Who was responsible for the financial crisis that erupted in 2008?

"No shepherd and one herd! Everybody wants the same, everybody is the same: whoever feels different goes voluntarily into a madhouse." (Thus Spoke Zarathustra, Nietzche,)

A crisis, as Pierre Bourdieu once noted, breaks 'the immediate fit between subjective structures and objective structures, [and so] destroys self-evidence practically.' The financial crisis of 2008 typified such logic, in that, from its ruptured diaphragm emerged a blurry chronology of events in which both the cause and culprit of injury were themselves indistinct entities. Indeed, in the chaotic aftermath of the crisis, the 'immediate fit' between the objective and subjective had seemingly dissolved wholly into the latter, as the media accused greedy bankers, corporations and the government of institutionalised malpractice and shady dealings that stretched as far back as the Truman years. Responsibility for the crisis thus fell on multiple identities across several institutions from the local to the global in scale. This essay attempts to revisit these multiple bodies of responsibility and to explore their relevant causality within a crisis that had emerged 'from [the] exceedingly complex interactions...of market failures, global financial and monetary imbalances, inappropriate regulation, weak supervision and poor macro-prudential oversight.' (Fischer, 2009). This paper progresses from the macro to the micro scale, exploring the myriad claims to culpability. Finally, this paper suggests that an onus of responsibility disproportionately placed upon individuals and the human greed complex is intrinsically precarious because outright culpability requires that the subject had free agency and a pre-meditative intent towards creating the outcome. One proposes rather that financial spaces of intense wealth creation are ones in which the body is exposed simultaneously to the distorting polarities of systematised structure and free agency. As Mcdowell and Clark suggest, the demonising, media representation of bankers often fails to account for the imperceptible and affective cultures of imitation and masculinity they are deeply embedded in, and the effects these have on decision making.

The responsibility for the financial crisis that erupted in 2008 adheres to the complexities of space, place and time. Marxist geographer Harvey proposes that culpability for the crisis lies within the postwar expansive politics pursued by the US, in which it actively encouraged Middle Eastern and Asian investors to invest in reliable long-term income US treasury bonds. These investments, as Engelen posits, provided successive administrations with liquidity to fund fiscal and military policies without affecting the domestic interest rate. As such, the US market gradually became inundated with liquid capital, in which financial institutions, propped up by the low rate of borrowing, were able to expand their deposits and loans, and further operations in the more arbitrary systems of collateral debt obligations, credit default swaps and subprime mortgage packages. These complex financial products were, if not actively facilitated, then largely permitted, by the government and regulator under the ethos, as Greenspan would later write: 'that the benefits of broadened home ownership were worth the risk.' There were further political machinations in promoting the expansion of finance into the hinterlands of the US; a facet that places the government firmly in sphere of responsibility. Indeed, a post 9/11, recession-fearing Washington and the Federal Reserve wished to diffuse through the global media images of US consumerism and unscathed, cultural dominance. Low-interest rates, as such facilitated these inflated purchasing powers. Furthermore,the Bush administration had become increasingly immersed in a vision of the 'ownership society', a corollary of Johnson's 'Great Society', in which the poor could benefit from the property bubble by participating in mortgage schemes. As Brenner suggests, these 'low interest rates tempted many homeowners to go deeper into hock by re-mortgaging.'

This wave of cultural optimism, actively supported on ideological terrain, held a somewhat proximate cause to the financial crisis. In essence the Bush administration contributed to the creation of the asset bubbles that, whilst dually maintaining the mirage of a buoyant economy and consumption growth, so too sank large areas of the US economy into further indebted mires. Brenner progresses this mirage further, positing that 'the contrived 'consumption- led' boom in 2002–06 failed to overcome weak profitability and investment.' The maintenance of the boom was made a little easier by cheap Chinese imports, but the vital ingredient in consumer buoyancy was a build-up of unsustainable, personal debts. Governmental responsibility for the crisis further points to structural deficiencies that, having been untended to in the boom years, became toxic under the musk of bust. Squires suggests that the healthy period of low interest rates and available finance prior to the crisis was under utilised by the government whom rather than strategically investing in productive sectors with high export potential, permitted Wall Street the entrepreneurial freedom to capitalise on consumer credit and create a housing bubble. Such line of inquiry holds particularly anarchistic sentiment, suggesting the correspondences between Wall Street and Washington were significant in the genesis of crisis, indeed Ferguson's 'Inside Job' explores the almost incestuous links between Citigroup and the US Federal Reserve. The glut of liquidity- afforded by foreign treasury bond investments - diffused from the financial intermediary regions of New York, California and Washington, and progressed to create regions of intense indebtedness in the US Sunbelt and Rustbelt corridor. As Wojcik proposes, the glut was further facilitated by a New York-London transatlantic axis with both serving as platforms for firms and individuals, and as social and cultural milieus in which 'the types of behavior – an explosive combination of hubris and complacency - fuelling the crisis flourished.' (Wojcik, 2012).

Such spaces of wealth creation, facilitated by the media, institutionalised and normalised the individual experience of living-beyond-means, reproducing the structure that renders the agency of the consumer to the wanton lulls of the crowd. That the responsibility for the financial crisis lies with the regulators holds polyvalence within political circles. Financial deregulation undertaken by the US and UK created the optimal conditions for the emergence of a shadowy banking system, trading in suspect financial products. Indeed this 'hidden' system expanded rapidly in the 1990s and 2000's after several significant regulatory upheavals; the Clinton administration's repeal of Glass-Steagall Act allowing deposit taking banks to develop investment banking branches, the Commodity Futures Modernization Act of 2000 leaving derivatives and OTC markets unregulated; and the Financial Services Authority in the UK maintaining a flexible regulation regime, relying on self-regulation. As corollary to the subsequent relaxation and casualisation of finance, leveraging within reputed firms such as Goldman Sachs and the Lehman Brothers became increasingly detached from the realities of risk and default; the somewhat captured regulator enabled banks to hold debt-to-equity rations as high as 30:1. These regulatory failings were compounded by a culture of mutual patronage between the rating agencies and investment banks in which high but falsely rated collateral debt obligations were sold to institutional investors.

The media representation of City bankers as a guilty and reckless class of self-aggrandizers, pigs as it were, 'gorging themselves in troughs of money' became increasingly disseminated in the immediate aftermath of the financial crisis. (Castree, 2005) Such stirring of mass resentment was natural retaliation to a crisis that had left several hundred thousand US lower and middle income households in a state of property foreclosure and homelessness, and had dissolved the global pension and saving funds of several millions more. The complex financial algorithms and instruments afforded to such outcomes, such as subprime mortgage packages and Collateral Debt Obligations, were

indelibly inculcated in the rapidity with which the crisis and its pathogen diffused to the global[1]. French et al. propose that the involvement of global banks in these financial products and the related processes of securitisation, repackaging and reselling created 'intricate webs of spatial interdependency', wherein layers and layers of promises to pay were piled and piled between financial intermediaries in endlessly elastic ways. (French, S., Leyshon, A., Thrift, N. 2009)

Collateral debt obligations refers to the act of packaging and selling mortgage-backed securities to institutional investors. Hypothetically, the bank behaved as financial intermediary between the pension fund and household mortgage holder, and mitigated the risk of the latter defaulting by mode of diversification and a dissipating of the individual risk throughout the entire market. Indeed these complex forms of intermediation evolved out of a fervent belief in the super-structure of the market and its accommodation of capital-minimising, aggressive growers. As Blackburn posits, 'the investment banks were playing a fast-moving game of 'pass the parcel'. According to breathless 'flat world' accounts of globalization, loans could be bought one day, packaged overnight in India, and sold on to institutional investors the next day. The sooner the sale, the better the risk profile.' (Blackburn, 2008) The responsibility for the crisis thus lies structurally embedded in a global financial system attuned to the immense possibilities of wealth accumulation on an incessant, 24 hour basis. Such a system fostered an identity in financiers of transnationalism, indeed a sense of very much being the 'masters of the universe.' However, it was this very hubris - the ideological premise of the unfalteringly expansive, efficient and elastic market - that somewhat lured entire institutions into a limbo of disreality, from which many, much like the beached fisherman after a tsunami, emerged despondent.

As Clark elicits however, responsibility for the crisis lies not so much in the ideological hubris of individual traders, but rather in cultural hubris. That 'social roles and relationships make a difference to the consistency of decision making under risk and uncertainty' is evident in the boom and bust nature of capitalism. However Clark furthers this to suggest that imitation was a significant catalyst of crisis, in that 'where CDOs were first taken up by US institutions, investors around the world imitated the actions' placing blind faith in 'those that claimed a risk-and-return premium on such investment.' These investors however, far from foolhardy, engaged in less transparent products as a result of a 'decline in the equity premiums in developed economies' securities markets...and the technology, Media and Communications (tMt) bubble.' (Clark, 2011) Thus the responsibility for the crisis, much like the dissipated risk within the market, is far from being easily placed upon a single entity. Rather, responsibility lies in the overarching cultures and structures of shared assumptions and continuous accumulation with little respite for deliberation. In Blackburn's words, this collective irrationality, from which the crisis precipitated, occurs, once finance 'is unaccountable and...becomes sovereign in the capital re-allocation process,' grabbing the 'lion's share of the gains it makes possible, including anticipated gains before they have been realised.'

Subprime lending was at the fore of this 'accumulation by dispossession' (Harvey) capitalist culture. It was a financial act that, at its simplest, referred to the lending of a mortgage to a borrower with poor credit. Aalbers however furthered this to suggest that subprime practices underwent a devolution in the prelude to crisis. The market, flourishing under deregulation and the relaxation of lender laws, became 'more predatory with teaser rates designed to entice vulnerable and unsophisticated borrowers' into a system of high premiums. The geography of vulnerability was often highly gendered and stratified along racial lines, with African–Americans in relative terms receiving more than twice as many

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[1] Schumpeter suggests that the stock-market falls following the crisis were secondary to the impact on the banks, which in turn reflected the bursting of a credit bubble. The Juglar Cycle theory, he further proposes, showed signs of awakening in 2008 from its Great Crash dormancy: a cycle which begins with a financial crisis and credit famine and proceeds to take a toll on industry and agriculture.

high-priced loans as Whites. (Schloemer et al. 2006) Furthermore, the loans became concentrated within low-income populations, often living in areas with high unemployment, declining house values, and a lack of previous financial dealings. In essence, these small town hinterlands of the US became the sites of capital extraction for an intensely hierarchical and exploitative corporate, capitalist system. Empirical hindsight suggests that, having locked in borrowers, many bank and non-bank lenders aggressively exercised their control over chameleonic interest rates to increase the likeliness of default, and thus provide the portents for subsequent repossession and asset stripping. The culpability for the outbreak of crisis as such lies in these unregulated and institutionalised structures of microeconomic predation and of high-density, low-value transfers between the asymmetrically-informed lender and its borrower. The proliferation of these micro-mortgage transfers reciprocally funded and were funded by financial branches involved in Collateral debt obligations. Financialization further fostered a corporate culture of ephemera and short-termism in which lenders increasingly saw themselves as chance collections of assets which, as circumstances change, must be continually broken up and reconfigured to market demands. Such short-termism was, as Mcdowell proposes, part and and parcel of a financial 'arena riven by sexualized and gendered scripts,' one occupied territorially by testosterone-fuelled chancers with stag-like, predatorial gaits.(Mcdowell, 2010) Under such a hierarchical structure, the participation in risk was actively fostered, thus the clear-cut question of culpability is rendered problematic.

Responsibility for the financial crisis of 2008 fell on multiple identities across several institutions from the local to the global in scale. Their relevant causalities continually resurface in the discourse of economic geography, suggesting if anything, that culpability remains indistinct, embedded within human-constructed cultures and structures. Such focus in the intangible realm of structures and cultures does not however attempt to protract from the immediacy with which one can identify responsible actors. Indeed, it is evident that collusive and corrupting correspondences between the US government, consumers, regulators, and the financial corporations on Wall Street were shadily afoot at the beginning of the crisis. Similarly the identification of responsible people is manifest; Greenspan, Clinton, Bush, Goodwin, Paulsen. In a crisis that had resulted 'from exceedingly complex interactions...of market failures, global financial and monetary imbalances, inappropriate regulation, weak supervision and poor macro-prudential oversight,' there are myriad culpable actors. Rather, this paper has attempted to show the subtle complexities inherently that render the discovery of a clear-cut culprit problematic. As Marx would write 'Men make their own history...not under circumstances chosen by themselves.' Similarly financial markets make their own history...but not under circumstances chosen by themselves.

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