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The 2008 Crisis: Causes and Future Direction for the Academic Research

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Abstract

The main purpose of this paper is to examine the causes of the 2008 crisis, from theory to practice. A brief analysis of the so called failure of the economic professions is conducted, followed by the analysis of the most used theoretical concepts that have all missed to encompass behavioral elements. Next, we present three vital aspects for triggering the crisis and possibly doing so in the future too: information asymmetry in the banking sector, too big to fail theory and the need for a level playing field for the ECB and the Fed and capital control. A return to the art part of economics is the general conclusion.

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1. Introduction

A lot has been said about the 2008 crisis and a lot is still to be said since we haven't really recovered from it. The magnitude of its stroke was similar to a tectonic shift in global economy and countries were left puzzled in front of such a chain reaction that seemed impossible to stop and in the heat of the moment, both solutions and accusations were raised. Seven years later, we need to dissect and analyze with less emotional implication than in the dawns of the crisis every piece of this incredible machinery that is international economics, in the context of an increasingly interconnected world.

The starting point of this paper is a hot point of economic debate nowadays: economics of crisis versus crisis of economics, an expression that since the 2008 meltdown became synonymous with the need for a serious reevaluation

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of the economic fundamentals, beginning with economic theory and ending with the laissez-faire framework the major economic aspects indulged in for the past decades.

The article debates over three of the factors that collapsed the economy and are critical for the future stability and performance of global economy, without the ambition of having captured the entire spectrum of each of them but enough as to arouse the interest for further in depth considerations and investigations in this direction. We question the negligence and the lack of rules that characterized economy in the past years, the later proving to be a major impediment in stabilizing the economy and in making the changes within the major economic actors in order to prevent a new similar global crash down.

Section 2 deals with the crisis of economics, in a less extremist assessment of the degree of responsibility of the economic scholars for not spotting the coming of such major meltdown of the economy, with one plausible explanation being their distancing from the philosophical roots of the science of economics [1] Cojanu (2015), that calls for new directions for the academic research, separating first which theory needs serious rethinking upon its efficiency.

Section 3 proposes a new approach on information asymmetry and its less obvious implications for the banking sector is exposed, calling for serious restructuring of both the role of the banks and for their way of operating, without leaving aside the two major intertwined deficiencies of the banking sector: the rewards systems and the level of responsibility.

Section 4 advocates another area of concern that should be central for the 21st century , the ideology of “too big to fail” that dominates over financial institutions, companies and even countries, in an unethical spillover affecting the competitive advantage of all economic participants on the market. Starting from this, we move on to the call for a level playing field at world level for the central banks and all other systemic influential financial factors, given the example of the different tools available for the ECB and the Fed.

Section 5 questions the benefits of complete capital liberalization, subject to the same theory of resource efficiency allocation that meant that in a free market they will flow to where they are better put in use, looking into the side effects of too much freedom in an increasingly interconnected economy.

Section 6 summarizes the most important lessons from each topic above and concludes with the hope for a more sensitive and complex stirring of the economy in association/complementarity with other sciences.

2. The crisis and the scholars

2.1. Where economic scholars that guilty?

In the immediate quest for culprits, in first line of the fire was the academic profession, which was held responsible for not spotting what was to come, after decades of studies, and soon was discredited from being able to understand and to guide the modern economy. Krugman crucified them while Bernanke defended them.

Extremist views are never a good basis for understanding errors and how we can correct them but neither is Nassim Taleb’s “black swan” theory, stating that crisis are unpredictable occurrences. If we accept that, than there is no need for the economic profession anymore.

[2] Krugman (2009) was wright to be upset, when everyone that mattered in the economics field assured the public that everything was fine: “in a 2008 paper titled “The State of Macro”, Olivier Blanchard, declared that “the state of macro is good.”… the „central problem of depression-prevention has been solved,” declared Robert Lucas 2003… In 2004, Ben Bernanke, celebrated the Great Moderation in economic performance over the previous two decades”.

Though [3] Bernanke (2010) makes a logical separation of the three aspects of economics “economic science (most academic research falls in that category), economic engineering, and economic management” and places the responsibility for not fulfilling their obligations on the last two, adding that on the contrary, it is precisely the economic theory that gave the solution for what was to be done: “two centuries of economic thinking on runs and panics were available to inform the diagnosis and the policy response. In particular, in the recent episode, central banks around the world followed the dictum set forth by Bagehot in 1873: To avert or contain panics, central banks should lend freely to solvent institutions, against good collateral”, he seems to ignore that a large part of the economic engineering and the economic management was conducted by former economics professors, who based on their academic activity, have been propelled to key positions in regulatory bodies, in private companies, in Fed, IMF of World Bank, and even

on Wall Street operating companies. And none signaled that there would be any problems inside the system or with its operating framework.

In fact, very few were confident enough on their views as to say that economy was on the verge of collapse, like Nouriel Roubini and Raghuram Rajan „warning that the world's vastly expanded financial markets, though they brought many benefits, might be bringing huge risks as well" while Ricardo Caballero, of MIT, stated that : scholars on the "periphery" of macroeconomics were already "chasing many of the issues that played a central role during the current crisis, including liquidity evaporation, collateral shortages, bubbles, crises, panics, fire sales, risk-shifting, contagion, and the like." [4] Fox (2013). Chasing is not enough when at stakes is the welfare of billions and nothing similar happened nowadays, in comparison with the days of the Smoot-Hawley Act in 1930, under which US average tariffs were raised to 53 percent on protected imports, when "about a thousand US economists beseeched President Herbert Hoover to veto the legislation" [5] (Carbaugh, 2007).

Not only did economists failed to come together and produce a closely examination of the state of the economy, but soon evidence emerged that the greed that the private sector had been so much blamed for, apparently made room within the elite of economic thinking too, when Mishkin's and his co-author Herbertsson (2006) report „Financial Stability in Iceland" gave the Icelandic banking sector „a clean bill of health" and that „any overseas investor would not have had any reservations about keeping money in one of the Icelandic banks" [6] McCombie, Spreafico (2014) . Later, he attempted to change the title to „Financial Instability in Iceland", while also latter word came out that he had been paid $124,000 to co-author the report [7] CNN Money 92011).

Bottom line, the economic profession forgot its mission as a watch dog over the economy and acted in an individualistic manner, chasing personal recognition - by producing another scientific paper- or financial rewards, engaging in a competition between universities, research centers and schools of thought, to an outcome that served very little the social benefit. Their biggest wrong to be blamed for it's their vanity, which cost them their credibility and it will take a lot of hard work to change things around.

2.2. Checking the theory fundamentals for new directions

Looking into a University's site for the programs available for studying economics, we see that the offer ranges from MA (Master in arts) to Msc (Master in science). The fact that for centuries people couldn't agree under which category to place it, should be the foundation for the re-definition of economics. [2] Krugman pointed out very well that economists concentrated lately solely on the scientific part mistaking "beauty, clad in impressive mathematics, for truth" leaving aside the art part, the human behavior, which was encompassed much too easily in theories and standardized approaches.

The three most encountered notions that stand at the basis of economic thinking and on which all ulterior researches have built upon are the general equilibrium theory, the market efficiency and the representative/rational agent type.

The Walrasian general equilibrium theory is taken as given by all increasingly complex macroeconomic models, though "models do not explain how after an exogenous shock they adjust back to the old equilibrium or to a new one" [8] Kirman (2011). It is simply considered that they miraculously do, like in Adam Smith's invisible hand.

Even more dangerous is the efficient market hypothesis, advocated by Eugene Fama, that the right price will be established by the buyers and the seller on the free market, without any immixture from third parties or regulatory agencies. However, the real estate bubbles constantly contradict that theory and the stock exchange is a serious provider too of counter examples. If the markets would indeed be efficient, we shouldn't witness abrupt loses and fluctuations such as the ones in 1973, with a 48% descend, the 1987 decrease of 28%, the Dot.com bubble in 2000 and the one recently Facebook registered, a 50 billion dollar fluctuation between may-august 2012, after its Nasdaq listing, all without any real reason.

The most irrational theory is the one on the representative agent and rational expectations. This is where economics steps into the arts area but instead of recognizing the uniqueness of this important element of the economic environment, it tries to standardize it and endow it with rational reactions, assuming "rational, self-interested behavior and the maximization of "expected utility" [3] Bernanke (2010).

Over simplifying the human behavior has been a serious mistake in economic modeling and the new direction of economic research should start from here. The evolution of economics to the next stage is to recognize the importance of human behavior and build models that include it. It seems ridiculous in the light of the 2008 events and in the light

of the previous stock exchange fluctuations that have been less critical for the global economy so economists afforded the luxury to disregard them, to continue on to this path of rational agents. [9] Colander et al. (2009) admits that: “Rather, agents display various forms of ‘bounded rationality’ using heuristic decision rules and displaying inertia in their reaction to new information. They have also been shown in financial markets to be strongly influenced by emotional and hormonal reactions” while [10] Acemoglu (2010) recognizes leaning on unsustainable theories: the majority of the economics profession, fortunately myself included, disabused of certain notions that we should not have so accepted in the first place.

[1] Cojanu (2015) names the “ self-interest” theory as an important pool of knowledge to build upon , down the path of a more philosophical understanding of the economic discipline: “Homo economicus, finds herself now immersed in a frightening or at least less predictable world where “an uncensored account of frankly rapacious economic behavior ” (Bacharach 1976:119) is now at play among the alternatives: threats or promises may coerce decisions that so cease to be “voluntary”, while the self-defeating pursuit of interest in the marketplace may be as possible (and rational) a predicted outcome as the celebrated “spontaneous” market order”. Indeed, the reality of our world is constantly changing, and with it, so should the definition of human rationality.

Perhaps one of the biggest limitations in the economic thinking was to think locally in a global world. We have seen very little recognition for other schools of thought other than the American or British ones, and even if the names of the professors sounds foreign, the large if not absolute majority of them have been taught in universities in these two countries, embracing the doctrines of their adopting countries. No particular case studies of the general theories have been developed to fit the behavioral realities of different geographical areas, ignoring that the definition of rationality does differ from agent to agent, depending on its background, beliefs, religion, history etc. Instead, we have imposed an Americanized vision of rationality to economic agents everywhere, not to mention that we have endowed since the beginning with the presumption of rationality.

The 21st century economic thinking must enter into more sensitive territories such as behavioral economics incorporating a large amount of psychological elements, and teaming up with specialists from various fields is the only way to add to the complexity of understanding the ever growing and diversifying global economy. It is something different than the sterile and comfortable mathematical approach to economics of the past decades but ignoring the limitations of human rationality means that scholars will be more and more far from understanding, predicting and shaping the economic events as to increase prosperity and to achieve financial stability, leaving us to do more with guessing and gut feeling than with scientific knowledge.

3. Information asymmetry and the banks

The banking sector is inseparable in the analysis of the latest crisis, being the most sensitive aspect for the simple citizen, who saw money coming out of its pockets to save this industry. Little comfort was given for enduring austerity measures in order to avoid a banking crisis on top of an economic one. Despite the billions and billions of dollars and euros that fled state budgets to save those financial colossuses, the system survived almost the same, without major structural reforms and consequences.

Two aspects are vital for the restructuring of these institutions of great systemic risk:

• High incentives versus low responsibility.

The paradox of the pre 2008 banking industry is that the system of bonuses received by the banking employees at any level was badly designed and that they weren’t proportional with the risk assumed. Bank directors cashed in hundreds of millions of dollars as bonuses for their previous year performances just to see that their managed institutions came close to collapse the next years. How was this possible? Bonuses were paid in relation to quantity not quality, meaning that at the end of the year, agents of all levels were rewarded based on the volume of their activity. So if the next year the loans granted or the deals conducted failed, nobody suffered any consequences since their fat checks had been cashed. This reward system was based on short-term results (a month or a year) and the greedy human nature (returning to the irrational behavior of agents) kicked in, maximizing risks in order to maximize personal benefits. Adding the herding behavior (returning again to human psychology), once the first bank had announced the relaxation of the underwriting standards and managed to get clients waiting in lines for a loan, the others rushed to do the same, engaging in a downward spiraling competition of easiness of credit. It was obvious in Romania too, the banks introducing practices like loans based only on ID card or insistently advertising card overdrafts. No wonder

that soon the level of non-performing loans started to rise, fueled partly by banks greediness and partly by the bonuses practice.

On top of that, the leverage ratio of 1-30 or more came with little risk for the crediting institutions, meaning that the consequences of such massive risk taking were less than the possible risky obtained profits and for the debtors too: mortgage debtors in the USA are legally liable only in relation to the property on which the loan was issued; in other words, not their other assets [11] Kamppeter (2011). So we had responsible free banking agents, shareholders and clients. Had the bonuses been paid partially or entirely in stocks, for both agents and shareholders, the level of responsibility for the long term performance of the banks would have rose undoubtedly.

• Information asymmetry and the role of the banks

What is the role of the banks? Banks are part of the society, so besides making profits and supplying financial services to its customers, they should assume social responsibility too, by promoting economic growth through the backing up of business initiatives, the true generators of growth, with the needed capital. Instead, banks chased their own profits by all sort of financial engineering, turning their face from the real economy. So we witnessed an oversized bloated financial and banking sector that added no real value to the economy.

[12] Stiglitz (2014) makes a very good observation on the performance of foreign banks from the perspective of information "Foreign banks have less information and less competency in judging among domestic small and medium-size enterprises....they prefer „more secure investments – loans to domestic monopolies and oligopolies and to the government". Not just foreign banks, but in general big banks.

In an increasingly opened world, foreign banks were allowed to enter various markets while local banks developed in just a few years their networks of branches to keep pace with the outsiders. The information suffered distortions: unfamiliar with the environment, banks preferred safer loans such as consumer loans, real estate or governmental loans, keeping their distance from riskier aspects, such as financing the opening of a new plant, not to mention research and development projects. Anonymous intermediation between borrowers and lenders [9] Colander (2009) distorted the information chain, and establishing long-term relationships with customers was replaced by rating agencies, with this type of information processing leading to a severe loss of information.

Gerhard Hofmann of the Bundesverband der Deutschen Volksbanken is heralding the success of small and medium banks: „Their track record is impressive... have fewer toxic assets and a good profit-to-loss ratio since 2010. And, not only have they increased lending 4 percent on average since the crisis, but these small lenders have also avoided the credit crunch seen in many other financial institutions" [13] www.aicgs.org (2014). Perhaps information is better assessed when there are fewer intermediaries in the information chain and when the banks have a good knowledge of each customer, based not only on due diligence but also on personal relations.

A more problematic aspect of the information asymmetry in banking is matching the bank need for safe loans with the society's needs to support high added value businesses. Let's imagine the current situation: we have a credit officer and 3 possible clients:

• Client A is a real estate developer with a long activity and impeccable banking records. It needs a 5 million dollars loan and will probably make a profit of 15% after repaying the loan.

• Client B is a recent chemistry graduate and has little collaterals for a 50,000 dollars loan to test his idea for inventing a new cheaper way to diagnose lung cancer. If he wore to succeed, the financial gains would be incalculable, not to mention the gains for society.

• Client C are two college graduates that are very close to finishing a new Facebook application but need 10,000 dollars to purchase more performing software that support developing the application. They have no experience and no collaterals but they could make millions out of their discovery.

Who do you think is more probable to get the loan? Based on the selection criteria used by the banks, client A is the winner. But while A raises another building and make a small profit compared to the investment, economy loses possible million dollars obtained with little expenses, loses in terms of knowledge creation and loses in terms of health care innovation.

The credit officer is not to blame, since he has little knowledge outside the economic area, and is incapable to understand which of the two ideas B and C is more closely to being put in practice. The bank loses also, as it is stuck with little diversified portfolio, which is more fragile.

But what could banks do to overcome this costly gap in information? Banks must understand that a complex world is handled with complex tools, and incorporating advisers from different fields can increase their level of

understanding of the non-financial environment and more sophisticated ideas. Economics alone is not enough to ensure success in the knowledge based era we're living in, but knowledge from various fields needs to merge in order to ensure the finest information for the economic agent.

4. Too big to fail and the call for a level playing field for the ECB and the Fed

The 21st century approach to the financial crisis of the 2008 has differed consistently from 1930's , with the economy being given perfusions in the form of monetary policy lowering the interest rates lower than ever and adopting various stimulus packages by most of the important economies, making it more bearable for the population during these years. I call this moving from Schumpeter's "creative destruction" to the "too big to fail" theory.

Schumpeter's view was that depressions and crisis are a necessary harm, the way the market economy expels the non-performing out of the systems and leads as a result to a more efficient allocation of resources to more productive uses. Back in the Great Depression, the lack of too little and too late intervention could be explained by Andrew Mellon, secretary of treasury under president Hoover, and his famous quote that encompassed the general view of that moment : „Liquidate labor, liquidate stocks, liquidate farmers, liquidate real estate....it will purge the rottenness out of the system. High costs of living and high living will come down. People will work harder, liv a more moral life. Values will be adjusted, and enterprising people will pick up from less competent people" [12] Stiglitz (2014).

The shortcomings of the creative destruction theory are that during this time of squabble, millions of lives are affected and in a world where we have created organizations like the World Bank, we no longer put economic performance above human suffering:" Creative destruction and reallocation not only harm established businesses but also their workers and suppliers, sometimes even destroying the livelihood of millions of workers and peasants" [10] Acemoglu (2010).

So we embraced the „too big to fail notion" that in turns is as dangerous or more than Schumpeter's creative destruction.

When governments understood the real possible magnitude of not saving banks and other systemic financial and non-financial edifices, they rushed to their salvation without little or no punishment for their risky and sometimes shadowy practices. In turns, all these SIFI's understood that it's not their fault, that crisis occur not that they had created one and they came out of the crisis pretty much in the same form. More, three years after the crisis and the accompanying bailouts, the six largest American financial institutions were significantly bigger than they were before the crisis, having been encouraged to snap up Bear Stearns and other competitors at bargain prices [14]Huntsman (2011). Maybe it was a tougher decision to let the castle of cards come done in the 1930's, but back then at least the financial system was essentially built anew, with tight regulation and drastically changed attitudes about risk and responsibility that translated into a financial-crisis-free era in the United States and Europe that lasted for decades [4] Fox (2013).

What are then the implications of the "too big to fail"? In the first place, it means that without the fear of punishments infringed on theme, these institutions will keep on taking high risks knowing that they will never be allowed to get out of business, weakening market discipline. Many wondered why was Lehman Brothers the only bank allowed to fail when the proper question should be why weren't there more. It seems that we have grown so accustomed with the idea that big banks don't go out of business that when this happens, it's an awkward event. We need to enforce strong rules and penalties on such actors in order to restore not only the credibility of the financial sector but also its effectiveness.

Second, the level playing field is no longer leveled for all economic actors, the ones of large sizes being obviously favored. Their competitive advantage reduces to size and not performance and a fair competition on the free market doesn't stand any more. How can we encourage clients to choose other financial institutions that are smaller but better regulated and financially sound when we know that nobody will come to their rescue?

Third, not only will large economic actors be favored in the eyes of the clients but also actors coming from rich countries that have benefited from government bailout packages. Extending it to country level, the countries that have allowed their companies to take responsibility for their actions will suffer from a negative country of origin effect at international level. Clients will choose whom they do business with by looking at the governments standing behind those companies and how rich they are.

No matter how you look at it, by adopting this attitude we inflict serious distortions to the ideas of fair competition and support further irresponsibility.

Extending too big to fail at a higher scale, countries also benefit from this belief. It is crystal clear by now that the US financial innovations have made the system more fragile; the existing linkages within the worldwide, highly connected financial markets have generated the spillovers from the U.S. subprime problem to other layers of the financial system [9] Colander (2009). But nobody dared to hold US responsible for this chaos and demand better control and regulations of their financial market. Ironically, there are views that others will benefit from the US efforts, forgetting that it is US "ingenuity" that made the entire world to catch a 7 years long cold: "President Obama can ask our allies to provide stimulus until he is blue in the face, but the fact of the matter is that the very size of our own fiscal expansion gives the Germans and others the incentive to free ride – they are hoping to recover on the back of exports to our infrastructure projects" [15] Johnson (2009).

The hegemonic ruling of the US economy in the too big to fail sense has increased the American entrepreneur's inclination to take on more risk than other players, in a vicious self-catered circle that made US a destabilizing factor worldwide. We have already witnessed such hegemonic dethronements, when the dollar replaced the British pound as the number one international currency and the global economy survived just fine.

Talking about the need for a level playing field, the influence of the too big to fail factor on two major stabilizing bodies such as the Fed and the ECB needs further analysis.

The response to the crisis translated by a series of similar measures in US and EU. Both sides of the Atlantic addressed the need for more complex supervision, the European System of Central Banks (ESCB) establishing in 2010 the Macro-prudential Research Network (MaRs), a network which is a collective effort seeking to lay analytical foundations of new macro-prudential policies around the globe [16] ECB (2014) and [17] the US Treasury creating the Financial Stability Oversight Council in 2010, charged with identifying risks to the financial stability of the United States; promoting market discipline; and responding to emerging risks to the stability of the United States' financial system (FSOC, 2011).

And both sides joined strengths to come up with new tools that can give an accurate health check of the economy, with Princeton University, becoming a hotbed of activity in this field, having held in 2013 its third annual summer "camp" at which top U.S. and European graduate students in economics were brought up to speed on the intersections between macroeconomics and finance (hbr.org).

A common vision is shared by the Fed and the ECB, tied to regulatory limits on leverage and stronger underwriting standards, changes in loan-to-value and debt-to –income caps.

The Fed did indeed work closely with other policymakers, both domestically and internationally, to help develop the collective response to the crisis [3] Bernanke (2010), but they weren't all entitled to use the same tools. ECB stayed away from printing money (at least until recent 2015 talks) and most of the worldwide central banks were encouraged to borrow and not to print, out of fear of inflationary measures. But not the Fed, who prints money whenever the economy slows down, because the United States does not incur debt in other currencies and the institutions that manage macroeconomic policy guarantee that a default in dollars cannot take place [18] Fields, Vernengo (2011), but mostly fueled by the too big to fail theory, which has been allowing for quite some time the US to establish it's own rules to play by. This creates the capacity for the United States to incur international debt without any reasonable limit and is just another way to evade the general rules, leaning on the too big to fail.

In an intricately interwoven globalized system, the unification of regulations is a must, even in the form of monetary tools, in order to ensure the same responsibility and chances for everyone. As German minister Schäuble said: National regulation is no longer enough in a globalizing world [13] www.aicgs.org (2014).

5. Capital control

"Unlike in the case of foreign trade theory, no economist has been able to prove that free international capital movements go together with gains in prosperity (Bhagwati 2007). Bhagwati shares the opinion of Charles Kindleberger, another famous economist, that financial markets are »prone to cycles of manias, panics and crashes«. [11] Kamppeter (2011)

We place ourselves in this new trend that votes for some degree of capital control, contrary to the "Washington consensus" that liberal financial regulation is the best way to ensure that capital flows rapidly and at no cost where he

is best put at use, spurring national economic growth and ultimately global economy. In 2011, the International Monetary and Financial Committee (IMFC) called for „further work on a comprehensive, flexible, and balanced approach for the management of capital flows", leading to a paper that recognizes that capital flows also carry risks, which can be magnified by gaps in countries' financial and institutional infrastructure, that there is, however, no presumption that full liberalization is an appropriate goal for all countries at all times and that cross-border coordination of policies would help to mitigate the riskiness of capital flows [19] IMF (2012).

What capital liberalization has created is a huge mass of money that is free to migrate in any part of the world. Taking into consideration the heard behavior, capital can flood some countries, like when billions of dollars left from the richest countries in the world to Iceland, a country of 320,000 people, chasing high rates [15] Johnson (2009). Now we add rumors to this heard behavior, and we will see the capital leaving the country just as quickly as it entered, when investors pulled out massively form markets that in fact where very little exposed to risks, causing them to destabilize artificially while making it impossible for others that where struggling already with the effects of the crisis. [8] Kirman (2011) provides a counter example of investors actions, based on Shiller's findings: « just before the U.S. stock market crash of October 1987, 84% of institutional investors thought that the market was overpriced; 78% of them thought that this belief was shared by the rest of investors and, yet, 93% of them were net buyers. » In both cases, investors acted irrationally, failing to spot the wright decisions. Such large pools of money shouldn't be allowed to flow freely on the sea of human irrationality, heard behavior and panics.

Thus being said, Romania was lucky in 2009 to sign the Vienna Convention, freeriding on the written agreement between IMF and nine international banks with branches in Romania that they will not withdraw the additional capital that the "daughters" from here will have following the lending agreement between Romania and the Fund. However, Mugur Isarescu emphasized that this was a voluntary agreement; otherwise it would have been an infringement of the EU law on free capital movement within the Community [20] Gandul (2009). The agreement lasted for 2 years and brought serious stability to our country during the peak years of the crisis but other countries weren't as lucky. Good viable business projects were stopped due to lack of further funding and solid businesses went bankrupt. With investors acting by the American saying "time is money", they rushed to brighter horizons, not giving the old markets time to recover and not carrying about the devastating effect of the credit crunch created.

Free movement of capital encouraged short-time profits seeking and short-time horizons orientation of the investors, which engaged mainly in speculative activities. The large amount of capital available for such activities grew so much, that we would see a country's exchange rate fall prey to speculative attacks, costing their national banks millions or hundreds of millions depending on the volume of their economy, to keep a stable exchange rate.

Without capital control, funds failed to generate real economic growth for countries, as complex businesses need long term support and commitment to develop, something that is not possible outside a regulatory framework for capitals.

6. Conclusions

The generally accepted theories didn't pass the general exam of 2008, proving to be of little help to policymakers and mathematical methods so much praised by the economic professors lately had no real end application. What came to the rescue was old fashioned discredited Keynes, in the form of country stimulus packages to relaunch the economy, when decreasing the interest rates by the Fed to a historical minimum of 0% wasn't enough. Its theory is not expressing revolutionary concepts but rather common sense truths, that are understandable by the mass public also, something which newer researchers stayed away from out of fear of not producing complicated enough theories. Economists need to turn their faces to the art part of economics and behavioral economics should be the focus of the next researches, trying to understand and to encompass the human element and the limits of its rationality, "in an interdisciplinary effort able to account for a diverse range of behavioral influences" [1] Cojanu (2015).

Recognizing how information asymmetry influences the level of NPL is of paramount importance for the reshaping of the entire banking system, in order to better serve the social goals of economic growth. [14] Jon Huntsman (2011) defines very well what the role of the bank and how the banks should be: "American banks provide advice and access to capital to the entrepreneurs and small business owners who have always been our economic center of gravity. We need a banking sector that is able to serve that critical role again. We need banks that are small and simple enough to fail, not financial public utilities". Information asymmetry prevents the large and foreign banks to engage in more

productive projects for society, and its negative influence is accentuated by the elimination of direct personal relations and the lack of personnel trained in other fields than economics that can help for a better assessment of each project.

Neither creative destruction nor too big to fail proved to be the right way. US have long profited from the last one, in various forms, including in attributing itself the wright to be the only country that can print money whenever in crisis. A level playing field must be created for all economic actors, in order to ensure the right level of responsibility for everyone.

The era of complete capital liberalization has proved also to carry more harms than benefits. However, we mustn't fall into the sin of exacerbated protectionism, an extreme counterbalancing of the total lack of rules and regulation that governed economy in the past decades [21] Toarna (2014). Some degree of capital controls is the only way to hijack them back to the real economy and to real investments.

My concern is that the above factors mainly responsible for the crisis are still seriously overlooked, and even though the economic profession has suffered a terrible down fall in credibility, hopes for a major shift in economic lie nevertheless in the academic area, that gives stronger signals that it detected the next path to be taken, in the direction of pursuing more in depth analysis of the homo economicus.

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