*Journal of Social Science Education*
Volume 9, Number 1, 2010, pp. 5–19

ISSN 1618-5293

Thorsten Hippe

# Exploring the Abyss. The Financial Crisis of 2008 ff. as a Central Topic of Problem-Centered Social Science Education

The financial crisis of 2008 ff. and financial crises in general should be a central topic of social science education because these crises are a recurrent and therefore structural feature of modern capitalism which has severe consequences for citizens' quality of life. Hence, the citizenry should know how to prevent such developments which endanger its well-being in a massive way. Therefore, learners should understand the relationship between the quality of people's everyday lives and those economic institutions and political decisions which have led to the current mess. They should be enabled to critically evaluate the current misregulation of the financial sector and the economy in order to identify possible policy measures to prevent or at least to mitigate future crises. By educating (young) citizens in this way, the (future) general public can – as a necessary counterweight to the lobbyism of the finance industry – exert more prudent political pressure which gives politicians a greater incentive to regulate the financial sector and the economy in a manner which is beneficial for the vast majority of the people instead of for a small elite. Two core concepts of the social sciences can be used to make the roots of the seemingly complex topic more understandable for learners: liability and inequality.

In 2008, the global economic system was shaken to its core by an unexpected financial crisis. After the bankruptcy of the investment bank Lehman Brothers, it even stood at the brink of collapse[1]. The credit chains, which are the steam engines of modern capitalism (Strobl 2010, forthcoming) were almost completely destroyed by deep mistrust, fear and bank runs like those during the Great Depression in the early 1930s. Indeed, the situation got so severe that many Western governments felt compelled to publicly reassure their citizens that the government would "guarantee" their savings accounts.

Fortunately, governments and central banks did not repeat the political mistakes made by their predecessors at the beginning of the Great Depression 80 years ago. This time, Keynesian emergency measures were passed immediately which at least prevented the worst, so that – not even two years after the Lehman bankruptcy – the financial crisis seems to be almost over today. Stock prices are on the rise again; economic growth seems to have been restored. Some countries like Germany even dare to talk about a "job miracle." Which was initially feared to develop into a long-lasting depression as those in the 1930s, revealed itself as not much more than a (grave) recession which is part of the normal business cycle.

## 1. The importance of the financial crisis for social science education

So why should one take up this issue as a subject of social science education? Hasn't the response to the financial crisis shown that we – or to be more precise: our political representatives – have learned very well out of history? Hasn't their effective response to the financial crisis proved that we can rely on our political elites to handle complex matters for us? Why frighten and bother pupils and teachers with such complicated and intricate topics like these strange "toxic financial products" which in the end even leading bank managers themselves did not fully understand? Isn't it more important to devote scarce teaching time to basic issues like the functioning of democracy and issues which have a direct relationship to the everyday lives of pupils (consumer education, conflict mediation, job search training, etc.)?

### 1.1 Financial crises have a massive impact on citizens' quality of life

From my point of view, such an objection would be misleading. An important task of social science education is to widen learners' horizon beyond their *immediate* personal interests and their private everyday environment (Klafki 1996, 166f.), so that issues concerning the national, European and global citizenry come into view. As Ziehe (2004) argues[2], the teacher has to be a kind of "cicerone" whose task is to stimulate pupils' interest for life-worlds which are beyond pupils' *immediate* concerns. For the quality of learners' own life is not only dependent on their competence to get a nice job, to spend their income prudently and to live in harmonious social networks, etc. Their quality of life is also – as the financial crisis dramatically shows – dependent on the institutional frame, social conventions and the social structure of the society in which they live. Hence, as Mikl-Horke (2010) makes clear, *"it does not suffice to spread practical skills in han-*

1 See http://vodpod.com/watch/2940946-video-geithner-economy-stood-at-the-brink-of-collapse (04.05.2010)

2 See http://www.hibb.hamburg.de/index.php/article/detail/3999 (12.05.2010)

*dling money, offering financial literacy to the masses... Financial knowledge must encompass a consideration for the larger effects of financial markets on society and on culture."* So learners should understand the relationship between (the quality of) their everyday lives on the one hand and (alternative) political decisions which shape institutions, conventions and norms (f.e. those prevailing in the financial market) on the other hand, i.e. the direct and the indirect influence the latter has on the former.

Moreover, learners should not just understand how national, European and global societies function, but they should also be able to critically evaluate the current institutions, social structures and norms of these societies. This means that they should be able to develop an own opinion concerning the question of whether current institutions, structures and norms (f.e. those prevailing in financial markets) are conducive to citizens' quality of life. Of course, this opinion should not be based on arbitrary personal feelings and prejudices, but on sound criteria like human dignity, justice, efficiency, legitimacy etc. as well as on scientific theories and empirical analyses. Thus, social science education should train learners' competence to identify and call into question those current societal institutions, conventions and structures which may have a detrimental impact on citizens' quality of life. Social science education should also consider political alternatives to current institutions, conventions, and structures which may have the potential to further citizens' quality of life. This does not mean that I expect educated citizens to build a "paradise on earth", which is impossible. Rather, I just argue that citizens should be given a chance to know how they can at least mitigate the harmful effects of current major societal problems (like f.e. global warming, terrorism, the financial crisis), i.e. to analyze which individual, communal and political actions can prevent these problems from turning their world (or parts of it) into a "hell".

The financial crisis has forcefully shown how important this competence is, because it demonstrates that citizens cannot uncritically rely on political and economic elites to promote or even to protect public welfare (see f.e. Müller 2010, who documents the failure of politicians to regulate and supervise the financial sector appropriately). So, every citizen should have a basic understanding of the huge dangers still hidden in the modern financial sector, which brought the world to the brink of an "abyss", as German treasury secretary Steinbrück expressed it.

Rajan (2010, 213ff.) argues that the prevention of severe financial crises in the next decades requires more international macroeconomic coordination in order to reduce global economic imbalances between over-consuming countries (especially the US, the UK, and Spain) and under-consuming countries (especially Germany, Japan, and China). However, so his argument goes, politicians of each country acknowledge the problem in secret conversations, but refuse responsibility and put the blame on other countries. Moreover, politicians are hardly willing to cede sovereignty to global organizations. Therefore Rajan (2010) recommends that international organizations like the International Monetary Fund should no longer appeal only to politicians but should try to educate countries' *citizens* about the hidden fractures of the global economy (and other global problems) and the long-term benefits of global macroeconomic coordination so that they put their politicians under pressure. He urges international organizations to *"find ways to enter school and university classrooms, where students can be most receptive to ideas about global citizenship."(ibidem, 214).* Thus, one important task of social science education is to further students' understanding of global economic challenges, so that they can create a public climate which puts politicians under pressure to be more responsive to the requirements of global economic coordination.

### 1.2 Financial markets are highly susceptible to imbalances

An important didactic consequence of the financial crisis, as Öchs/Kappeler (2010) show, is to refuse to teach market capitalism as a system always tending towards equilibrium as in neoclassical economics. Of course, (regulated) markets often have very beneficial consequences, as f.e. the diverging economic development in Western and Eastern Europe between 1949 and 1989 shows. But unregulated markets – especially financial markets – equally often lead to the built-up of huge economic imbalances. These imbalances and their impact of citizens' quality of life should be a central issue of civic and economic education.

As Kindleberger (2005) and Reinhardt/Rogoff (2009) have shown, financial market imbalances, i.e. the syndrome of "financial manias, panics and crashes" is a not an unusual aberration, but a recurrent, i.e. structural, systemic feature of capitalism. Short human memories make it all too easy for such crises to recur. Time and again during the last eight centuries, the built-up of enormous economic risks was justified by the optimistic "This-Time-Is-Different Syndrome" (Reinhardt/Rogoff 2009), i.e. euphoric overconfidence in jeopardous investments and initially skyrocketing asset prices. Thus, one important task of social science education is at least to make (young) citizens aware of the human propensity to "irrational exuberance" (Shiller 2000), i.e. to misjudge the elusiveness of "asset bubbles", and the long-term consequences of those human failures. Therefore, social science education should – as Ötsch/Kappeler (2010) recommend – call into question the *"naïve representationalism" (ibidem)* of the neoclassic actor concept[3], i.e. the theoretical assumption that average human perception and judgment is free of grave systematic errors. However, it should also not be forgotten that governments often play an important role in encouraging those economic imbalances (Rajan 2010).

### 1.3 The financial crisis is far from being over

The historical analyses of Kindleberger (2005) and Reinhardt/Rogoff (2009) mentioned above make clear that it would be ill-advised to proceed on the assumption that the near future will be free of grave financial crises. Such an assumption would be especially dangerous because it seems that national governments have – by financing the huge bail-outs of the banks and the Keynesian countermeasures in 2009 – shot their fiscal bolt for a long time to come. Government debt of all Western nations has risen significantly as a result of these countermeasures. Hence, it is rather doubtful whether our future governments will have the capacity to spend our way out of such a crisis once again.

Some Western governments seem to be overburdened to handle the crisis already today. At some point in time, with ever increasing government debts, financial markets (i.e. in this case the creditors of governments) can – may it be justified or not – become wary of their ability to pay off their loans and consequently refuse to lend money. In financial markets, those suspicions tend to become self-fulfilling prophecies: if investors *assume* that a government (or other debtor) will probably not be able to serve its debt, interest rates soar, thereby making it more difficult (if not impossible) for the government to get its debt under control. Moreover, the "herd instincts" of financial markets can be as euphoric as they can be nervous and panic-stricken. Thus, suspicion in financial markets may not only be self-fulfilling, but often also – may it be justified or not – highly contagious, i.e. may jump quite easily from one government (or other debtor) to another or from one asset category to another.

Just a few years ago, nobody ever thought that one of the rich Western countries would ever come near to the risk of sovereign default. However, the case of Greece's quasi-insolvency in 2010 has already belied this expectation. Moreover, other countries with similar economic problems – a highly indebted private or public sector – like Portugal, Spain, Ireland and Italy (the so-called "PIIGS" countries) have become infected: "*What we are seeing here is Europe's equivalent of the US subprime crisis."(Münchau 2010)*

However, the government debt crisis is not limited to continental Europe. Some experts do not hesitate to speak of a *"non-negligible risk of sovereign default in the UK and the US"(Buiter 2009)* as a long term consequence of the financial crisis. Nouriel Roubini, one of the few economists who predicted the financial crisis of 2008, recently feared that *"Greece is only the tip of the iceberg, or the canary in the coal mine for a much broader range of fiscal crises. Today it is Greece. Tomorrow it will be Spain, Portugal, Ireland and Iceland. Sooner or later Japan and the US will be at the core of the problem, shaking the global economy."*[4] According to the historical analysis of Reinhardt/Rogoff (2009), financial crises in the private sector are often followed by public debt crises. Thus, the financial crisis is not "over". Rather, it has been (partially) shifted from the private to the public sector.

### 1.4 The epicenter of the financial crisis has shifted to the EU

The huge rescue operation of the EU to "save the Euro" concluded on 9th may 2010 provides no reason to revoke this estimation. The bail-out is – hopefully – an emergency measure to prevent financial turmoil and to buy time but alone is far from being a sustainable solution to the *structural* problems of the Eurozone (Münchau 2010b; Tilford 2010; Wolf 2010).

Seen from the viewpoint of new institutional economics, the rescue operation carries the risks of *increasing* government debt in the mid-to-long-term (Boone/Johnson 2010): Why should politicians of (over)indebted European governments, who need the support of voters (most of whom reject tax increases and benefit cuts), take great pains to contain their debts if other EU countries have guaranteed to foot the bill for them and the ECB is ready to buy their (de facto) junk bonds? This is the important risk of "moral hazard", which can lead to an "overgrazing of the fiscal commons".

This is not to say that fiscal indiscipline is the sole cause of the huge government debts in some European countries. The main part stems from the financial crisis (De Grauwe 2010). But fiscal indiscipline (and cheating) of governments in some European countries is also an important cause of the current problems. Of course, European politicians are promising now that discipline in public spending will be controlled by the EU (Ecofin and EU commission) and all will be good. However, the economic history of the Euro has shown that those "controls" can be all too easily circumvented (Goldman Sachs provides help[5]). The stability and growth pact was not much more than a paper tiger

3 This is not to say that the neoclassic model of "homo oeconomicus" is useless. But social science education should critically examine which social problems can be adequately analyzed with this concept (alone) and those which cannot. There are good reasons to think that the functioning of financial markets cannot be understood well with the concept of "homo oeconomicus" alone (e.g. Akerlof/Shiller 2009).

4 See http://gulfnews.com/business/opinion/us-faces-inflation-or-default-1.622397 (6th may 2010)

5 See f.e. http://www.spiegel.de/international/europe/0,1518,676634,00.html and (13th may 2010)

(and not well constructed). Now, European monetary commissioner Olli Rehn (2010) is promising that in the future, all government budgets will be checked by European Finance Ministers before they are concluded by national parliaments. In other words, European politicians (finance ministers) are (once again) expected to control themselves. We have had something similar to that already before, and it failed. According to Burda/Gerlach (2010), the EU rather needs to set up an *independent* institution to vet fiscal plans of Eurozone governments according to *solid* rules (which cannot be twisted by politicians afterwards) in order to make *credible commitments* instead of vague promises.

What is even more important, it is far from sure that the (promised) austerity measures are the right medicine for the economic problems of the "PIIGS"-countries at all. Seen from a Keynesian perspective, massive budget cuts in time of recessions will (besides provoking public unrest) probably only deepen the crisis, making it difficult to reduce public debt. If governments want to save more, someone else has to spend more money to keep the economy going (Horn et al. 2010; Marterbauer 2010). But in times of economic uncertainty, corporations are hesitant to invest more and consumers are reluctant to spend more. So, if corporations or consumers do not spend more, budget cuts of the state only weaken economic demand, which results in lower tax revenues and more unemployment, so that public debt is unlikely to be reduced. Thus, *"an economy full of thrifty savers cannot flourish for long because nobody can earn income if no one else spends money. We exalt frugality and excoriate borrowing, but in a vibrant economy, you cannot have one without the other."(Rajan 2010, 203)* This is an important, counterintuitive insight called "paradox of thrift", which should be a central part of every social science curriculum, because it can be used to illustrate the fallacy of composition and to show the limits of moralizing, i.e. the fact that private virtues can be public vices. By showing the often overlooked macroeconomic repercussions of microeconomic actions, the paradox of thrift can be used to undeceive the short-sighted, microeconomically restricted and moralizing common sense according to which the immoral state has *"lived beyond its means" (German chancellor Angela Merkel)* and must only have the "moral willpower" to reduce its – morally bemoaned – debt in order to be able to do so. But if many – morally lauded – people want to save huge amounts of money, other actors have to take huge amounts of – morally bemoaned – debt. Otherwise, the economy is in a depression. So, who is "immoral"? Who is "moral"? Who lives far *below* their means?

However, the *structural* problems of the eurozone go deeper (Scharpf 2010). They have to do with the question whether the political project of the Euro (in the current form) really made economic sense at the time it was concluded (Stiglitz 2010). Well-meant is not well-made. As some economists have criticized long before the euro was introduced (e.g. Feldstein 1997), it is doubtful whether the Eurozone is an optimum currency area (e.g. Krugman 2010a-c; Tilford 2010; Scharpf 2010), because it is an economically diverse area with strongly differing economic developments (especially differing wage increases and inflation) in its regions (e.g. Priewe 2007; Dullien, Schwarzer 2005). This is of great importance, because it creates considerable economic challenges and risks. As the skepticism of (f.e.) Paul Krugman shows, who considers the euro as *"A Money Too Far"(Krugman 2010a),* you do not have to be a nationalist enemy of European integration to raise that delicate issue (see also Stiglitz 2010; Williamson 2010; Scharpf 2010) which most European politicians did and do not want to hear, let alone discuss publicly because of ideological reasons.

Thus, the current EU crisis is by far not (only) a question of "Greek culture" and the fiscal indiscipline of Greek's government, as is often assumed. The problems of Portugal, Ireland and especially of Spain do *not* stem from *public* debt as such, but from an overindebted *private* sector in the wake of a gigantic housing boom and bust – *exactly as in the US*. The overindebtedness of the private sector in Ireland, Portugal and Spain threatens the solvency of their banking systems and thereby the solvency of their governments, which have guaranteed to cover up their banks' losses. For example, in Spain, *public* debt stands at 53% of GDP – which is much less than German public debt –, while *private* debt in Spain stands at 178% of GDP (much worse than in the US, where private debt stands at 100% of GDP).[6]

One central reason for the built-up of private overindebtedness in Ireland, Portugal and Spain lies in the construction of the euro-zone (Feldstein 1997; Scharpf 2010; Krugman 2010a-c; Stiglitz 2010; Tilford 2010; Priewe 2007; Williamson 2010). A *single* nominal interest rate set by the European Central Bank (ECB) (which can only target EU average inflation because it cannot differentiate its interest rate) for an economically diverse area with different inflation rates (as is the Eurozone) creates the risk of strongly diverging *real* interest rates, so that the European wide nominal interest rate of the ECB is (was) too low for some countries (f.e. Spain) and too high for others (f.e. Germany) (see f.e. Scharpf 2010; Enderlein 2004; Heine, Herr 2009, 205ff.). This gives rise to problematic economic developments, because diverging economic developments are even reinforced. Thus, the main reason for the mind-boggling housing boom in Spain in the last 10-15 years and, as a result, the bust of that boom and Spains' current economic woes (overindebtedness of

6 See http://www.ft.com/cms/s/0/4a327412-78b7-11df-a312-00144feabdc0.html (26.06.2010)

*Journal of Social Science Education*
Volume 9, Number 1, 2010, pp. 5–19

its private sector and high unemployment) is that the nominal interest rate set by the ECB was much too low for that countries' economy *at that time*. The diverging real interest rates (together with cultural differences) reinforced already diverging inflation rates between southern EU countries like Spain (relatively high inflation) and northern EU countries like Germany (low inflation), so that the competitiveness of the southern countries deteriorated strongly. Today, this massive loss of competitiveness is the decisive obstacle to reduce the high debt of the private sector (e.g. Spain) or of the public sector (e.g. Greece) in southern EU countries (Flassbeck, Spiecker 2010; Boone, Johnson 2010).

What is more, the euro has deactivated an important former adjustment mechanism which would have helped the so-called "PIIGS"-countries (Portugal, Ireland, Italy, Greece, Spain) in the current situation: the devaluation of their currencies (Gloede, Menkhoff 2010). By making their products erstwhile cheaper on the European market, this mechanism had made it much easier for them to overcome economic recessions before the euro was introduced. But today, these countries are forced to cut wages and public spending instead. It is doubtful whether such measures will be successful instead of promoting a deflationary spiral in the EU (Tilford 2010). *"All this is exactly what the euro-skeptics feared. Giving up the ability to adjust exchange rates, they warned, would invite future crises. And it has."(Krugman 2010b)*

Of course, an alternative to competitive deflation in southern EU countries may be to boost economic demand in northern European countries, first and foremost in Germany (Arestis, Horn 2010; Flassbeck, Horn, Dullien 2010; Flassbeck, Spiecker 2010; Posen 2010; Tilford 2010) and to give up its extreme fixation on steadily accumulating huge export surpluses. In the long-term, a coordinated European wage policy oriented to productivity increases (Heine, Herr 2010, 230; Flassbeck, Spiecker 2010; Blomert 2010) may be a measure to contain economic divergences and imbalances. However, the majority of German political and economic elites deny even the possibility that their one-sided economic strategy may be one of the reasons for the current mess. A corresponding change would require a long-term transformation of the economic culture of this country which would possibly have to be not much less radical than the long-term transformation which Greece is expected to perform (from the opposite direction, of course).

The consequence for social science education is to more openly evaluate and critically discuss the pros and cons of the current form of European integration and to consider possible political reforms instead of just depicting and analyzing the history and the institutions of the EU as is done in some textbooks (which is also a very boring way to teach). It is a misleading assumption to think that the task of European civic education would be to promote mere acceptance for the process of European integration among learners. The task of European social science education is not to educate uncritical European apple-shiner. Instead, the task is to promote a differentiated worldview, i.e. to openly evaluate and *critically* discuss major political decisions of European integration with recourse to diverse scientific viewpoints (critical ones, too). It also means to lay bare the economic differences – and particularly the resulting tensions – between the European countries and the considerable problems of economic coordination which these differences create. Instead of creating the fiction of a "harmonious Europe", the structural conflicts between the member countries – and possible solutions for them – have to be analyzed. This will also enable learners to become scientifically informed, critical citizens who can call into question one-sided, self-serving explanations put forward by European politicians for the current economic turmoil ("attack of speculators"). The educational goal should be a *healthy* suspicion towards European politicians and their actions. Then, some dimensions of European integration concluded by politicians may be regarded as beneficial for European citizens, whereas others may reveal themselves as quite problematic.

In general, the aggravation of the financial crisis in the EU during the spring of 2010 has definitely raised the bar for European civic education because the didactic challenges to teach the sense of the EU have risen significantly. As the economic tensions between northern Europe (especially Germany) and southern Europe (especially Greece) have increased, cultural tensions have done also (e.g. Barysch 2010). "Are thrifty German taxpayers being exploited by lavish Greeks?" "Are Greek citizens being oppressed by selfish German fiscal dictatorship?" Such questions may promote euroscepticism which already brought down the EU referenda in the Netherlands and France in 2005. This euroscepticism is not limited to poorly educated citizens, but can also be met among intellectuals. The recent essay of the Dutch author Leon de Winter, who makes a passionate plea for the abolition of the euro, is a case in point (Winter 2010). Social science education would be very poorly advised to demonize or ignore such – politically incorrect, but intellectually stimulating – eurosceptic essays. Rather, the arguments of such texts have to be taken seriously, should be openly discussed in class, and evaluated according to their merits and demerits as well as their truths, half-truths and untruths. These are the texts which can make social science education exciting and, of course, challenging.

This also means that the central goal of European civic education – promoting mutual understanding and respect between citizens from different European countries and cultures – can hardly be achieved without economic education anymore: if the instructor ignores the economic tensions between the countries of the euro-zone or cannot explain their causes appropriately, the teaching becomes implausible or dilettantish. Scientific concepts like the theory of optimal currency areas have to be understood and used (in a simplified form, of course) *"Optimum currency area issues are key to the situation."* (Krugman 2010c). Simple, politically correct lesson plans merely calling for "European solidarity" or just celebrating the variety of European peoples etc. alone will not master the challenge. In order to deal with simplistic, self-serving nationalist prejudices as shown in tabloids, instructors need to be able to explain the economic tensions as a result of a certain, problematic institutional configuration which can be reformed in two directions (Flassbeck, Spiecker 2010; Stiglitz 2010): either in the direction of *partial* disintegration (ibidem, 184; Scharpf 2010; Meyer 2010; Spethmann 2010) or in the direction of reinforced integration (ibidem, 183; Tilford 2010; Dullien, Schwarzer 2005). Social science education should point out these two possibilities and their respective advantages and disadvantages but should leave the *informed* choice to the preferences' of the students.

Thus, European civic education has to become European *economic* education, *too*. It has to be discussed what are the problematic economic consequences of decisions which were strongly dominated by a political logic (e.g. furthering a European identity by introducing the euro) without taking care of economic prerequisites. In a further step, it also has to be investigated what are the political repercussions of these economic consequences. Here, attention to counterintuitive side-effects is important, because the political repercussions may be the opposite of politicians' original, well-intentioned motives (e.g. *declining* solidarity and mutual prejudices between (northern and southern) European citizens because of severe economic tensions produced by the euro, as f.e. some recent reports about allegedly "lavish" Greeks and "Nazi" Germans in Greek/German tabloids show). These tight relationships between European political and economic processes demonstrate the benefits of coordinating European civic and economic education.

### 1.5 The principal-agent problem of financial market regulation

The least one can conclude from the public debt problems of many leading Western countries is that one cannot rely on short-term Keynesian emergency measures once again when the next meltdown of the private financial sector occurs. Hence, it is decisive to implement far-sighted, long-term measures which are well suited to prevent or at least to mitigate the built-up of new systemic risks in the financial sector of the private economy.

However, in stark contrast to the rather successful implementation of fiscal short-term measures, politicians' record concerning preventive long-term measures is rather disappointing up to date. According to Dullien and Herr (2010, 13), who have analyzed the current policy process of devising a new financial market regulation in the EU, the proposals made by the team of experts convoked by the commission (the so-called de Larosière-Group) are not only not sufficient, but are also being dramatically watered down by the commission and the council[7]. The same holds true for the upcoming financial reform bill in the US (e.g. Beck 2010).

"The US financial sector received an unconditional bailout – and is not now facing any kind of meaningful re-regulation. We are setting ourselves up, without question, for another boom based on excessive and reckless risk-taking at the heart of the world's financial system. This can end only one way: badly." (Johnson 2010)

Again, the failure of adequate re-regulation shows the necessity of a *critical* view on (US and European) politics in social science education.

The financial crisis itself was already a result of regulatory, i.e. political failure to the same extent as it was a result of market failure (Rajan 2010). Politics removed or failed to implement those regulatory institutions which are necessary to prevent (financial) markets from becoming self-destructive (Rothstein 2009). Hence, it is important for civic and economic education to further the general insight that markets need a certain institutional embedding in order to protect and promote public welfare.

One important reason for the political failure to regulate financial markets appropriately was – besides regulatory competition between countries and over-confidence of politicians in the supposedly self-correcting forces of markets – lobbyism by actors out of the finance industry, as f.e. Johnson (2009) and Igan, Mishra, Tressel (2010) have shown. Consequently, an important task for interdisciplinary social science education at this point is to demonstrate the mechanisms by which economic power is converted into political power (and vice versa).

The argument above shows – again – that citizens cannot rely on wise, diligent and benevolent politicians doing what is necessary to prevent the next financial crisis. Instead, they are confronted with a principal-agent problem, where the elected agent (politicians) is able to deviate from what is in the long-term interest (i.e. prevention of crises) of the huge majority of the principal (citizenry). To be sure, this constellation is difficult to remedy, but one important reason for this problem is that many citizens lack even a basic understanding of which regulatory decisions

7 See also the report in Der Spiegel 11/2010, 78 – 80.

Journal of Social Science Education
Volume 9, Number 1, 2010, pp. 5–19

concerning the financial sector would be in their long-term interest. Instead, many angry citizens solely focus on psychological aspects like bankers' "greed", on which politicians react by superficial and populist, but ineffective moral condemnation of bankers or by implementing merely symbolic policy measures[8] which aren't very helpful to solve the main problems but instead divert attention from the real causes. So where should the *prudent* public pressure necessary to give politicians an incentive to implement more appropriate measures come from?

Here lies one of the main reasons for educating citizens about the financial crisis. Only knowledgeable citizens will be able, first of all, to recognize that effective prevention is primarily a matter of implementing appropriate *institutions* (and *not only* of punishing personal moral failures). Only knowledgeable citizens will have the competence to adequately understand the causes of the crisis and – with the help of this background – to evaluate political proposals and measures which at least have the potential to mitigate future financial crises in order to give democratically accountable and elected politicians an incentive to implement more appropriate measures.

One could object to this line of reasoning that people are not rational beings and often act as irresponsibly as their political elites and that education cannot change this pattern of behavior of the masses. Of course, social science education (especially because of its rather marginal status in the school curriculum of most countries) will not be able to turn all citizens into fully rational, politically interested and socially responsible beings who are willing to control all governmental actions. But does this mean that social science education should surrender to political fatalism? I do not think so.

Firstly, major governmental decisions in democracies are influenced by public opinion and public awareness (see the empirical studies of Wlezien, Soroka 2004, 2008; Hobolt, Klemmensen 2005, 381; Hobolt, Klemmensen 2008, 311). States with citizenries that regard attentiveness as a civic duty provide more effective governance (see the empirical study of Geissel (2008)). So, there is a good reason for social science education to try to educate public opinion and to raise public attentiveness as far as it is possible. Secondly, many citizens are willing and able to discuss, reflect – and then change – their political viewpoints in the light of scientific arguments (see the empirical studies of Fishkin, Luskin 2005, 290; Luskin, Fishkin, Hahn 2007). Many ordinary citizens are able to deliberate effectively even about technically complex political questions (see the empirical study of Warren & Pearse 2008). These empirical studies give no reason to underestimate the potential effects of rational deliberation on humans' minds. Thirdly, the majority of citizens do not vote irresponsibly in the sense of narrow self-interest, but vote according to what they regard as being in the general interest (Eichenberger, Oberholzer-Gee 1998; Kirchgässner, Feld, Savioz 1999; Frey 2005).

Of course, social science education may probably not alter the fact that a significant part of the citizenry will remain politically apathetic. But there is no *necessity* to stimulate a deep political interest among *all* citizens. It is plausible that a *critical mass* of politically interested and well-educated citizens is often sufficient to influence the public debate and political decisions effectively. So, can social science education really do nothing to induce motivational and cognitive processes in a *critical mass* of learners' brains which may increase their political interest, stimulate their will to inform themselves and make their political opinion more scientifically informed concerning *major* political decisions (like f.e. the prevention / mitigation of future catastrophes in the financial sector)?

## 2. Core concepts to understand the financial crisis

Two further educational objections could be raised against the argument so far. Firstly, it may lead to excessive demands on the intellectual capacities of learners, because the regulation of financial markets seems to be a very complicated matter. The learner may get bogged down in the intricate details of complex financial products instead of understanding basic economic principles. Accordingly, pupils think that the financial crisis can only be understood by "experts", as the investigation of Klee and Lutter (2010) shows. Secondly, even scientific experts seem to have quite different opinions about the ultimate causes of the crisis and the effective preventive countermeasures, so that it would be misleading to propose definite solutions.

### 2.1 Liability

However, both objections are not convincing. Of course, there are various scientific theories concerning the financial crisis of 2008. However, they are not necessarily mutually exclusive and also do partly overlap. This overlap concerns a basic principle of the market economy which is not difficult to understand and therefore can be used to facilitate the learning process. For almost all scientific theories share the conviction – despite controversies concerning *other* arguments – that one important cause of the financial crisis was the violation of a basic principle of a functioning, i.e. *regulated* market economy: liability (e.g. Theurl 2010; Sinn 2009; Baily, Elmendorf, Litan 2008; Hickel 2009; Roubini 2008; Reichmuth, Kappeler. Star-

8 See f.e. http://www.welt.de/wirtschaft/article7006514/Trotz-Bankenabgabe-zahlt-am-Ende-der-Buerger.html (04.05.2010)

batty, Wagschal 2008; Borner, Bodmer 2010; Dullien, Herr, Kellermann 2009; Hellmeyer 2008).

Liability means that an actor has to take responsibility for the economic consequences of his/her decisions and the risks that he/she undertakes instead of passing the buck on someone else or the whole society if things go wrong. Liability is a central pillar of a market economy functioning in the interest of public welfare because without it, economic actors would have no incentive to be economical, i.e. to prevent waste, to prevent unnecessary expenses, but also to be careful enough when considering risky decisions. Liability is an important concept for social science education because it is essential for understanding the institutional conditions under which economies perform well or poorly. Learners should understand the significance of liability because it is of great importance for citizens' quality of life in a society.

So, what has (missing) liability to do with the financial crisis of 2008?

Firstly, a lot of citizens in the US took out mortgages to buy houses despite the fact that they were unsure whether they would be able to pay it back in the future or even knew that they would not be able to pay it back out of their regular earnings. However, they could speculate, i.e. bet on (further) rising house prices which had increased continuously over the last 15 years. With rising house prices, they would be able to sell the house, pay back the mortgage and take in the difference for themselves. Or they could increase the value of their mortgage and so could buy a new car or make a holiday. That was their potential gain. But what risk did the new home owners in the US incur by taking out a mortgage? What would happen if house prices fell below the value of the mortgage and they were unable to pay back their credit? Would the bank have the right to take other property items of the borrowers or a part of their regular earnings in order to offset the negative difference? No, not so in the US: the liability of the mortgage borrowers is severely limited there (which is different to many European countries). This situation of overly limited liability – "Heads I win, tails others (the lenders) lose" – gave borrowers an incentive to ignore the risks inherent in the housing market. This argument is also important to irritate the one-sided, populist stories of the financial crisis in which "greedy" bankers are the *only* culprits. Hence, students' and pupils' conceptions of this kind, which are documented by the empirical investigations of Klee and Lutter (2010) and Schuhen (2010), should be differentiated accordingly.

Secondly, local bankers in the US who sold ("originated") mortgage loans knew that many borrowers would not be able to pay off their loans if house prices fell. Therefore, they did not want to have the credit on their own books and sold the mortgage credit on to larger US banks, who packaged them together under the name of "asset backed securities" (ABS) and sold them on to other, often foreign banks (f.e. *"stupid Germans from Düsseldorf"* as one American investment banker expressed it[9]), which often had no clear idea of the risk which they had bought. Both the originating and the packaging banks in the US earned a fee for selling / packaging these credits, but did not have to bear any loss in the case that the loan would not be paid back. Thus, the liability of a second and third actor, i.e. those of the originating and packaging banks for the risks of the housing market was also severely limited, which gave them an incentive to sell and package as many mortgages as possible (in order to earn fees) without checking the creditworthiness of the borrowers appropriately. This argument is important to deepen pupils' understanding of the crises and to steer their focus from actors' moral failures towards institutional issues. As Klee and Lutter (2010) show, pupils only understand that banks made bad loans, but they do not reasonably explain why banks acted this way. It was not only because of *"irresponsible business behavior"*, as the pupils express it, but also because of certain institutions a) which gave those banks who originated the loans self-interest in doing so and b) which deceived those banks who bought the "asset backed securities" (ABS). The latter will be shown in the following paragraph.

Thirdly, credit rating agencies gave ABS good credit ratings despite the fact that the packages consisted of dubious loans. In order to understand this seeming contradiction, one must know that the credit rating agencies are paid for their work (giving grades) by the banks who wanted to *sell* the ABS. One can draw an analogy between this actor constellation and a (fictive) situation where a teachers' salary would be dependent upon (conditional) payments by the parents of their pupils in his class. It is not too difficult to imagine what the effect on the grades would be. Now, what has this to do with liability? Under current law, credit rating agencies do not have to fear lawsuits by investors who relied on the agencies' grades in good faith and therefore bought the ABS, but had to bear the losses. This means that credit rating agencies do not have to assume any legal liability for giving too "rosy" grades which deceive investors[10]. Thus, the liability of a fourth actor (credit rating agencies) was severely limited, which also gave them an incentive to overlook the risks of ABS.

---

9 See the article "Stupid Germans". In: Wirtschaftswoche 26th april 2010, page 81-86.

10 See Mauro Bussani (2009): Credit Rating Agencies. The Accountability Challenge. In OECD: The Global Standard Blog. https://community.oecd.org/community/gcls/blog/2009/07/07/credit-rating-agencies-the-accountability-challenge and Thomas Straubhaar (2010): Why rating agencies should be flogged. http://www.spiegel.de/wirtschaft/unternehmen/0,1518,692607,00.html (06.05.2010)

Fourthly, Klee and Lutter (2010) show that pupils' actor concept of "banks" (and probably of corporations in general) is not differentiated enough to explain the behavior of those banks who bought the bad loans. Instead of just talking about "banks", one has to differentiate between three actors to fully understand the dynamics of the system: bank managers, bank owners (i.e. shareholders = mostly investment funds) and the customers of the investment funds. The consideration of the latter group means that – as also Deutschmann (2010) stresses – ordinary people and not only "greedy bankers" are also (indirectly) involved in the mess. This is especially important because the public discourse focuses way too much on "greedy" bank managers with their bonuses while neglecting the role of the shareholders (investment funds and their customers).

Banks bought ABS because their shareholders – i.e. investment funds who had bought bank stocks – expected or even urged the banks' managers to pursue high yielding investment strategies. Of course, every financial expert should know that investment products with higher returns also have a higher risk. However, the shareholders (i.e. investment funds) of the banks nevertheless pressurized bank managers to achieve returns as high as possible regardless of the risks associated with such a strategy. Why did / could shareholders (i.e. investment funds) neglect the risk? Again, the reason is overly limited liability (in this case of the shareholders, i.e. investment funds). Sinn (2009, 83ff.) argues that the liability of the banks' shareholders was limited much too strongly because they have to bear only a very small part of the losses potentially associated with the risky business strategies of the banks whereas they would reap all of the huge potential gains (see also Rajan 2010, 147f. and Fox 2010). Shareholders' liability was (and is) overly limited because the so-called "core capital" of the banks (which can be understood as a contingency fund for the case of severe losses), which the owners (i.e. the shareholders = investment funds) have to pay in, was much too low. Thus, for the shareholder, the situation was like "Heads we make huge profits, tails other creditors (or in the end, the tax-payer) will bear the bulk of the losses." Instead of bolstering the contingency funds adequately, shareholders urged bank managers to reduce the contingency funds as much as possible and to pay out as much money as possible to them (via dividends, share buy-backs etc.).

A further reason why investment funds neglect(ed) the risks, which also refers to the category of liability, is put forward by Windolf (2008). He argues that (the managers of the) investment funds are "owners without risks", i.e. owners of corporations (f.e. banks) who have bought their shares and therefore have the right and capacity to influence the business strategy of these corporations (especially by demanding business strategies with high returns regardless of the risks). This influence is mediated by "voice" (direct demands) and/or "exit/entry" (selling shares of corporations who do not fulfill their claims and buying those of others who do). At the same time however, it is not the managers of the funds themselves who bear the risks of their own demands: the investment fund managers bear no liability for their risky business strategies. Instead, it is the customers of the investment funds who have to bear potential losses (caused by overly risky business strategies) which manifest themselves in declining share prices.

One could object to this argument that customers would not accept such risks and would choose those investment funds whose managers do not demand risky business strategies from the corporations in which they invest. However, this is not the case. Firstly, because of information asymmetries between the funds' managers and their customers, the latter have hardly any idea about the demands (and their riskiness) which investment funds place on corporations. In contrast to that, they can rather easily evaluate the short-to-medium return of the funds, so that they choose investment funds mainly according to this criterion – and this gives the investment funds, who are in fierce competition, an incentive to focus on maximizing returns, regardless of what this means for (long-term) risks. Secondly, investment funds conceal these risks to customers by arguing that they would reduce risk by global diversification (which most customers find convincing). To be sure, this claim – seen individually – is true, but concerns a completely different kind of risk which has nothing to do with the risk which is produced by demanding skyrocketing returns between 15% and 25% or even more from corporations (among them banks). The latter risk is not reduced by global diversification at all because most investment funds demand such skyrocketing returns from all corporations regardless of whether they operate in America, Europe, Asia or Africa.[11]

Besides the liability issue, learners can see here again that the financial crisis is not only a problem of "greedy bankers", as Deutschmann (2010) points out:

"Without the often naive quest of millions of small investors for maximum profits the business of the investment funds, even their existence, would not have been possible. (...) It seems that the "terror" of the economy, being so vividly complained in certain middle class milieus, goes back to a considerable degree to the well developed financial instincts of the very middle class individuals themselves. In other words, it is not farfetched to assume that the often complained

11 A recent case study to illustrate the whole argument can be found here: http://www.blicklog.com/2010/04/30/eine-ursache-der-finanzkrise-macht-durch-kritik-an-der-credit-suisse-deutlich/ (6th may 2010)

negative phenomena of financial capitalism may be interpreted partly as the unintended collective result of individual investor action."

Thus, by understanding the problematic consequences which result from the intense competition between the investment funds and their pressure on the managers of banks/corporations, learners can also see possible advantages of different kind of funds which pursue ethical / socially responsible investment (SRI) strategies instead of maximizing (short-to-medium-term) profits at all cost. Learners should at least realize that there are alternative economic criteria to judge investment options (see f.e. the lesson plan of Kaiser 2010).

The four examples given above illustrate the importance of the concept liability for teaching about the financial crisis. Further important examples like limiting the liability of banks by bailing them out with tax-payers' money, and the potential consequences of the resulting "too-big-to-fail"-mentality of the banks – even more risky behavior in the future – could be easily invoked (Rajan 2010, 148ff.). Unfortunately, the concept of liability plays no role in pupils' explanation of the financial crisis who were interviewed by Klee and Lutter (2010) and in the explanations given by the majority of the students who were surveyed by Schuhen (2010). Thus, social science education should introduce learners to this basic concept in order to deepen their understanding of the causes of the crisis.

This is especially important because the concept of liability is not only a special tool for understanding the financial crisis, but is of *general* importance for economic education, because this concept can be applied to a lot of other economic contexts in order to understand a range of important problems and phenomenon. One central example for such a phenomenon is the relative economic success of the *regulated* market economies in Western Europe up to 1989 compared to the misery and collapse of state socialism in Eastern Europe. The theory of "soft budget constraints" (which can be expressed as "missing liability") developed by Kornai (1992) has shown that the "soft budget constraints" of state corporations in Eastern Europe, i.e. their missing liability for economic losses (which were always offset by the state) was a central source of the waste and inefficiency as well as the resulting scarcity of goods and services and their often poor quality which were characteristic for the economies in Eastern Europe until 1989. Thus, this example, too, shows how important the concept of liability is for understanding the fundaments of citizens' economic quality of life.

This example, i.e. the relative success of (former) Western market economies with (formerly) strict liability regulation compared to the fate of Eastern state economies without liability regulation is also of direct importance with regard to the conclusions one draws from the financial crisis. For it prevents the learner to throw the baby out with the bath water, i.e. to think that markets resp. the market economy *as such* are responsible for the financial crisis and to conclude that the alleged "chaos" of the market should be better replaced by (allegedly far-sighted) state planning. A significant part of pupils (round about one third) at least in Germany – especially in East Germany – indeed think about the economy in this way (Deutz-Schröder, Schröder 2008). Hence, social science education needs the concept of liability to *convincingly* show that such claims have no scientific basis, i.e. that crisis prevention is not achieved by the abolition of markets but by the right kind of market *regulation* (and maybe also – as some scientific theories (see below) argue – by containing social inequalities and/or pursuing a different kind of monetary policy.)

Unfortunately, despite its huge importance for the economic quality of life of a society, the concept of liability has not been recognized in current educational standards of economic education at all (see the overview in Weber 2005). This is a grave deficit which should be remedied.

## 2.2 Inequality

Of course, this is not to say that the financial crisis can be solely explained by the concept of liability. Other scientific theories suggest two further causes of the crisis, which, however, are more contested in the social sciences than the issue of liability. Both of these two causes are key issues of social science education for a long time, so that a discussion of the financial crisis can be easily coupled to core components of current lesson plans.

On the one hand, some authors (e.g. Taylor 2009) argue that the monetary policy pursued by the FED in the US after 2001 was much too lax, so that low interest rates induced too many citizens to take out mortgages which they could not afford in the long-term.

On the other hand, other authors (e.g. Rajan 2010; Dullien, Herr, Kellermann 2009) argue that the lax monetary policy pursued by the FED was the political consequence of rising social inequality, a very thin social safety-net and therefore rising social insecurity in the US. This has put the FED and (short-sighted) politicians in the US government under intense political pressure to ensure widespread access to easy credit (as a political palliative) and to keep the economy booming at all cost (Rajan 2010). Two measures were applied to achieve this.

Firstly, the FED, which was (and is) under pressure by Congress politicians (Rajan 2010) and whose formal independence is already undermined by close informal connections to the US government (Hellmeyer 2008), held the interest rate at a very low level for a very long time (which triggered the house price inflation and animated the financial sector to seek risky assets with higher return expectations).

Secondly, US politicians used two large government-sponsored private enterprises, known as Fannie and Freddie (which had to be rescued by the government in 2008), and the Community Reinvestment Act to enhance home-ownership among poor people by legally requiring these two enterprises and local banks to allocate increasing quotas of their funding to mortgage loans to poor people (subprime mortgages) (Rajan 2010, 34ff.). Thereby, the delusive vision of an "ownership society", which was built on unsustainable subprime credit, became the substitute for an effective social policy. *"Subprime mortgage lending was the symptom, dwindling economic opportunity for many the cause."(Rajan 2010, 183)* So, these authors place special emphasis on social inequality as an important reason of the financial crisis.

According to the Postkeynesian view (e.g. Dullien, Herr, Kellermann 2009; Horn et al. 2009; Sapir 2009), the strong increase of social inequality in almost all Western countries in the last two decades has made the Western economy vulnerable to the macroeconomic problem of insufficient demand, because higher income groups save a relatively high fraction of their income, whereas lower income groups spend a relatively high fraction or even all of their earned money. Normally, this situation would have resulted in (very) weak economic growth. However, this problem was temporarily compensated in the US and UK by a massive increase of debt in the private household sector (especially in poor households), which increased economic demand and thereby created jobs. *„The US economy maintained a high rate of economic growth by substituting (mortgage) credit for labor income." (Sapir 2009)*

In continental Europe, the problem of insufficient demand (and unemployment) was more severe because it was not accompanied (because of cultural reasons and more stringent regulation of bank lending) by rising indebtedness of the private sector as in the US. However, even here the problem was mitigated (especially in Germany) by an export boom (made possible by wage moderation). But this export boom was made possible by the debt-financed boom in countries like the US, the UK, Spain etc.

Hence, according to this theory, rising and unsustainable indebtedness has concealed a distributional problem of financial capitalism for some time, which may not only be regarded as problematic seen from social justice, but which also creates macroeconomic dysfunctions. So, these authors – as does Deutschmann in this issue – call for policy measures which contain rising inequality and which reduce the addiction of some countries either to exports (e.g. Germany) or to debt (e.g. the US), like f.e. higher tax rates for high earnings, a universal health care system (in the US), improving access to quality education for pupils of lower income groups etc. Of course, some of these policy measures as well as the theory behind it are disputed by other social scientists who regard missing liability and/or lax monetary policy as sole causes.

But even if we recognize that the role of inequality as a structural cause of the financial crisis is contested, it can and should be openly and controversially discussed in social science education. The argument makes clear how fruitful it is for civic and economic education to transgress traditional disciplinary boundaries by combining and interrelating "sociological" concepts (social inequality), "political" mechanisms (politicians' search for immediate, short-sighted popular support and legitimacy), and "economic" issues (monetary policy).

Moreover, the arguments of liability and inequality are not necessarily mutually exclusive but can complement each other (all authors who put special emphasis on inequality also do recognize the importance of liability, see f.e. Dullien, Herr, Kellermann 2009; Rajan 2010). Unfortunately, the term of inequality is completely absent in pupils' explanation of the crisis, as the interviews of Klee and Lutter (2010) show. This is not very surprising as it plays hardly any role in media stories covering the financial crisis. Thus, in order to deepen and to differentiate students' understanding of the crisis, the role of inequality as a possible cause of the crisis should be discussed in schools and universities.

## 3. Conclusion

Social science education in schools and universities should enable learners to understand the causes of contemporary global key problems like f.e. the financial crisis, which threaten citizens' quality of life. Learners should examine and debate controversial approaches as to what they can do as individuals and groups on a micro- and meso-level (f.e. socially responsible investing) as well as to what can be done politically on a macro-level to mitigate global key problems and to overcome the political barriers which currently stand in the way of effective measures. This problem-centered conception of social science education (Hippe 2010) starts from the premise that social science – which is financed by *citizens'* money – is not a pure end in itself (a l'art pour l'art), but an institution which should help the public to identify those societal institutions which are conducive to citizens' quality of life or which at least says something about how to mitigate social misery.

Unfortunately, as Ötsch and Kappeler (2010) rightly criticize (see also Frey 2000, 25ff.), this problem-centered approach is currently far from being the dominant way of academic teaching (even not in the scientific part of teacher education). Instead, scientific models, theories and concepts are often taught and pursued as ends in themselves (Ötsch and Kappeler 2010; Frey 2000) – may they provide useful information for politically concerned citizens or not. Central questions like "Why is it important for me as a citizen to know this kind of model or that sort of concept? Why should *citizens* provide the financial means to do this kind of social research?" are often not answered (if not ridiculed). Thus, is it really completely misleading if some citizens (and students) think of universities as "ivory towers"?

According to Peter Grimes (quoted in Ötsch and Kappeler 2010), the reason for this pedagogic misery is that it is much more time-consuming for the scientist to prepare courses if one teaches in a problem-centered manner than if one teaches in the traditional way (explaining the same old models, concepts, theories of the usual textbooks again and again). At the same time, research output is much more important for promoting decisions than is excellent teaching. So there is a large incentive for the social scientist to concentrate on research and to do only what is necessary in teaching. For example, it is much easier and time-saving to do an introductory course in New Institutional Economics by just giving a summary of one or two corresponding textbooks (f.e. Erlei et. al. 2008; Richter, Furubotn 2006) than to do such a course by showing students how central concepts of New Institutional Economics can be applied to elucidate current problems like the financial crisis, the crisis of the euro etc. and to find possible solutions for them.

Hence, it is not so surprising that even the advanced students of economics/social sciences surveyed by Schuhen (2010) show rather disappointing results concerning the causes of the financial crisis. Effective teaching of global key problems like the financial crisis in universities presupposes that excellent teaching, which is relevant and meaningful for real-world problems, will be put on an equal footing with research output in promoting decisions. Otherwise, all those formidable theoretical conceptions of social science education who want to empower citizens to defend their legitimate economic and political interests will often remain not much more than wishful thinking.

## References

Akerlof, George; Shiller, Robert. 2009. Animal Spirits. Princeton University Press.

Arestis, Philip; Horn, Gustav. 2010. Open Letter to European Policymakers. (http://www.boeckler.de/pdf/memorandum_arestis_horn.pdf).

Baily, Martin; Elmendorf, Douglas; Litan, Robert. 2008. The Great Credit Squeeze. Discussion Paper, Brookings Institution.

Barysch, Katinka. 2010. The Dangers of a Disgruntled Germany. (http://centreforeuropeanreform.blogspot.com/2010/05/dangers-of-disgruntled-germany.html).

Beck, Thorsten. 2010. The US Financial Reform Bill – Hit or Flop? In: VOX EU, June 16. (http://www.voxeu.org/index.php?q=node/5179).

Blomert, Reinhard. 2010. Die europäische Krise. In: Berliner Zeitung, 07.05.2010.

Boone, Peter; Johnson, Simon. 2010. How the Eurozone Set Off a Race to the Bottom. In: Financial Times, May 10. (http://www.ft.com/cms/s/0/5d666d5a-5c69-11df-93f6-00144feab49a.html).

Borner, Silvio; Bodmer, Frank. 2010. Crash: Marktversagen – Staatsversagen. Zürich: Rüegger.

Buiter, Willem. 2009. The Green Shots are Weeds Growing Through the Rubble in the Ruins of the Global Economy. In: Financial Times, Maverecon-Blog, April 8. (http://blogs.ft.com/maverecon/2009/04/the-green-shoots-are-weeds-growing-through-the-rubble-in-the-ruins-of-the-global-economy/).

Burda, Michael; Gerlach, Stefan. 2010. Greek Lessons. In: VOX EU, May 11. (http://www.voxeu.org/index.php?q=node/5029).

De Grauwe, Paul. 2010. Fighting the Wrong Enemy. In: VOX EU, May 19. (http://www.voxeu.org/index.php?q=node/5062).

Deutsch-Schröder, Monika; Schröder, Klaus. 2008. Soziales Paradies oder Stasi-Staat? Das DDR-Bild von Schülern, ein Ost-West-Vergleich. Berlin, München: Ernst-Vögel-Verlag.

Deutschmann, Christoph. 2010. Paradoxes of Social Rise. The Expansion of Middle Classes and the Financial Crisis. In: Journal of Social Science Education, Jg. 11 (1).

Dullien, Sebastian; Schwarzer, Daniela. 2005. The Eurozone Under Serious Pressure. In: Stiftung Wissenschaft und Politik (SWP). SWP-Aktuell 21 (Mai 2005). (http://www.swp-berlin.org/common/get_document.php?asset_id=2200).

Dullien, Sebastian; Herr, Hansjörg; Kellermann, Christian. 2009. Der gute Kapitalismus – und was sich dafür nach der Krise ändern müsste. Bielefeld: Transcript-Verlag.

Dullien, Sebastian; Herr, Hansjörg. 2010. Die EU-Finanzmarktreform. Friedrich-Ebert-Stiftung.

Eichenberger, Rainer; Oberholzer-Gee, Felix. 1998. Rational Moralists. The Role of Fairness in Democratic Economic Politics. In: Public Choice Vol. 94 (1), 191 – 210.

Enderlein, Henrik. 2004. Nationale Wirtschaftspolitik in der Europäischen Währungsunion. Campus: Frankfurt/Main.

Erlei, Mathias et al. 2007. Neue Institutionenökonomik. Stuttgart: Schäffer-Pöschel.

Feldstein, Martin. 1997. The Political Economy of the European Economic and Monetary Union. In: Journal of Economic Perspectives Vol. 11 (4), 23 – 42.

Fishkin, James; Luskin, Robert. 2005. Experimenting with a Democratic Ideal: Deliberative Polling and Public Opinion. In: Acta Politica Vol. 40, 284 – 298.

Flassbeck, Heiner; Horn, Gustav; Dullien, Sebastian. 2010. Europa hat noch eine Chance. In: Financial Times Deutschland, 05.05.2010. (http://www.ftd.de/politik/europa/:europaeische-waehrungsunion-europa-hat-noch-eine-chance/50110298.html).

Flassbeck, Heiner; Spiecker, Friederike. 2010. Lohnpolitische Konvergenz und Solidarität oder offener Bruch. In: Wirtschaftsdienst, Jg. 3, 178 – 184.

Fox, Justin. 2010. Banks Took Big Risks because Shareholders Wanted Them to. In: Harvard Business Review, June 8. (http://blogs.hbr.org/fox/2010/06/maybe-shareholders-were-to-bla.html).

Frey, Bruno. 2000. Was bewirkt die Volkswirtschaftslehre? In: Perspektiven der Wirtschaftspolitik, Jg. 1 (1), 5 – 33.

Frey, Bruno. 2005. Direkte Demokratie für eine lebendige Verfassung. In: Michael Wohlgemuth, Hg. 2005. Spielregeln für eine bessere Politik. Freiburg: Herder, 36 – 86.

Geissel, Brigitte. 2008. Do Critical Citizens Foster Better Governance? A Comparative Study. In: West European Politics Vol. 31 (5), 855 – 873.

Gloede, Oliver; Menkhoff, Lukas. 2010. Griechenlands Krise: Das währungspolitische Trilemma im Euroraum. In: Wirtschaftsdienst, Jg. 3, 172 – 177.

Heine, Michael; Herr, Hansjörg. 2010. Die Europäische Zentralbank. Marburg: Metropolis.

Hellmeyer, Folker. 2008. Endlich Klartext! Ein Blick hinter die Kulissen unseres Finanzsystems. München: FinanzBuch-Verlag.

Hickel, Rudolf. 2010. Plädoyer für einen regulierten Kapitalismus. In: Aus Politik und Zeitgeschichte 20/2009. (http://www.bundestag.de/dasparlament/2009/20/Beilage/003.html).

Hippe, Thorsten. 2010. Wie ist sozialwissenschaftliche Bildung möglich? Gesellschaftliche Schlüsselprobleme als integrativer Gegenstand der ökonomischen und politischen Bildung. Wiesbaden: VS-Verlag.

Hobolt, Sara; Klemmensen, Robert. 2005. Responsive Goverment? Public Opinion and Policy Preferences in Britain and Denmark. In: Political Studies Vol. 53, 379 – 402.

Hobolt, Sara; Klemmensen, Robert. 2008. Government Responsiveness and Political Competition in Comparative Perspective In: Comparative Political Studies Vol. 41 (3), 309 – 337.

Horn, Gustav et al. 2009. Von der Finanzkrise zur Weltwirtschaftskrise III – Zur Rolle der Ungleichheit. In: IMK Report Nr.41. http://www.boeckler.de/pdf/p_imk_report_41_2009.pdf

Horn, Gustav et al. 2010. Euroraum vor der Zerreißprobe? In: IMK Report Nr.48. (http://www.boeckler.de/pdf/p_imk_report_48_2010.pdf).

Igan, Deniz; Mishra, Prachi; Tressel, Thierry. 2010. A Fistful of Dollars. Lobbying and the Financial Crisis. IMF Working Paper 09/287. (http://www.imf.org/external/pubs/ft/wp/2009/wp09287.pdf).

Johnson, Simon. 2009. The Quiet Coup. In: The Atlantic, May 2009. (http://www.theatlantic.com/magazine/archive/2009/05/the-quiet-coup/7364/).

Johnson, Simon. 2010. Creating the Next Crisis. In: Project Syndicate, June 15. (http://www.project-syndicate.org/commentary/johnson9/English).

Kaiser, Siegfried. 2010. Ethisches Investment. Eine Methodik des Vergleichs verschiedener Investments durch den Anleger. In: Ethos Wirtschaft. (http://www.ethos-wirtschaft.de/downloads/pdf/_Baustein_Ethisches_Investment.pdf).

Kindleberger, Charles. 2005. Manias, Panics, and Crashes. A History of Financial Crises. Wiley.

Kirchgässner, Gebhard; Feld, Lars; Savioz, Marcel. 1999. Die direkte Demokratie. Modern, erfolgreich, entwicklungs- und exportfähig. München: Verlag Franz Vahlen.

Klafki, Wolfgang. 1996. Neue Studien zur Bildungstheorie und Didaktik. Weinheim/Basel: Beltz.

Klee, Andreas; Lutter, Andreas. 2010. Greedy Buyers, Amoral Speculators, and Lacking State Control. Pupils' Conceptions about the Crisis and their Relevance for Economic and Political Learning. In: Journal of Social Science Education Vol. 11 (1).

Kornai, Janos. 1992. The Socialist System. Princeton University Press.

Krugman, Paul. 2010a. A Money too Far. In: New York Times, May 7. (http://www.nytimes.com/2010/05/07/opinion/07krugman.html).

Krugman, Paul. 2010b. The Euro Trap. In: New York Times, May 15. (http://www.nytimes.com/2010/04/30/opinion/30krugman.html?partner=rssnyt&emc=rss).

Krugman, Paul. 2010c. Ignoring the Elephant in the Euro. In: Paul Krugman-Blog, May 15. http://krugman.blogs.nytimes.com/2010/05/15/ignoring-the-elephant-in-the-euro/

Luskin, Robert; Fishkin, James; Hahn, Kyu. 2007. Deliberation and Net Attitude Change. Prepared for presentation at the ECPR General Conference, Pisa, Italy, September 6-8, 2007. (http://cdd.stanford.edu/research/papers/2007/deliberation-net-change.pdf).

Marterbauer, Markus. 2010. Budgetpolitik im Zeitalter verminderter Erwartungen. IMK Working Paper Nr. 6. (http://www.boeckler.de/pdf/p_imk_wp_6_2010.pdf).

Meyer, Dirk. 2010. Besser aus dem Euro austreten. In: FOCUS 20, 148 – 150.

Mikl-Horke, Gertraude. 2010. Social Knowledge for Financial Markets. In: Journal of Social Science Education Vol. 11 (2).

Müller, Leo. 2010. Bank-Räuber. Wie kriminelle Manager und unfähige Politiker uns in den Ruin treiben. München: Econ.

Münchau, Wolfgang. 2010. Greece is Europe's Very Own Subprime Crisis. In: Financial Times 25th April 2010. (http://www.ft.com/cms/s/0/47b429f4-5091-11df-bc86-00144feab49a.html).

Münchau, Wolfgang. 2010b. EU Buys Itself Time. In: Financial Times 10th May 2010. (http://www.ft.com/cms/s/0/cdb9658a-5c0f-11df-95f9-00144feab49a.html).

Ötsch, Walter; Kappeler, Jakob. 2010. Perpetuating the Failure: Economic Education and the Current Crisis. In: Journal of Social Science Education Vol. 11 (1).

Posen, Adam. 2010. Interview: "Der Euro hat seine Chance verpasst." In: Der Spiegel, 20.05.2010. (http://www.spiegel.de/wirtschaft/soziales/0,1518,695647,00.html).

Priewe, Jan. 2007. Economic Ddivergence in the Euro Area - Why We Should be Concerned. In: Eckhard Hein, Jan Priewe, Achim Truger, eds., European Integration in Crisis. Marburg: Metropolis, 103 – 130.

Rajan, Raghuram. 2010. Fault Lines. How Hidden Fractures Still Threaten the World Economy. Princeton University Press.

Rehn, Olli. 2010. Interview. In: DIE ZEIT 20/2010. (http://www.zeit.de/2010/20/Interview-Rehn).

Reichmuth, Karl; Kappeler, Beat; Starbatty, Joachim; Wagschal, Uwe. 2008. Weg aus der Finanzkrise: Entscheid und Haftung zusammenführen. NZZ Libro.

Reinhardt, Carmen; Rogoff, Kenneth. 2010. This Time is Different. Eight Centuries of Financial Folly. Princeton University Press.

Richter, Rudolf; Furubotn, Erik. 2003. Neue Institutionenökonomik. Tübingen: Mohr & Siebeck.

Rothstein, Bo. 2009. Preventing Markets from Self-Destruction: The Quality of Government Factor. The Quality of Government Institute, Working Paper 2009:2. http://www.qog.pol.gu.se/working_papers/2009_2_Rothstein.pdf).

Roubini, Nouriel. 2008. Ten Fundamental Issues in Reforming Financial Regulation and Supervision in a World of Financial Innovation and Globalization. (http://media.rgemonitor.com/papers/0/Nouriel-RegulationSupervision-March08.pdf).

Sapir, Jacques. 2009. From Financial Crisis to Turning Point. In: Journal for International Relations and Global Trends Vol. 1, 27 – 44.

Scharpf, Fritz. 2010. Mehr Europa, weniger Euro. In: Frankfurter Rundschau, 16.06.2010. (http://www.fr-online.de/in_und_ausland/wirtschaft/aktuell/2757252_Gastbeitrag-Mehr-Europa-weniger-Euro.html)

Schuhen, Michael. 2010. A Didactic Reconstruction of the Financial and Economic Crisis. In: Journal of Social Science Education Vol. 11 (2).

Shiller, Robert. 2000. Irrational Exuberance. Princeton University Press.

Sinn, Hans-Werner. 2009. Kasino-Kapitalismus. München: Econ.

Spethmann, Dieter. 2010. Interview. In: Manager Magazin, 12.05.2010. (http://www.manager-magazin.de/unternehmen/artikel/0,2828,694537,00.html).

Stiglitz, Joseph. 2010. Can the Euro be Saved? In: Project Syndicate, May 5. (http://www.project-syndicate.org/commentary/stiglitz125).

Strobl, Thomas. 2010. Ohne Schulden läuft nichts. Warum uns Sparsamkeit nicht reicher macht, sondern ärmer. München: dtv.

Taylor, John. 2010. Getting off Track. How Government Actions and Interventions Caused, Prolonged, and Worsened the Crisis. Hoover Institution Press.

Theurl, Theresia. 2010. Zwei Seiten einer Medaille: Entscheidung und Verantwortung. In: Wirtschaftliche Freiheit, 15.05.2010. (http://wirtschaftlichefreiheit.de/wordpress/?p=3287).

Tilford, Simon. 2010. Closing the Gap Between Rhetoric and Reality is Key to the Euro's Survival. (http://centreforeuropeanreform.blogspot.com/2010/05/closing-gap-between-rhetoric-and.html).

Warren, Mark; Pearse, Hilary, ed. 2008. Designing Deliberative Democracy. The British Columbia Citizens' Assembly. Cambridge University Press.

Weber, Birgit. 2005. Bildungsstandards, Qualifikationserwartungen und Kerncurricula: Stand und Entwicklungsperspektiven der ökonomischen Bildung. In: Deutsche Gesellschaft für ökonomische Bildung, Hrsg. Standards in der ökonomischen Bildung. Bergisch Gladbach, 17 – 50.

Williamson, Oliver. 2010. Der Euro kam zu früh (Interview). In: DIE ZEIT, 03.06.2010. (http://www.zeit.de/wirtschaft/2010-06/euro-williamson).

Windolf, Paul. 2008: Eigentümer ohne Risiko. In: Zeitschrift für Soziologie, Jg. 37 (6), 516 – 535.

Winter, Leon. 2010. Zurück zur EWG. Ein Plädoyer für die Abschaffung des Euro. In: Der Spiegel, 17.05.2010. (http://www.spiegel.de/spiegel/0,1518,695157,00.html).

Wlezien, Christopher; Soroka, Stuart. 2004. Opinion Representation and Policy Feedback. In: Canadian Journal of Political Science Vol. 37 (3), 531 – 560.

Wlezien, Christopher; Soroka, Stuart. 2008. The Relationship Between Public Opinion and Policy. In: Dalton, Russell; Klingemann, Hans-Dieter, eds. Oxford Handbook of Political Behavior. Oxford University Press, 799 – 817.

Wolf, Martin. 2010. Governments up the Stakes in their Fight with Markets. In: Financial Times, 11th May 2010. (http://www.ft.com/cms/s/0/ebb8ec92-5d2a-11df-8373-00144feab49a.html).