s*hareholders* are also eager to get as much profit from the firm as it is possible. It stems from the fact that financial intermediaries are limited societies, so the gains and losses are not of the same weight. In a limited company you bear risk according to your share in the company, but the limit of gains is the high blue sky! So this imbalance makes the owners accept risk if it looks very profitable...

At last we have to ask whether the banks' creditors did not bother because of the growing risk taking. Why didn't they ask a higher interest rate which would reflect the riskiness of the business and may be it could calm the profit-greed of the bank or financial institution? The answer is: because they were sure that *the state will rescue them*.

6. The role of the state

"It is hard to argue that debt holders were ignorant of the risks especially when equity options markets seemed to be signaling possible trouble. The obvious explanation for the continued exposure to risk is that debt holders did not think they would need to bear losses because the government would step in" (Rajan, 2010, p. 148).

The state intervened in different forms into the business life. First of all there is the deposit insurance system. The deposit insurance system was functioning since the New Deal. This has made depositors have no fear from losing their money and therefore ask higher rates for their deposits. It is true, that banks did not think about bankruptcy but they were not warned of that by their lenders, demanding higher interest rates, either.

But the government had done much more in the business life to change conditions for the actors. After the Great Depression there was equalization in the incomes of the different layers of the society. In the last 20 years differences between incomes of the layers of the society have grown. Growth of wages was left behind the growth of profits, and the top-level incomes of the employees, too, have risen much more than the lower wage levels. The average living standard of the citizens did not rise, remained fairly low. The government being incapable of raising the wages which were formulated on the market, tried to raise the consumption of the citizens by offering them cheap credit. If they may consume, they don't notice that the real wages did not rise... "Let them eat credit!" (Rajan, 2010, p. 21.) Here the political motivation of the state has met the business motivation of the financial sector. Naturally, there is a problem, when the continuance of the credit-raising should somehow be broken. Then a recession may arrive. (And that is what happened in 2008.)

Offering cheap credit was helped by the monetary policy, by the low rates. The special state-sponsored enterprises like the Fannie Mae, Freddie Mac, by institutions like the Federal Housing Administration helped a lot, too... Housing credit was promoted also by the Community Reinvestment Act, and by different tax-measures, like by allowing deductibility of the interest rates from taxes, and others.

Let us have a few words on the so called GSE-s (government sponsored enterprises)! Actually Fannie Mae and Freddie Mac are *not state enterprises*. (Ginnie Mae still is.) They had been, but they were long ago privatized. (It is another question that after - and because of - the crisis they were put again under so called *conservatorship*, which is something like nationalization. But Americans don't like that expression.)

The US government put these institutions during the years after 2000 under pressure to guarantee that the mortgage backed securities would not lose their value. It is possible only if they are buying them on the market even if market players do not want to do the same. That was the cause why the American Enterprise Institute's man, Peter Wallison pointed out the following: "As of the end of 2008 the Federal Housing Administration held 4.5 million subprime and Alt-A loans. Ten million were on the books of Fannie Mae and Freddie Mac when they were taken over, and 2.7 million are currently held by banks that purchased them under the requirements of the Community Reinvestment Act (CRA). These government-mandated loans amount to almost two–thirds of all junk mortgages in the system and their delinquency rates are nine to fifteen times greater than equivalent rates on prime mortgages" (Rajan, 2010 p. 131). The market of the MBS-s (mortgage backed securities) was nearly as big as the market of the state securities. Naturally, the state had to intervene when this market was in trouble... Such a big portion of the securities market the state cannot leave to its fate to collapse. On the cost of the taxpayers these institutions were nationalized. They have got a huge amount of money to cover their capital losses. But, if you look at their homepages, it speaks about their activity and offers their services as *if nothing has happened*, although they have been taken under conservatorship to calm down the nervous men of the street...

The huge amounts of rescue-packages which saved the American economy from the repetition of the Great Depression naturally are integral part of the national debt, and as we have seen in the latest month, have led to the American state securities being ranked down by the rating institutions.

If we are looking for the causes of the crisis, we have to mention the activity of the FED. The support for the housing business was important not only because the citizens as consumers were more satisfied, but because the housing industry offers a lot of jobs and raises the GDP. One of the greatest problems of the last 20 years was that steady growth hadn't led to higher employment. Unemployment is the most sensible indicator of the economy, which makes politicians nervous. The FED was under pressure from the government to keep interest rates low to enhance growth and so employment. A surprising fact was that in the years after 2000 the technical progress and investments achieved the goal in economic growth *but didn't bring a growth in employment*. The new phenomenon, *growth without employment* didn't find a proper handling from the state. Therefore state pressure on the FED did not achieve its real result but it resulted in very cheap credit. The unwanted consequence of that was the housing bubble. American citizens were not fully innocent in this phenomenon. Rajan talks about: "...homeowners, who spend to excess while *treating homes they should never have owned as virtual ATMs*" (italics mine) (Rajan, 2010.p. 31), that is, people raised new credits on their houses because the mortgage value of it had gone up and they used the difference for further consumption. When prices of the houses started to go back those credits became uncovered and in case of default the financing institution could not get back the value of the credit by foreclosure. And this point of time time arrived when the FED started to raise interest rate (though too late and partly in vain). The flow of *money from abroad* created abundant liquidity even then. As confidence in the subprime securities teetered, the short term resources from abroad disappeared. That created a liquidity crisis (which turned out to be solvency crises) in the banking sector...

7. Different conclusions

Both Posner (2009) and Rajan (2010) say that it looks as the state intervention came at the wrong time and in the wrong direction.

Rajan *emphasizes* that the problem is not the functioning of the banking sector. It is natural that banks want to make money because the sole criterion of their usefulness is money. Having huge income shows that the society demands its services. According to his opinion maybe there are more profound *fault lines* in the society and economy that caused the crises. The fault lines are: the changed income distribution in the society, the unequal access to means of adjustments and the worldwide imbalances between states. It has changed in recent times how society relates to the rich. In earlier decades the shoeshine boy could be a millionaire but most of the rich were the local self-made entrepreneurs. They came from the same school as everybody else. Today they are the distant overpaid CEOs, the greedy bankers. "The rich are no longer *us*, they are them" (Rajan, 2010 p. 184). There is an unnecessary income inequality in the society which is for most of the population unacceptable. To reduce this, the best way is to improve access to better *human capital*. Why is Rajan stressing the importance of human capital? This economy today is more and more a knowledge – based economy. In a system such as the one in the USA, where learning is quite a big investment, few can afford it out of those coming from the lower layers of the society. And then the fate of poorer layers is sealed. They never will command the necessary skills and knowledge to apply for jobs where they could earn more. They will be unwanted members of the society, their sole function is *to consume*... (That was promoted by the cheap credit offered by the government intervention. But, being indebted, they are on a path they never can escape from.) Inequality feeds itself, if nothing is done by the state to improve access to better schooling of the poorer members of the society. Unequal access, and the resulting inequality destroy consensus amongst different layers of the society which is one of the important character-lines of the developed societies. Improving access should start early; in childhood. The "No child left behind" movement in America is one step in that direction but not enough. Interestingly, Rajan stresses that not only the quality of teaching is important but the whole family life, even the meals that a little kid gets, as well as the atmosphere within the family: so Rajang is supporting the idea that welfare payments should be conditioned on parents meeting some milestones in health and education (Rajan, 2010, p. 186). (We might recall the attacks in the Hungarian political life against the law which connected childcare payments to sending children to the school. And all this in the name of „liberal" and „social" ideas!) Rajan would give vouchers to the students to choose the best fitting school for themselves, that way guaranteeing the competition among schools for offering better services. It is the best solution if private efforts are combined by state help - but never offering subsidies without any personal efforts. It is also important to develop the health and pension system nationwide. It is a shame for a democratic country to let suffer a big part of the nation, all those who have no health insurance, says Rajan (2010). The same is stressed by Krugman (2010) who has analyzed the political system in the US and assigns as one of the most urgent task for politicians to build up a *nationwide health insurance system*. Rajan (2010) draws our attention to the fact that the „growth without employment" creates special problems in the States, because health care and pension are connected with employment. If the employees lose their job, they lose their health care and pension as well. (By this suggestion the American economist invents the *social market economy*, invented in the old continent a hundred years ago... Better late than never.) Naturally, Rajan (2010) thinks that *changes in the field of regulation* are necessary, too, concerning the financial intermediary system. But his idea is that the most important thing is that the state should intervene less into the economic life. Let the market economy really be what it is, a playing field, where success and failure are also possible. He thinks that banks should not have even deposit insurance - maybe only the small ones. The other big banks must be much more cautious taking risk than they were before, and their clients should evaluate their reliability. He suggests that too big institutions should be cut in parts. It is a problem if an institution is too big to fail. He throws the attention to the fact that sometimes a smaller firm can be dangerous, too, if it is systematically too important. So it is better to exclude the possibility of being *too systemic to fail*.

It is also important to correct worldwide imbalances. Export-led strategies of developing countries (and of some European economies, too) need over-consumption in other countries "The global trade surpluses produced by the exporters search out countries with weak policies that are disposed to spend but also have the ability to borrow to finance the spending- at least for a while" (Rajan, 2010 p. 67). They found it in the USA, and it has led to overconsumption in that country. The housing bubble is a sign of this, too.

Posner condemns the lack of regulation in the last two decades. He says that the cause of the crisis was not that there was too much of the state, but that there was too little of it - in the field of regulation. According to him the professional blindness is excusable because the rival theories of depression were so different, even contradictory. Even the failure of officials to heed the warning signs is understandable – "Cassandras rarely receive a fair hearing and for reasons that only in hindsight can be seen to be mistaken" – as he says (Posner, 2009, p.328). What is inexcusable is the failure of the FED and the government to have pre-prepared contingency plans for the possibility for a depression. When the crisis hit in they were fully unprepared and responded with improvisations: flooding the economy with money, massive deficit spending bail-out actions, and regulatory changes. All this having been thought out in advance. It creates more problems for the future. He says: "the expensive treatment cures a deadly illness but leaves the patient debilitated"(Posner, 2009. p.330) We may even say, looking at the European problems following the American-originated crisis, that the illness really infected the whole world...

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