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Abstract

The purpose of the study is to revisit and reflect on the cause of the 2007 to 2008 global financial crisis from the viewpoint of those who were directly involved and affected by the global financial crisis. The findings reveal that the pain and the shock felt by everyone as a result of the global financial crisis still lingers in the minds of ordinary people and lawmakers up until this day. The quotes show that the behaviour of financial institutions which led to the 2007/2008 crisis has negatively affected people's perception towards financial institutions especially in the United states, and this perception is unlikely to change anytime soon. The finance literature has not documented the feeling, the shock and the pain that ordinary people had to go through during the 2008 global financial crisis especially in the U.S. where it all began. It is important to present a view of the financial crisis from the perspective of those that were affected by the global financial crisis, those responsible for the global financial crisis, those who could have prevented the financial crisis but didn't, as well as the views of other observers. The views or quotes presented in this article are concise, useful and thought-provoking. It provides an opportunity to reconsider the events of 2008 from a fresh perspective, so that a lot more can be done by everyone, including ordinary citizens, banks, financial institutions and governments, to prevent a repeat of such events in the future of banking and finance. Finally, most of the views or quotes reported in this article have within them some important lessons and wisdom to guide us on what to do before another future financial crisis comes.

Keywords: systemic risk, financial crisis, bank failure, too-big-to-fail, government bailouts, central banks, banks, banking and finance, recessions.

JEL Code: G21, G28.

1. Introduction

Financial crises when they occur can be mild or severe events depending on how it affects corporations and individuals whose money are held with the financial institutions that make up the financial system. Most financial crises are a result of the rational or irrational behaviour of participants in financial markets including debt markets, equity markets and derivatives markets.

Financial markets rely on trust[1], and once trust is lost, liquidity providers will withdraw liquidity from the market, leading to a liquidity freeze or funding crisis which can trigger a financial crisis (Brunnermeier, et al, 2009). The bankruptcy of Lehman Brothers in mid-September of 2008 is a classic example of how liquidity can freeze very quickly in the international interbank market. To stabilize financial markets that are in crisis, abnormal liquidity must be provided to financial markets, often by Central banks, to bring back trust between participants in financial markets. The same logic also applies if a financial crisis is caused by significant shortfalls in bank capital or caused by a credit freeze – when no financial institution is willing to lend to other financial institutions, in which case, abnormal amounts of capital and abnormal credit must be injected into financial institutions. So far, this has been the mainstream understanding of how to end a financial crisis or banking crisis and this view is common among macroeconomists and policy makers even though there are serious criticisms[2] about using this approach to resolve a financial crisis.

In this paper, I bring together the views on the cause and effect of the 2008 global financial crisis. Some of the views presented in this paper offer a fresh perspective on the global financial crisis – a perspective which has not been documented in the financial crisis literature – and is useful to stimulate new debates on financial regulation and crisis financing. Expressing the events of the 2008 global financial crisis through quotes helps to tell the story of the financial crisis from different perspectives. The reader of this article should reflect on each view or quote carefully because doing so can provide the reader with new perspectives on the cause of the financial crisis.

The rest of the article is organised as follows. Section 2 discusses the quotes (or views) on the events of the 2008 global financial crises. Section 3 concludes.

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[1] Mayer (2008), Tomasic and Akinbami (2011)

[2] Financial economists often have a different view on crisis financing. They tend to believe that excessive capital injection or credit injection into the financial system is not a good idea because it can create bubbles which may burst in the future

2. The Quotes

Long Before the Financial Crisis

1. **“Don’t think money does everything or you are going to end up doing everything for money”** – Voltaire. Original name: François-Marie d'Arouet, French writer and philosopher. Source: Goodread Quotes.

2. **“In times of crisis human beings don't have it in them to be rational”** – Larry McMurtry, American Novelist. Source: AZ Quotes.

3. **“A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain”** – Mark Twain, American writer. AZ Quotes.

4. **“Gold and silver are money, everything else is credit"** – J.P. Morgan, American Banker. Source: GoldSilver.com

Shortly before – and during – the global financial crisis

5. **“Everybody wanted to own a piece of real estate to get into the game”** – Angelo Mozilo, Former Chairman and CEO Countrywide Financial. Source: Inside Job: the movie.

6. **“What we know about the global financial crisis is that we don’t know very much”** – Paul Samuelson, American Economist. Source: Quote HD

7. **“Blaming speculators as a response to financial crisis goes back at least to the Greeks. It’s almost always the wrong response”** – Lawrence (Larry) Summers, American Economist. Source: AZ Quotes.

8. **“A financial crisis is a great time for professional investors and a horrible time for average ones”** – Robert kiyosaki, American Investor. Source: Quotetab.

9. **“I don’t think that any economist disputes that we’re in the worst economic crisis since the great depression. The good news is that we’re getting a consensus around what needs to be done”** – Barack Obama, Former U.S. President. Source: AZ Quotes

10. **“The financial crisis should not become an excuse to raise taxes, which would only undermine the economic growth required to regain our strength.”** – George W Bush, Former U.S. President. Source: Quote HD.

11. **“When you're in a crisis of, you know, tremendous proportions, it's beyond any human capability to control, you just make the best decisions you can, and you just hope that your intuition is correct.”** – Rudy Giuliani. Former Mayor of New York City. Source: Picture Quote.

On the cause of the Crisis[3]

12. **“Let us not forget, the financial crisis had its roots in the decision by Congress to embark on a course of social justice to get everyone that wanted a home into one, regardless of whether or not they could afford it.”** – Ed Royce, Former United States Representative. Source: Quote Fancy.

13. **“The mortgage market meltdown occurred for a number of reasons, but new and poorly underwritten mortgage products were a significant contributor”** – Jamie Dimon, Chairman and CEO, JPMorgan Chase & Co. In his testimony to the Financial Crisis Inquiry Commission (FCIC) Washington, D.C. January 13, 2010.

14. **“The big demand was not so much on the part of the borrowers as it was on the part of the suppliers who were giving loans which really most people couldn't afford.”** – Alan Greenspan, Former Chairman of the Federal Reserve board. In Jon Meacham and Daniel Gross’s, “The Oracle Reveals All,” Newsweek interview.

15. **“Although the high rate of [mortgage] delinquency has a number of causes, it seems clear that unfair or deceptive acts and practices by lenders resulted in the extension of many loans, particularly high-cost loans, that were inappropriate for or misled the borrower.”** – Ben Bernanke. Written statement by FED Chairman Ben Bernanke, July 14, 2008.[4]

16. **"Even after mortgage loans started going bad en masse, the confusing mix of federal and state agencies that made up the nation's regulatory structure had difficulty responding. After regulators finally began to speak up about subprime and the other types of mortgage loans that had spun out of control, such lending was already on its way to extinction. What regulators had to say was all but irrelevant."** – Mark Zandi, Chief Economist, Moody’s Analytics. See Zandi (2008).

17. **“That conclusion suggests that the best response to the housing bubble would have been regulatory, not monetary. Stronger regulation and supervision aimed at problems with underwriting practices and lenders' risk management would have been a more effective and surgical approach to constraining the housing bubble than a general increase in interest rates.”** – Ben Benarke, Chairman of the Federal Reserve Bank. In “Monetary Policy and the Housing Bubble,” a speech given at the annual meeting of the American Economic Association in Atlanta, Georgia - January 3, 2010.

18. **“Over the course of this crisis, we as an industry caused a lot of damage. Never has it been clearer how mistakes made by financial companies can affect Main Street, and we need to learn the lessons of the past few years.”** – Brian T. Moynihan, CEO and President, Bank of America. Testimony to Financial Crisis Inquiry Commission (FCIC) Washington, D.C. January 13, 2010.

19. **“The truth is that many of us in the industry were deeply distressed by the growing practice of pushing high risk loans on borrowers who had no reasonable expectation of being able to repay the mortgage. Disclosures were often less than adequate, and faced with a bewildering array of loan terms, borrowers tended to trust their mortgage banker or broker. The broken trust that resulted**

[3] https://www.responsiblelending.org/mortgage-lending/tools-resources/Quotes-What-Caused-Crisis.pdf

[4] Source: https://www.federalreserve.gov/newsevents/press/bcreg/bernankeregz20080714.htm

has damaged borrower confidence in the mortgage industry." – Scott Stern, CEO of Lenders One. Testimony before the Senate Banking Committee, Washington, D.C. April 10, 2008.

20. **"When they [banks] start losing money, [they say] hey we gotta get back in the game, we gotta get the skites rolling again, hey let's create another bubble. You think the dot-com bubble was too big? We've got a bigger one for you – we'll call it the real estate and the credit bubble."** – Gerald Selente, Economist and Trend Analyst. Excerpt from Overdose: The Next Financial Crisis, the movie.

21. "**Millions of Americans were duped by the federal government and the Federal Reserve into buying homes they could not afford and failed to count the cost. When the financial crisis of 2008 hit, they could not keep up the monthly mortgage payments and defaulted."** – Mark Skousen, American Economist. Source: Brainy Quote

22. **"My impression is that future generations will look back on this moment and say 'this is where they completely lost their minds"** – John Hussman, President of Hussman Investment Trust. Source: Blackdiamondindex.com

Reflections after the Financial Crisis

23. "**People aren't as impressed by homes anymore after they saw how they collapsed in price with the financial crisis."** – Robert J. Shiller, American Economist. Source: 9Quote

24. **"I think people saw this [the crisis] as '…that's happening over there, that's not happening here". The sense of interconnectedness was not realised until the very last moment."** – Andrew Ross Sorkin, New York Times. Inside Job: the movie

25. **"If a financial institution is too big to fail, it is too big to exist."** – Bernie Sanders, U.S. Senator.

26. **"September and October of 2008 was the worst financial crisis in global history, including the Great Depression"** – Ben Bernanke, U.S. FED Chairman during the crisis.

27. **"One of the biggest mistakes our government made after the financial crisis was not prosecuting the people responsible for the greed, recklessness and illegal behaviour that crashed our economy and ruined the lives of millions of Americans"** – Bernie Sanders, U.S. Senator.

28. **"Financial crises, banking crises or economic crises are simply the painful outcome when financial markets begin to reset."** – Peterson K Ozili, Nigerian Economist.

29. **"The banking collapse was caused, more than anything, by bad government policy and the total failure of bad regulation, rather than by greed."** – Nigel Farage, British, Member of Parliament.

30. **"In the financial crisis of 2008, it was fraud right down at the heart of that crisis, and yet not one major bank executive was even charged, much less prosecuted and taken to trial – not one."** – Elizabeth Warren. U.S. Senator.

31. **"The financial crisis revealed important weaknesses in many areas of our financial system."** – Jerome Powell, Current U.S. Chairman of Federal Reserve.

32. "**If they are too big to fail, make them smaller** – George P. Shultz, American Economist and Former United States Secretary of Labor.

33. **“The financial crisis happened because no-one could actually say out loud how bad things were.”** – Mark Ravenhill, British Playwright.

34. **“Here you can shoot the bad guys,' a mercenary says in Baghdad. In America, we give them corporate bonuses.”** – Michael Robotham, The Wreckage.

35. **“I believe that the root cause of every financial crisis, the root cause, is flawed government policies.”** – Henry Paulson, Former U.S. Secretary of the Treasury.

36. **“The financial crisis is a stark reminder that transparency and disclosure are essential in today’s marketplace”** – Jack Reed, U.S. Senator.

37. **“There are downsides to implicitly trusting banks, as the 2008 financial crisis showed.”** – Balaji Srinivasan, American Businessman.

38. “**The recession won’t be over until we raise a generation that know how to live on what they have today not on what they expect to have tomorrow.”** – Unknown.

39. **“Crisis and deadlocks when they occur have at least this advantage, they force us to think.”** – Jawaharlal Nehru, Former Prime Minister of India.

40. “**I certainly don’t think that finance should lie at the heart of an economy – it’s a subsidiary function not a primary driving function.”** – Satyajith Das, Except from the ‘Inside Job’ movie.

41. “**The financial crisis and the Great Recession posed the most significant macroeconomic challenges for the United States in a half-century, leaving behind high unemployment and below-target inflation and calling for highly accommodative monetary policies.”** – Jerome Powell, Current U.S. FED Chairman.

42. **“The financial crisis is a stark reminder that transparency and disclosure are essential in today's marketplace.”** – Jack Reed, U.S. Senator.

43. **“A lot of the evil in the world is actually not intentional. A lot of people in the financial system did a lot of damage without intending to.” –** George Soros, Hungarian-American Investor and Philanthropist.

44. **“Managing and navigating through a financial crisis is no fun at all”** – Howard Schultz, American Businessman.

45. **“Forced to confront a reptile or an international financial crisis, I’ll take the reptile every time.”** – Alexandra Petri, American Columnist.

46. **“The lesson of history is that you do not get a sustained economic recovery as long as the financial system is in crisis.”** – Ben Bernanke, Former U.S. Chairman of Federal Reserve.

47. **“If there had been a Financial Product Safety Commission in place 10 years ago, the current financial crisis would have been averted.”** – Elizabeth Warren, U.S. Senator.

48. **“The beauty of a financial institution is that there are a lot of ways to go to hell in a bucket. You can push credit too far, do a dumb acquisition, leverage yourself excessively – it’s not just derivatives [that can bring your downfall].”** – Charlie Munger, American Investor.

49. **“The mortgage crisis is a clear instance of consumers who needed protection. There was predatory lending to people who didn’t know what they were doing.”** – Nassim Nicholas Taleb, Lebanese-American Essayist.

Rethinking the economics of financial regulation

50. **“Many of us like to think of financial economics as a science, but complex events like the financial crisis suggest that this conceit may be more wishful thinking than reality.”** – Andrew Lo, American Economist.

51. **“I believe that the financial crisis of 2008/9 exposed more a lack of ethics and morality - especially by the financial sector - rather than a problem of regulation or criminality. There were, of course, regulatory lessons to be learned, but at heart, there was a collective loss of our moral compass.”** – Paul Polman, Dutch Businessman.

52. **“The financial crisis was linked to the fact that banks had excessive leverage and too many risky assets. The solution is not to try to dictate to banks what they can do or not do, but to require them to strengthen their capital to absorb potential losses and hold less risky assets.”** – John Paulson, American Investor.

53. **“It is a sobering fact that the prominence of central banks in this century has coincided with a general tendency towards more inflation, not less. If the overriding objective is price stability, we did better with the nineteenth-century gold standard and passive central banks, with currency boards, or even with 'free banking.' The truly unique power of a central bank, after all, is the power to create money, and ultimately the power to create is the power to destroy.”** – Paul Volcker, Former U.S. Chairman of Federal Reserve.

54. **“Throughout the 19th century, when there was a laissez-faire mentality and insufficient regulation, you had one crisis after another. Each crisis brought about some reform. That is how central banking developed.”** – George Soros, Hungarian-American Investor and Philanthropist.

55. **“Financial crises require governments”** – Timothy Geithner, Former United States Secretary of the Treasury.

56. **“The global financial crisis is caused by pathologies inherent in the global financial system itself.”** – George Soros, Hungarian-American Investor and Philanthropist.

57. **“In a financial crisis, only the Fed, as the lender of last resort, might stand between our economy and financial catastrophe. We must leave the Fed with the flexibility to provide liquidity in order to stop a financial panic.”** – Stephen A. Schwarzman, American Businessman.

58. **“The reality is that financial markets are self-destabilizing; occasionally they tend toward disequilibrium, not equilibrium.”** – George Soros, Hungarian-American Investor and Philanthropist.

59. **“Wall street can never be allowed to threaten main street again. No bank can be too big to fail, no executive too powerful to jail.”** – Hillary Clinton, U.S. Senator.

60. **“Every government intervention [in the marketplace] creates unintended consequences, which leads to calls for further government interventions.”** – Ludwig Von Mises, Economist.

61. **“The trouble with government regulation of the market is that it prohibits capitalist acts between consenting adults.”** – Robert Nozick, American Philosopher.

62. **“I don’t want to be partisan here. But please, tell me how you get out of a business recession by raising business taxes and regulations?”** – Lawrence Kudlow, Director of the U.S. National Economic Council.

63. **“We cannot solve problems by using the same kind of thinking we used when we created them.”** – Albert Einstein, Theoretical Physicist.

Questioning the Economics Profession

64. **“Debates go on to this day about what caused the Great Depression. Economics is not very good at explaining swings in economic activity.”** – Eugune Fama, American Economist.

65. **“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”** – Joan Robinson, British Economist.

66. **“Since the global financial crisis and recession of 2007-2009, criticism of the economics profession has intensified. The failure of all but a few professional economists to forecast the episode - the after-effects of which still linger - has led many to question whether the economics profession contributes anything significant to society.”** – Robert J. Shiller, American Economist.

67. **“...If you look at mainstream economics there are three things you will not find in a mainstream economic model - Banks, Debt, and Money. How anybody can think they can analyse capital while leaving out Banks, Debt, and Money is a bit to me like an ornithologist trying to work out how a bird flies whilst ignoring that the bird has wings...”** – Steve Keen, Australian Economist.

68**. “Many of the problems troubling the world are not caused by economic globalisation.”** – Xi Jinping, China’s President, Speech from 2017 World Economic Forum, Davos.

69**. “Engineers do engineering, i.e. they build bridges. So engineering needs engineers. The economy does NOT need economists. Economists do not make economy, but they try it and that is why we have so much problems with some financial models.”** – Steve Keen, Australian Economist.

70**. “GDP is not a good measure of economic performance, it’s not a good measure of well-being.”** – Joseph Stiglitz, American Economist. Quotes from the 2016 World Economic Forum, Davos.

71**. “The position I now favour is that economics is a pre-science, rather like astronomy before Copernicus, Brahe and Galileo. I still hold out hope of better behaviour in the future, but given the travesties of logic and anti-empiricism that have been committed in its name, it would be an insult to the other sciences to give economics even a tentative membership of that field.”** — Steve Keen, Debunking Economics - Revised, Expanded and Integrated Edition: The Naked Emperor Dethroned?

Why Liquidity is important during financial crises

72. **"Liquidity is the currency of bear markets"** – Laurent Bernut, An Ex-Fidelity short seller, ex-Hedge Funds analyst, ex-CPA, algo trader.

73. **"It is easier to invest for cash flow during a financial crisis by hiding your head in the sand. The longer the crisis lasts, the richer some people will be."** – Robert Kiyosaki, American Investor.

74. **"Actually, I have been very supportive of a very robust stimulus package from day one. I think this economy has to have a major stimulus initiative because the only group with liquidity is the federal government."** – Judd Gregg, Former U.S. Senator.

75. **"When I hear complaints about less liquidity, remember there is such a thing as too much liquidity"** – Paul Volcker, Former U.S. FED Chairman. During interview at CNBC.

76. **"If you can't get out of whatever you are invested in, you don't own it, it owns you. You don't trust me? Buy a boat, a second home, a pink Ferrari and then try and sell it. May the gods be with you. So, always go for liquidity. Dis-invest now from anything with a lock-up."** – Laurent Bernut, An Ex-Fidelity short seller, ex-Hedge Funds analyst, ex-CPA, algo trader.

77. **"To be sure, the provision of liquidity alone can by no means solve the problems of credit risk and credit losses; but it can reduce liquidity premiums, help restore the confidence of investors, and thus promote stability."** – Ben Bernanke, Former U.S. Chairman of the Federal Reserve.

Preparing for the next global financial crisis

78. **"If we lose the confidence of our foreign lenders and we must not allow that to happen but if that were to happen then there will be a dramatic decline in the dollar, a dramatic increase in interest rates, a significant fuelling of inflation, a very deep recession and possibly depression that would be felt around the world. We must not allow that to happen or we lose the confidence of our foreign lenders."** – David M. Walker, Former US Comptroller General. In the movie: Overdose: the next financial crisis.

79. **"Regulation is necessary, particularly in a sector, like the banking sector, which exposes countries and people to risk."** – Christine Lagarde, President of the International Monetary Fund.

80. **"Central banks don't have divine wisdom. They try to do the best analysis they can and must be prepared to stand or fall by the quality of that analysis."** – Mary Kay Ash, American Businesswoman.

81. **"The Central Bank should have a permanent window for discounting high quality securities where banks could go and discount these. It gives peace of mind to the banks. In the absence of this facility, what banks tend to do is to keep a liquidity cushion for emergency requirements. This is a very expensive way of managing liquidity."** – Abdul Aziz Al Ghurair, hairman of Mashreq Bank and U.A.E. Politician.

82. **"If we have a financial crisis of one form or another, do we have the confidence that this person has the experience to handle it well?"** – Joel Naroff, Author and President and Founder of Naroff Economic Advisors.

83. **“In financial services, if you want to be the best in the industry, you first have to be the best in risk management and credit quality. It's the foundation for every other measure of success. There's almost no room for error.”** – John G. Stumpf, American Executive.

84. **“If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business.”** - Gary Cohn, President of Goldman Sachs.

85. **“In the financial system we have today, with less risk concentrated in banks, the probability of systemic financial crises may be lower than in traditional bank-centered financial systems.”** – Timothy Geithner, Former U.S. Secretary of the Treasury.

86. **“Diversifying sufficiently among uncorrelated risks can reduce portfolio risk toward zero. But financial engineers should know that’s not true of a portfolio of correlated risks.”** – Harry Markowitz, American Economist.

87. **“Do not trust financial market risk models. Despite the predilection of some analysts to model the financial markers using sophisticated mathematics, the markets are governed by behavioural science, not physical science.”** – Seth Klarman, American Investor.

88. **“For market discipline to constrain risk effectively, financial institutions must be allowed to fail. Under optimal financial regulatory and financial system infrastructures, such a failure would not threaten the overall system.”** – Henry Paulson, Former U.S. Secretary of the Treasury.

89. **“There is a simple way of avoiding excess risk-taking by the managers of our financial institutions. It is to make it a crime. Had a crime for reckless management of a financial institution been on the books, Northern Rock and Royal Bank of Scotland would not have blown up.”** – Paul Collier, British Economist and Author.

90. **“I’m afraid sometimes certain individual cases of defaults are unavoidable. What we should do is to step up monitoring, properly handle relevant matters and ensure there is no regional and systemic financial risk.”** – Li Keqiang, Economist and Chinese Politician.

91. **“Many financial disasters can be traced to people who thought they were hedging.”** – Aaron C. Brown, American Finance Practitioner.

92. **“Look at any financial institution, at any bank. They’re all photocopies of each other. There’s no diversity of institutions and even less diversity of currency. Therefore, just as you say it’s very logical that an ecosystem like this will collapse, it’s very predictable a monetary system like this collapse, too. And it hasn’t finished collapsing, by the way.”** – Bernard Lietaer. Electrical Engineer, Economist, Author and Professor.

93. **“Most of the time, your risk management works. With a systemic event such as the recent shocks following the collapse of Lehman brothers, obviously the risk management system of any bank appears, after the fact, to be incomplete. We ended up where banks couldn’t liquidate their risk, and the system tended to freeze up.”** – Myron Scholes, American-Canadian Economist.

94. **“Any bailout of a private company is a bad decision by our federal government. Private companies have a right to succeed, but they also should have the right to fail.”** – Matt Salmon, Former U.S. Representative.

95. **“The government cannot become a bailout organisation for companies on the verge of bankruptcy.”** – Martin Winterkorn, Former Chairman of Volkswagen AG.

96. **“Sound regulation and enforcement are needed to ensure that our capital markets remain accessible, competitive and free of bad actors.”** – Thomas (Tom) Donohue, CEO of the U.S. Chamber of Commerce.

97. **“We need to think deeply about whether we can sustain banks that are not only too big to fail, but potentially too big to bail.”** – George Osborne, Former Chancellor of the Exchequer.

Sober Reflection

98. **“Even if the crises that are looming up are overcome and a new run of prosperity lies ahead, deeper problems will still remain.”** – Joan Robinson, British Economist.

99. **“My daughter asked me when she came home from school, “What’s the financial crisis?” and I said, it’s something that happens every five to seven years”** – Jamie Dimon, CEO of JPMorgan Chase.

100. **“Why should a financial engineer be paid four, four times more than a real engineer. A real engineer build bridges, a financial engineer build dreams. And you know, when those dreams turn out to be nightmares, other people pay for it”** – Andrew Sheng, China Banking Regulatory Commission, from the Inside Job 2010 Documentary.

3. Conclusion

This article presented some thoughts, in the form of quotes, on what caused the financial crisis, why it was severe and what can be done to prevent another crisis in the future. The quotes were carefully selected for information purposes only, and all politically-sensitive quotes were excluded. For decades, people have warned that a recession or financial crisis was coming but no one listened. If anybody listened, it was a small group of people and that number was too small to force a change in behaviour prior to the 2007-8 global financial crisis. Also, the credit derivative bubble and the massive profits made by banks prior to 2007 have shown that it can be difficult to get banks to care about what’s happening outside the house when everyone is enjoying the party inside the house. What can we do to prevent future financial crises? Should we increase regulation through activity restriction or through stronger capital regulation? Or, should we regulate executive compensation in financial institutions since there is ample evidence that big bonuses to bank executives is the major source of their excessive risk-taking by banks?

The significance of this study is that it provides a fresh perspective on the cause of the global financial crisis from the perspective of people that were victims of the financial crisis and from those who were culpable in the turn of events. To date, this perspective has not been documented in the financial crises literature. If we, as banking and finance scholars, fail to understand the global financial crisis from the perspective of those who were most affected by it, then we lose the moral right to advise governments and regulators on what to do to avoid the next financial crises. The starting point is to listen to the experience of others, and the lessons can help us sharpen our policy recommendations to governments and bank supervisors.

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