TEN YEARS AFTER THE CRASH. THE RISKS OF A NEW FINANCIAL MARKET CRISIS ARE HIGH!

By Rudolf Hickel

[This article published in 2018 is translated abridged from the German on the Internet. Rudolf Hickel is a professor of economics and a spokesperson for the Alternative Economic Policy study group in Bremen.*]

1. The Lehman Brothers shock and October 5, 2008, in Germany: Signals of a system crisis driven by the financial markets

On the first weekend in October 2008, fears went around in Germany that the banks would have to close next Monday because a run on private deposit accounts would be driven by fears of losses. This "Black Friday" did not happen. A day before on Sunday, October 5, 2008, the German chancellor and the former German finance minister Peer Steinbruck announced all private deposits were secured by the state. These deposits amounted to 1.5 trillion euros at that time, 60% of the gross domestic product. This economic policy obviously had success with moral appeals ("moral suasion"). On the following Monday, there was no run on private deposit accounts. Rather, financial assets were transformed from the big bank with high-risk speculative transactions to institutes with classic banking. Public banks and local savings accounts are examples. The success of these stamina appeals had to do with ignorance about the consequences of the erupting crisis of the powerful financial markets. The German government signals system-relevant banks will be bailed out before any collapse with state assistance and will not be allowed to fall.

The insolvency of the Lehman Brothers investment bank on September 15, 2008, regarded as impossible was the immediate trigger for the spreading fears of the total collapse of the worldwide financial system with consequences for investors. A gigantic need to write-off $3.3 billion in the summer of 2008 preceded the largest business collapse in the history of the US.

Lehman Brothers was denied a state bailout for reasons still not explained today after the US Fed rescued the Bear Stearns investment bank with a bailout package in the previous year, cushioned with the takeover by the JP Morgan Chase & Co. investment bank. The shock was deep and profound. Many purchasers of speculative Lehman Brothers securities in Germany were hit hard … Investors were often inadequately informed about the risks through a dubious aggressive sales policy in German banks.

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* Marc Batko, geboren 1946 in Chicago, Illinois, ist ein freiberuflicher Übersetzer deutscher Artikel zur Wirtschaftskrise und zur Befreiungstheologie. ("I am a freelance translator living in Portland Oregon".)

The day of the insolvency of the Lehman Brothers investment bank on September 15, 2008, is interpreted as the decisive cause of the subsequent fall of the worldwide financial markets ten years later comparable to a “monetary Big Bang.” This causal analysis is much too simplistic. Rather, this is a signaling outburst of a potential crisis growing for years through the increased significance of speculative financial market transactions over the producing, investing and consuming real economy. Financial instruments for purely speculative purposes were usually central with borrowing used as a lever. Mortgage credits packaged as securities granted in the US without sufficient creditworthiness of borrowers and gladly purchased in Germany. The signs for the US real estate crisis multiplied in the summer of 2007; the packaged securities suddenly became worthless. The extensive financial market crisis from 2007 was described as a “sub-prime crisis” on account of secondary credits in securities. The crisis of the two massive mortgage banks Fannie Mae and Freddie Mac bailed out through state intervention is symbolic for those mortgage banks in the US inflating the real estate bubble.

How mainstream economics dealt with the crisis

For the first time, the most intensive global financial market crisis in the history of capitalism made visible the connections and consequences of speculative capitalism dominating the real economy. In the past, this was regarded as hardly possible. Helplessness on one hand and market-radical arrogance, on the other hand, were the reactions. The financial market crisis was impossible according to the market models. Financial markets were said to move to a hard-and-fast balance equilibrium through rational conduct.

Eugen Famas’ hypothesis on the efficiency of financial markets replicating the competitive market dominated. On the other hand, the systemic instability described by a few critics like Robert Schiller as developing and bursting speculative bubbles on account of “irrational exaggerations” on the financial markets was ignored or fought by “mainstream economics.” This system-threatening financial market crisis is the brutal proof for the collapse of the neoliberal ideology of the self-stabilization of the speculative-driven profit economy. How do the guardians of a crisis-free self-optimization on the financial markets deal with the undeniable crisis since 2007?

Three stages can be distinguished in dealing with the financial market crisis phenomenon. Before the fall of the financial markets, the spirit of the times was dominated by the neoliberal efficiency dogma. Criticism of that dogma means exclusion from official economics. A phase of a breath-taking speechlessness occurred when the financial markets moved toward collapse.

On her visit to the London School of Economics in November 2008, Queen Elizabeth II asked the legendary question: “How could it happen that no one predicted this

crisis?" The answer of the interrogated professors took eight months with the dreary reference to the psychology of not wanting to see. The western answer stressed the "failure of the collective imagination of many wise persons." Criticism of the false modeling of the financial markets was refused up to today.

The system crisis was hardly stopped by state bailout programs. Initial regulations were made taboo by market fundamentalism. Woe to reality if it disagrees with the model! This mockery of Hegel was true again. The necessity of taming the financial markets through regulations learned from the crisis was sharply criticized and the unfettering of market forces propagated. No learning from the experiences of the crisis was apparent. This fundamentalist market loyalty bears responsibility for the coming financial market crisis. The question "How could this happen?" will certainly be asked again.

Politics shocked by the force of the crisis

Mainstream politics can also be divided in three phases of problem perception. In the course of neoliberal indoctrination, mainstream politics supports itself on the illusions of standard neoliberal economics, the crisis-free unfettering of the financial markets creating prosperity. The rules and institutional barriers that earlier tamed the financial markets were dismantled. The unhindered domination of profit interests through the creation and trade with highly dangerous speculative instruments and the development of speculative investment banking (transactions without customer orders) is the result of active deregulation policy. Politics could not deny this real development when the collapse of the financial markets occurred because of the past false misguided policy of taming risks. The political pressure through the collapse of the economy, the loss of jobs and the strains on the public budget were too great.

A short phase of public policy flared up out of the greatest distress and under public pressure. Only a very brief phase of active economic – and fiscal policy according to the Keynesian intervention model was carried out. In the center were state programs to bail out the banks whose failure could endanger the whole system and an active state anti-crisis policy with targeted programs to stabilize the whole economy.

Bailout programs for the banks: generated and made taboo by neoliberalism

Bailout programs for distressed banks were available in particularly stricken countries. One alternative would have been submitting to radical Darwinian market selection and neoliberal ideology with the fall of insolvent banks. Since banks could no longer survive without bailout measures, previously propagated state-free economics was exposed. A total systemic bank risk can be triggered by aggressive economic rationality. In the US, a successful bailout program TARP ("Troubled Asset Relief Program") was unfurled with a volume of over $700 billion. In contrast to Germany, this assistance was completely repaid by the rescued banks. In Germany, the financial

stabilization fund (SoFFin) was charged with a total volume of 480 billion euros for credits and the recapitalization of distressed banks (bailing out Hypo Real Estate and Commerzbank).

The Ad-hoc government programs provoked harsh criticism. According to the reproach, the privatization of fat profits followed the socialization of losses in the crisis. In the sense of a learning process, the conclusion was drawn after the long discussion to include owners more strongly in financing the bailout of banks. The planned bank union of the European Union is an example.

Through the decline of the total economic production and the increasing unemployment, the material force of the crisis only led to a change of policy for a very short time. What is described today as a sin by optimistic market politics was the double governmental intervention to bail out banks and the entire economy. The reductionist view of the economic teamwork on the markets proved vastly unfit to preventively recognize the causes and consequences of the total economic effects of a financial market crisis and to take action against it.

The delegation effects from the financial markets to the total economic development were systematically underrated. In their view, financial management produced "external effects" burdening the entire economy. Because of the financial crisis, economic growth dropped steeply, jobs were dismantled and the state suffered under crisis costs and revenue shortfalls. The causes are clear. The credit financing of the economy breaks down and the intensified loss in value creation strains the entire economy. In all, the mistrust in the functioning of the inter-bank system contributed to pessimistic expectations curbing practical investments. The state registers tax shortfalls and is strained with crisis costs. The mega-neoliberal error about crisis-free financial markets and a stable aggregate economy is uncovered. The state had to become active all of a sudden in contradiction to the neoliberal oath to the self-healing powers of the market. The anti-cyclical policy against the prevailing ideology was rediscovered more through the anxieties of the aggregate economic crisis than through insight. The macroeconomic control policy could be used successfully to overcome the crisis in the real economy.

2. The driving forces of financial market-driven capitalism are finally understood [The causes of the financial markets dominance over the real economy and politics and the resulting malformations are analyzed in Rudolf Hickel's "Smash the Banks – Dethrone the Financial Markets," Berlin, 2012].

The true lessons can only be drawn from the financial market crisis when the driving forces and the destructive self-dynamic of the dominant financial markets over the real economy are grasped. Serious effective measures to tame the financial markets toward the serving functions of the banking system for the real economy can first be inferred from that crisis.

Relatively strong uncoupling of the financial markets from the gainful economy

The massively expanded transactions of the financial system by financial intermediaries like banks, insurances, and investment funds have uncoup0led from the vital financing demands by the real economy in Germany since the middle of the 1980s. The financialization of the economy is immense. The share of sales from financial market transactions (financial derivatives, stocks and bonds) in the world social product rose from 1,550% in 1990 to 7,240% in 2011. Here is another evidence of the dominance of the financial markets. While world production increased fourfold from 1990 to 2011, the volume of derivatives created expressly for speculative transactions expanded 300-fold … Serving or good speculation to ensure exchange rate risks in the production economy must be distinguished from functionless betting on the change of exchange rates. Crisis-susceptibility is marked by system-threatening bets on currencies uncoupled from real economic conditions.

The dominance of finance capital over real capital can be recognized in three OECD indicators. The value of the assets held by the financial sector amounted to a record 220% of the gross domestic product in Germany before the outbreak of the crisis. The growing internalization can also be read in the extent of border-crossing wealth and obligations of the banks …

The rule of the financial markets

The rule of the financial markets that determine the development of the entire economy with their profit business model is carried out with the relative uncoupling from the real economy. No competition idyll prevails there. Rather, highly concentrated financial market actors in investment banking (for example, Goldman Sachs), with hedge funds, private equity funds (The Carlyle Group in 1st place); index funds (like Blackrock) and other investment funds represent monopolistic power structures. In the spring of 2005, Franz Müntefering warned of these “grasshoppers” that still blithely expand today for lack of decisive policy. The relative uncoupling from the real economy is characterized by a dominant financial market oligopoly …

The labor- and production markets are dominated by the powerful profit interests on the financial markets. For example, jobs are lost because a private equity fund tries to increase the profits for its investors by smashing the bought-out business or buys speculative securities in casino capitalism instead of making practical investments.

Wealth concentration drives financial markets

The crucial question is about the origin of the money on the financial markets. The growing concentration of property incomes and wealth drives this expansion of the financial markets. The “reproduction of wealth” (Ralf Dahrendorf) underlies this; wealth is invested and new wealth formed from the realized property income. The sales for financial products prove that more and more rich persons entrust their wealth formation to financial investors. The volume of the wealth invested in the worldwide financial

sector rose in the last ten years from $100 trillion to over $170 trillion, according to an estimate of Allianz SE … The wealth accumulation by corporations on the financial markets refutes the neoliberal justification of the profits of businesses as a basis for financing practical investments. Thus, cost reductions in labor incomes and increasing profits are reflected at the end in an expansion of speculative financial investments.

Excessive wealth formation on the financial markets compared to the real economy is a result of harmful aggregate economic over-saving. Gained incomes are not effectively transformed into political-economic expenditures for consumption as demand for goods in the productive economy. Worldwide mega-funds operate like vacuum cleaners that connect money capital seeking an investment with the promise of lucrative but speculative profits on the financial markets.

The important conclusion on the causes of the financial market crisis and its successful control

The growing wealth concentration is the driving force of the financial sphere inflated with speculative transactions … Speculation capitalism driven by the financial markets will dominate as long as this wealth concentration and reduction of over-savings are not successfully tackled through increased investments in the public infrastructure. The risk of new speculation bubbles that burst and burden the real economy is implanted in this system. All the intensive efforts at regulating the financial markets remain symptom therapy as long as the crisis-driven wealth concentration and over-saving are not reduced. Successful control of financial market-driven capitalism demands a policy of redistributing income and wealth.

Speculative investment possibilities through unfettering the financial markets

The institutional barriers must be first dismantled to make the financial markets useful for expanding investment businesses. These barriers were pushed back with the expectation of new profit fields. Pressure for unfettering the financial markets through deregulation was engendered for different reasons since the middle of the 1980s. Firstly, a trend to lower yields with classical investment profits and government bonds has also appeared in Germany since the middle of the 1980s. Secondly, financial investments are preferred to the comparatively low profits from material investments in businesses. In addition, wealth concentration drives the search for alternative investment possibilities. New financial market businesses must be generated and the business models of banks changed. The key words are “financial market innovations,” creation of new business models and establishing a division for speculative investment banking … Deutsche Bank has shown how capital profits of 25% (after taxes) lead to extremely risky businesses and criminal practices.

One key date for the outbreak of the most recent financial market crisis since 2007 was October 27, 1986. On that day, central regulations for financial market transactions were annulled by Maggy Thatcher at the London financial center. This was comparable to a monetary Big Bang overnight. Cancellation of the separation between customer-oriented

businesses and speculative investment banking occurred, abrogation of controlling commissions and fees as well as the neutralization between brokers ("traders") and jobbers (market actors). This "Big Bang" triggered an international competition around deregulations. International deregulation spread. For example, Bill Clinton in 1994 annulled the separation of commercial- and investment banks introduced with the Glass-Steagall Act from the experiences of the 1932/33 world economic crisis. In 2000, future commodity markets were deregulated and speculative transactions with funds were approved. Loosening the regulations on investment funds, approval of hedge funds, clearance of short-selling and facilitating securitizations represented Germany's contribution to the international financial market.

A potential for speculative investment instruments unknown in the past was created by unfettering the financial markets. In this climate of blind trust, whoever opposed the praise of "financial innovations" on account of the high risks was called backward. Similar to bets, speculation investments are produced without any relation to real value creation. With risky investment banking, the big commercial banks created the space where betting instruments were produced and sold in proprietary trading without any customer order. To evade regulation on the official exchanges, trade was handled with the new financial instruments outside the exchanges. Today, over 60% of this trade in Germany is "over the counter."

The shorthand symbols causing the muddle – like CDO, CDS – are well-known. The symbols stand for a great variety of derivatives. A derivative is a derived financial product whose price depends on the price of another financial product, for example, a share, the exchange rate or raw materials. A derivative is based on speculation whether the price of a certain product will rise or fall in the future. Simply explained, a derivative is a bet that money will take a certain future development with the risk of total loss. The derivative CDO (Collateralized Debt Obligation) was at the center of the process … Speculation crises can be avoided.

Excursus: Smith, Marx, Keynes and Casino Capitalism

The latest financial market crisis is the result of the shift from paid labor in the production of goods and services to the dominance of law and uncertain profit expectations in the producing economy. With lucrative promises of profit, business profits are increasingly guided from material investments to the financial markets. In addition, wealth concentration increases the pressure for finding profitable investments on the financial markets. The price of high-profit expectations is the acceptance of extreme risks. To open new business fields, the regulations on the financial markets must be dismantled. Like a vacuum cleaner, powerful funds attract money capital seeking investment. This dominance of finance capital over real capital produces a higher crisis proclivity of the financial markets that is also reflected in the producing real economy.

Karl Marx recognized this recent modification of capitalism in the third volume of his three-volume "Das Kapital." He distinguishes industrial capital on the basis of paid labor from fictional (interest-bearing) capital … With his anatomy of the capitalist

development dynamic, Marx predicted the growing speculation capitalism susceptible to crises.

In his “General Theory” (1936), John Maynard Keynes analyzed the world economic crisis from the experiences at the end of the 1920s. What happens when the “gambling casino” dominates and no longer capital development? He rightly distinguished system-threatening and useful speculations. Exporters of goods ensuring themselves with swap-businesses against exchange rate risks. This serves the entrepreneurial goal of profit realization. On the other hand, pure speculation separated from the real economy is dangerous for the economic system. “Speculators cannot do harm as soap-bubbles. But the situation becomes serious when the enterprise becomes then soap bubble for a maelstrom of speculators. Labor is probably disparaged when the capital development of a country becomes the by-product of the activities of a gambling casino” (John Maynard Keynes, General Theory).

Karl Marx and John Maynard Keynes are complemented by an early discovery of Adam Smith. In his classic “Wealth of Nations” (1776), Adam Smith explained why personal freedom must be protected by the government from the negative consequences of an unfettered market economy … “A common firewall to prevent a spreading fire violates personal freedom in the same way as the banking law proposed here” (Adam Smith, Wealth of Nations). Those guided by interests of the bank lobby should hear of the imperative of protecting the entire economic system.

There is a large group of renowned researchers on speculation capitalism like Robert Shiller (animal spirits), George Akerhof (information symmetries) and Joseph Stiglitz (theory of market failure). Their economic findings are hardly considered in mainstream thinking. Empirical and analytical criticism bounces off mainstream economics. Eugen Fama stands for the prevailing modes of ultra-stable financial markets in processing risky, uncertain wagers (Eugen Fama, Efficient Capital Markets, 1970).

Real crises and collapses of banks cannot shake the dogmatic market fundamentalist thinking

3. When will the next financial market crash? Old and new risks (cf. the profound analyses by Stephan Schulmeister, The Way to Prosperity, 2018)

The past debate and the attempted measures show that the driving forces of the latest financial market crises are not always understood. The official advisory economics starts from crisis-free financial markets despite the crisis experiences. Publications in journals and conferences in the past ten years were not devoted to a merciless analysis and evaluation of the causes of political responses to the crisis consequences. The question whether a new financial market crisis threatens was not raised. It was said the fall since 2007 was not the result of unfettered speculation capitalism. So, most winners of the Nobel Prize for economics at their August 2014 meeting simply deny the systemic crisis proclivity of the financial markets.

Angela Merkel's welcoming address with much criticism of the embarrassing role of consultation economics was laughed at. With wide approval, Eugen Fama argued the financial markets know everything and will rationally process information on future development. His ideology of the ultra-efficiency seemed imperturbable. In 2013, he received the Nobel Prize for economics for his efficient market hypothesis. At the same time, a critic of this incredible market optimism, Robert Shiller criticized Fama's theory as one of the "most remarkable errors in the history of economic thinking." With the theory of "irrational exaggerations" on the speculation markets, Shiller could understand the real estate bubble that burst more than ten years ago. On the other hand, the prevailing market orthodoxy makes the mistake of treating financial market products like goods with real economic quality.

Risky speculation objects uncoupled from the production economy are traded on the financial markets. Herd instinct, "irrational exaggerations" and a peculiar emotional state mark this casino capitalism. The market-destructive consequences of economic profit speculations are not seen on account of the shortsightedness of price formation. When the speculation bubbles ultimately burst, the whole economy will be dragged into the crisis.

Different from the majority economics, politics could not ignore the financial market crisis. Interlocked banks had to be bailed out because of their role for the whole system. In addition, programs were advanced against the aggregate economic crisis with the collapse of production and job losses. The worry was that the population would not tolerate a new socialization of losses in the next crisis after the preceding free enterprise profits. Two observations are generally accepted after ten years of financial market crisis. First, many legal regulations point in the right direction. However, they are not enough to permanently stop the speculation economy driven by the wealthy and businesses in the search for profitable investments. Secondly, market-orthodox critics of regulation policy are gradually gaining influence. The emphasis is on over-regulation, poorly constructed or insufficiently differentiated regulations. Inefficiencies and injustices certainly arose in the financial system through many measures. So the savings banks and cooperative banks are treated more or less like the big banks with their high-risk investment banking. Thus, they must bear regulation costs even though these institutes do not conduct system-endangering speculation businesses …

The bank lobby does successful work. The policy of insidious deregulation is supported by the consulting, market orthodox economics that has no doubt about unfettered financial markets despite their immense susceptibility to crisis. The signals of a new crisis are manifest. New risks are added to the old crisis causes that have not been banished. Accumulation of degenerate credits on corporate balance sheets and the risk of raising interest rates after a long phase of zero- or minus-interests are emphasized. Shadow banks with their bank-like functions without controls are the greatest risk. Many financial managers have exploited this regulatory arbitrage.

They become a system risk in bankruptcy since they are bundled with the regulated banking system.

4. Reducing the old well-known crisis risks in the financial system

The shock from the latest financial crisis and the fears of new eruptions with negative real economic effects have forced politicians to action through public pressure. Old regulations and controls of financial intermediaries like banks, insurances, and investment funds are not the only important realities. The risks for the stability of the financial system as a whole are recognized. The financial market crisis teaches the necessary macro-prudential stabilization of the financial system compared to micro-prudential actions referring to individual institutes. Aggregate economic malformations are stressed with the goal of remedying the macroeconomic risks of the monetary and real economic systems. The danger of a developing real estate bubble, fundamental changes in interest and systemically relevant banks whose fall could have effects on the entire system are examples. National and supra-national financial stability boards were established … The overrating of the self-stabilizing forces promised on the free markets narrowed the perception of system risks.

Many important regulations were carried out in the ten years since the outbreak of the financial market crisis. In Germany, laws on reducing deficits were passed and proved inadequate with respect to the driving forces on the financial market. In addition, many regulations in the right direction were restricted under the pressure of the financial lobby. The inadequate intensity together with diluting measures created the foundations for a new financial market crisis. The pressure of the wealthy to find profitable investment possibilities inexorably drives the expansion of speculation businesses with growing system risks.

The following examples show how a few regulations were introduced and often partly retracted again:

- Capital holding requirement …

The separated bank system was first originally introduced 1932 and 1933 out of the experiences of the "Great Depression" in the US in two steps with the Glass-Steagal Act. Bill Clinton abandoned the separated bank system in 1999 in the course of his massive deregulation policy. Deregulation followed an enormous bank concentration as shown in the founding of Citigroup. The crisis potential that detonated in 2007 was created through speculative investment banking. With the "Wall Street reform" on the basis of the Dodd-Frank law, Barack Obama restructured the separation of commercial banks from investment banking with the Volcker Rule named after Paul Volcker. Today, Donald Trump is carrying out a withdrawal with his Trumponomics serving the principle

"America first." The renewed deregulation of the banking system in the US is at the top of his agenda. A "proportional regulation" could be a first step.

- Several types of derivatives suddenly prove to be highly toxic. These derivatives have nothing to do with financing real economic production.

Politics concentrated on taming these betting instruments through different regulations and prohibitions. Securitization is a popular method of "financial alchemists" for creating derivatives. A bundle of claims from credits is packaged in negotiable securities according to installments ("asset-backed securities"). The "Collateralized Debt Obligation" (CDO) is one example. This derivative was notoriously described as "Mortgage Backed Security" (MBS), negotiable securities based on a pool of inferior mortgage loans. These MBS that burst on account of their trifling creditworthiness encouraged the financial crisis since 2007. The mockery about "stupid German bankers" who purchased these securities without assessing the risks made the rounds. The lesson about the crisis proclivity of derivatives seems repressed in the last years. Even the European Central Bank has these securitization products on their balance sheet in the scope of its debt-buy back- program. The risks for the whole financial system increase if the derivatives become worthless. Clear rules with conditions and controls must be deployed to deactivate these "financial weapons of mass destruction" (George Soros).

- Rating agencies with their assessments on the creditworthiness of the financial markets are vigorously criticized.

The Big Three that command 90% of the market oligopolistically are in the center: Standard & Pours (S&P), Moody's and the Fitch Group …The most recent financial market crisis teaches that the rating agencies blatantly failed in reducing information asymmetries at the expense of buyers of financial market products. Very risky financial products fabricated by investment banks later proved to be toxic and were given positive ratings against their better judgment. These rating services were paid by the institutions that created the financial market products and had an interest in their sale. Extreme competition over well-paid ratings led to market failure on account of manipulative conduct. Partly negative ratings for states referring to their indebtedness instruments worsened the crisis. The speculators who bet on a price drop of government bonds were the winners. However, the lessons from these negative experiences did not lead to strict regulation.

- High-Frequency Trading (HFT) on the basis of extremely fast high-performance computers was developed to aggressively accelerate crises. Algorithmic trading systems process information in fractions of seconds. One advantage is that price differences on the markets can be exploited very quickly. HFT is defined by market data and market

access. A completely uncontrolled high-frequency trading tends to irrationalize securities trading. Thus, the possibility of triggering a "flash crash," an extremely fast fall of prices, is intensified by high-frequency trading. Countering the irrationalization of trade and affirming contracts are tasks in regulating the trading system.

Installed volatility brakes should limit the erratic swings of prices. The advantages for the whole system in facilitating more liquidity cannot be confirmed. That these systems must be regulated is uncontested. The danger is great that the algorithms of fast traders will be spied out … Unfortunately, there has been a decreasing interest in limiting the dangerous high-frequency trading. The risk of gigantic price fluctuations with brutal crashes ("flash crash") increases.

The introduction of a financial transactions tax (FTT) to slow down trading with risk instruments was intensively discussed before the outbreak of the latest financial market crisis. Governments now shy away from introducing the FTT although ten member states of the European Union resolved a speedy introduction in the last years. The extremely low tax rates of 0.1% on stock transactions and 0.01% on traded financial derivatives could bring 22 billion euros annually …

Two goals are envisioned. Firstly, the speculative transactions destabilizing the financial markets could be pushed back. Secondly, trading volume is still a productive revenue source. This is more than only throwing "sand in the machine" (James Tobin). Poverty could be fought from the revenue ("tax against poverty"). The miserable history of preventing the FTT is proof how politics is determined by the narrow-minded economic interests of financial market profiteers without regard to systemic damage.

- Important lessons from the crash of the banks were drawn in the last years in one area. Banks were supported by public bailout funds made available by the state in the US and Germany when banks in threatened insolvency were rated as "too big to fail." In these "bailouts," the losses were socialized by state money … In the EU, work on a bank union was advanced …

A bank union could bring stability and trust. As a deficit, there is no lever to prevent monopolist bank centers of power that do not obey the regulatory rules.

5. Warnings of a new financial market crisis increase.

No serious experts deny that a new financial market crisis threatens. The number of warnings of experts and actors of the next financial market crisis is great. George Soros, the multimillionaire and expert of this casino capitalism, sees many signs of a new crisis. Even Ben Bernanke, the former director of the US Federal Reserve, sees a bubble on the financial markets that could burst soon. Timothy Geithner, Treasury secretary

under President Barack Obama and previously CEO of the Federal Reserve Bank of New York, was responsible for several important decisions during the 2008 financial meltdown. Now he agrees with the warnings. Henry Paulson, former Treasury secretary under G. W. Bush from 2006 to 2009, deplores a terrible "amnesia," a collective loss of memory "about what we went through." Suitable "instruments" for avoiding crises were lacking … With Anat Admati, Martin Hellwig, director and member of the Max Planck Institute for Community Research in Bonn wrote the book "The Bankers' New Clothes: What Went Wrong and Must Change with the Banks" (2013) warns: "Something like this can happen again at any time.

Two essential reasons for the return of a "monetary Big Bang" are the compromises with the bank lobby and the inaccuracy of regulatory instruments. In addition, there was an insidious revocation of the commands and prohibitions in the financial market system. Instead of reducing manifest inefficiencies and injustices, an all-out attack threatens against the measures for taming the financial markets. A regulatory pause is not possible. New risks are superimposed on the sins of the past. These new risks that must be contained through an active control policy are:

- The debts of states and businesses according to IMF data have risen worldwide to $164 trillion, 225% of the global economic output. Euro countries registered a debt expansion from 25% to 40% of the gross domestic product from 2007 to 2016. In the US, the debt rate grew 43% to 108% (2016, $48.1 trillion). In China, the huge mountain of debts rose 1,400% to $25.2 trillion from 2010 to 2016. The debts in China's business sector alone are $20 trillion … If a deep recession occurs, the debt structure will collapse. Risks result from the composition of the debts and not only from the absolute amount. A dramatic increase of "rotten credits" (non-performing loans) is undeniable … The smoldering fire can quickly cause a major fire on the financial markets.

- The crisis danger from the huge mountain of debts is intensified by a new alarming challenge

The risk in changing the interest-rate must be tackled after the long-lasting low-interest phase of many central banks. There are many signs that the interest rates on the money- and capital markets are related. Central banks play a key role in changing the interest. In two steps, the US Federal Reserve has already raised the key interest rate for the money supply from 1.75% to 2% ... If finance capital streamed into the US dollar realm, a devaluation of the US dollar compared to the euro will bring great changes. Export advantages through the euro devaluation will increase Germany's balance of trade surplus and deepen the US balance of trade deficit.

Then, Donald Trump will tell stories more aggressively about targeted currency manipulation against the US. Intensified "America First" protectionism must be expected. The risks on the financial markets increase since the interest-rate differences

between the euro and dollar zones were long exploited in special speculative transactions. In the center are “currency trades” that are massively used now by hedge funds. With leveraging through foreign financing, credits were taken at low-interest rates in low-interest countries and profitable government bonds purchased in the US.

- The old and new risks of a financial market crisis are intensified by the alarmingly greater impatience of shadow banks.

According to the definition of the German Central Bank, shadow banks are “financial market actors who do not belong to the group of regulated banks” and are not subject to legal monitoring. Money-market funds, open and closed investment funds and other financial institutes like securitized conduits, security traders, credit-granting corporations, credit- and insurance activities, company-owned, financial institutions and sponsors (particularly. holding companies) are included in this definition. The highly concentrated hedge funds that gather investor money and promise profits from profitable investments as a return favor are active in the shadows of regulated banks. The shadow banks have expanded as a reaction to the newly introduced regulations of the public banking sector. Indicator sales and managed financial assets verify the flight into the shadows of the regulated banking world.

Shadow banks have used possibilities for tax fraud. Business locations in tax havens like Ireland, Delaware, the Cayman Islands or Jersey in the Canary Islands are often mentioned. The question about risks concentrated in the shadow banking realm is complex. Altogether the sales volume of shadow banks grows faster than the overall economy. At the end of 2016, the business volume was estimated at $9.6 trillion.

The crisis causes slumbering in this market logic, at least partly tamed by regulations after 2007, are revived in the shadow banks. The danger of a panic-inducing withdrawal of funds can quickly lead to collapse. Money-market funds will be closed for the short-term on account of the run of investors after the latest financial market crisis begins.

Another risk results from the transformation of money invested in the short-term into long-term credits. Risks of failure are manifest when speculative capital-holding transactions occur … Collapses in the shadow banks quickly spill over to the whole system. The shadow banks lack fiscal protection: no access to central bank money, no possibility of money creation, no legally regulated safeguarding of invested capital and no funds from the public in case of insolvency. With their high risks, shadow banks must be regulated and controlled. The whole financial system can be stabilized this way. With their extremely risky transactions, shadow banks create a potential for a new massive financial market crisis straining the total economy and the state, as recent history teaches.

Conclusion: Financial Market Crisis and the Way Ahead

The latest financial market crisis with the intensified signal of the Lehman Brothers insolvency on September 15, 2008 led to deep shocks or shockwaves in politics and the economy. At least in politics, the ideology of unfettered financial markets generating prosperity was first abandoned. Market fundamentalist policy that rejected creative state interventions fell in this suction. Bailout programs in the billions for the banks and previously tabooed economic programs with labor market stipulations were put on the table. Even the market-optimistic majority-media suddenly switched over to the crisis susceptibility of the financial system.

The deficient reporting about early crisis signs before 2008 was part of the failure of the media. For that reason, the Lehman Brothers bankruptcy could only be seen as a completely unexpected fateful blow appearing from nowhere. Prevailing mainstream economics could not be shaken in its neoliberal ideology by the shock of collapsing financial markets. When causes of crises were named, they were exogenous shocks like state interventions, not the endogenous destructive forces of the financial market dynamic.

Politics reacted to the latest financial crash with onerous burdens for the whole economy. Demands were made nationally, internationally, and through the EU in the following years: a professional crisis management, stronger protection of the banks against losses with their own capital, the participation of private administration in bank transactions and many measures for regulating speculation instruments and techniques on the financial markets. Even after ten years, the proposals were often not carried out in detail. Therefore, the crisis dynamic could not be neutralized in its total effect. One reason is the powerful lobby for the financial markets in regulative processes. The claim of over-regulation was used to carry out backward-oriented corrections. The rediscovery of unfettered financial markets in the US occurs through Donald Trump. The Dodd-Frank Act for financial market regulation is being dismantled. New risks are added to the old causes of crisis that persist. The worldwide shadow banks that successfully escaped the regu9laterd banking sector are at the center.

Up to today, the search for the economic causes of the most recent financial market crisis has been too simplistic. Regulations of the institutes and instruments are undoubtedly necessary but not sufficient. The reasons for money-capital seeking investments on the financial markets must be identified. Where does the money-capital come from that floods the financial markets and leads to the creation of the new investment instruments? One answer is in the growing concentration of wealth and wealth revenues. Funds are steered to the financial markets, not to financing private and public material investments. This includes businesses hurrying to the gambling table of international casino capitalism on account of the low and uncertain profits for material investments. Comparatively high profits are offered there while the risks of specially created speculation instruments are obscured. The result is over-saving; insufficient money flows to finance political-economic projects.

Is there a way out of the dynamic of the financial market crisis? Yes; wealth and income must be reduced through redistribution. Real economic production through consumption could be strengthened, particularly by low income persons along with the urgently necessary expansion of public investments. The pressure of the financial streams on the financial markets could be reduced by a far-reaching redistribution on one hand and strengthening sustainable economies on the other hand.

In the past, the prevailing mainstream policy concentrated much too little on the causes of the expanding financial volume. Instead, dependence on the financial markets increased through changes in the social system. The legally created dependence of pension payments on the financial markets should be recalled. Removing a momentous system-error of politics is vital. In the course of the system change of the pension system above all by the Schroeder government with Walter Riester, the legal pensions were systematically reduced so much that a private capital supply became necessary for the existential security of seniors.

The great euphoria about financial markets misunderstood as ultra-stable prevailed when this dependence on private capital supply was legally created. Experiences with the crisis susceptibility of financial markets over ten years teach that legal security systems must be freed from dependence on capital markets. As the concept of the social market economy teaches, social risks arising through no fault of our own that cannot be overcome from our own strength must be governmentally cushioned in a wage-centered society. As reality shows, the Riester pensions financed out of tax revenues cannot heal this fundamental system error. Avoiding a new crisis is vital since a new financial market crisis would deeply shake political conditions and damage parliamentary democracy. An extensive study of the "Institute for World Economics" (Kiel) repeats this warning after analyzing 20 countries since 1870 ("Going to Extremes: Politics after Financial Crises, 1870-2014 in: European Economic Review, 2016, vol. 88).

Through financial crises, the right-wing in its radical configurations gains political significance. The connection of worldwide economic crisis and the rise of National Socialism in the early 1930s are virulent again. Today, Austria with the FPO, Germany with AfD (Alternatives for Germany), the Italian Liga, the Le Pen movement in France and the right-wing of Republicans with Donald Trump are examples of strengthened right-wing populist parties traceable to crises on the financial markets. Financial crises are considered failures of the political system that cannot protect its citizens. This experience is frustrating. Banks can be bailed out with tax revenues while money is not available for "little people."

Victims of the anonymous violence of finance capital may be named. There are a growing number of people who have lost their jobs through the neoliberal business model … In Germany, 40% of the German people, above all the socially weak, have no savings. The financial oligarchy which is slandered as the rule of Judaism foments political hatred. Thus, the task is to deprive the financial markets of their speculative

activities and strengthen the serving or helping financing functions for the economy and society. This benefits economic and democratic stabilization. A future worth living demands civilizing the financial markets through a socially just distribution of income and wealth to contain the infusion of money capital and strengthen the financing of the real economy with sustainable growth.