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Emil Ślązak https://orcid.org/0000-0001-9512-648X
Szkoła Główna Handlowa w Warszawie, e-mail: eslaza@sgh.waw.pl

REVISITING THE 2007–2009 FINANCIAL CRISIS: A HOLISTIC PERSPECTIVE

ABSTRACT

The purpose of the article This article provides a multidimensional assessment of the wide-ranging impact of the 2007–2009 financial crisis, with the particular emphasis on its financial, macroeconomic, and socio-political impacts. It examines the profound disruption to the banking sector and deterioration of macroeconomic conditions, as well as the subsequent political and social consequences. The findings support the research hypothesis that a crisis-induced decline in public trust in the banks and financial sector increased skepticism towards globalization and heightened political polarization.

Methodology Adopting an interdisciplinary approach, the study employs desk research and comparative methods to examine financial, macroeconomic and socio-political perspectives over the past decade. This research provides a critical appraisal and comparative synthesis of wide range of studies on the impact of financial crisis on macroeconomic trends and public trust.

Results of the research The global financial crisis precipitated structural changes in bank regulations with tighter capital requirements and prompted a retrenchment from the socially beneficial lending. Large-scale state intervention undermined market discipline and fueled public distrust. Economically, the crisis triggered deglobalization and accelerated the relocation of production towards emerging markets. Socially, it widened inequality, eroded trust in capitalism, and energized populist and anti-establishment movements.

Keywords: global financial crisis, banking regulation, macroeconomic impact, public trust, deglobalization, populism, neoliberalism

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Introduction

The global financial crisis of 2007–2008 was one of the most significant economic disruptions since the Great Depression. Its consequences were far--reaching, transcending national borders and traditional sectoral boundaries. Initially triggered by the collapse of the US subprime mortgage market, the crisis quickly escalated into a systemic breakdown of global financial markets, severely impacting credit flows, market liquidity and investor confidence. As Reinhart and Rogoff (2009) noted, the crisis revealed the fragility of the global financial architecture and exposed the limitations of regulatory frameworks in both developed and emerging economies.

In the immediate aftermath, governments and central banks worldwide responded with unprecedented fiscal and monetary interventions. However, research by Stiglitz (2010) and Pisani-Ferry and Sapir (2009) suggests that, while these emergency measures were essential in preventing the collapse of financial systems, they did not avert deep macroeconomic deterioration. Rising unemployment, falling GDP and mounting public debt became widespread phenomena, particularly in countries with high financial risk exposure or limited fiscal capacity.

From a Polish perspective, scholars such as Koziński (2011) and Grosse (2013) emphasized that, although Poland avoided a formal recession during the crisis, the country was not immune to its consequences. The contraction of foreign demand, reduced investment and temporary credit tightening impacted economic growth and fiscal stability. At the same time, the crisis exposed structural vulnerabilities in the EU’s institutional response, particularly within the Eurozone periphery, as emphasized by Janik and Wróbel (2012), NBP (2017: 78–79; 133–134).

Importantly, the repercussions of the crisis extended beyond the financial and economic spheres. The erosion of trust in financial institutions, growing discontent with inequality and austerity policies, and rise of populist movements, all reflected the deeper socio-political dimensions of that crisis. As Mair (2013) and Żuk and Sowa (2015) argue, the post-crisis period saw a significant change in public opinion regarding globalization, technocracy and democratic representation.

The purpose of this paper is to provide a multidimensional assessment of the 2007–2009 financial crisis with the particular emphasis on its financial, macroeconomic and socio-political impacts. Drawing critical review of the Polish and international academic literature, the study uses cross-country comparisons alongside contextual insights to provide a comprehensive view of how the crisis changed economic governance and political discourse. The findings support the research hypothesis that a crisis-induced decline in public trust in the banks and financial sector increased skepticism towards globalization and heightened political polarization.

Crisis of Trust and the Transformation of the Banking Sector

Financial crises tend to expose significant shortcomings in the design and implementation of administrative rules within the banking sector, as well as deficiencies in the organization of financial supervision. The global financial crisis of 2007–2009 was no exception, sparking an intense debate on the lessons to be learned in order to develop more effective and resilient regulatory frameworks. One of the key outcomes of the crisis was the introduction of a range of new supervisory measures that fundamentally challenged the previous paradigm of market discipline as a reliable mechanism for regulating financial institutions. In particular, the effectiveness of market-based tools – such as the cost and availability of capital, transaction sizes, and contractual safeguards to limit excessive risk-taking – has been called into question (Anginer & Bertay, 2019: 4–8; Palvia et al., 2024: 1–35).

Crucially, the crisis also triggered a deep erosion of public confidence in the banking sector as a whole. The revelation of excessive risk-taking, lack of transparency, inadequate capital buffers and poor quality market information significantly weakened confidence in the ability of banks to manage the funds entrusted to them responsibly. Societies forced to bear the costs of large-scale bailouts began to perceive the banking sector as both privileged and disconnected from broader socio-economic realities. As a result, the crisis undermined not only confidence in market mechanisms, but also in the banking system itself as a pillar of financial stability – and became a major catalyst for regulatory and institutional reform after 2008 (Algan et al., 2017: 309–400).

Further analysis of the causes of the crisis highlighted the limited confidence in *market discipline* to motivate financial agents to monitor and influence the condition of banks. External control mechanisms proved insufficient to constrain risk-taking, particularly given the misaligned incentives of financial market participants (e.g., moral hazard) and the lack of reliable information needed to objectively assess the risk embedded in credit and investment portfolios. As a result, the crisis shattered the credibility of previously accepted instruments of transparency-such as rigorous disclosure requirements, independent external audits, and public and private investment ratings-and undermined the notion that market forces alone could ensure responsible banking behavior (Dagher, 2018: 3–12; Palvia et al., 2024: 1–35).

In the aftermath of the global financial crisis, market discipline virtually collapsed in many countries, mainly due to the removal of incentives for stakeholders to monitor banks' risk-taking behavior. Deposit insurance schemes were significantly expanded, in some cases becoming virtually unlimited, while large-scale government interventions to rescue distressed financial institutions further undermined the role of market-based accountability. These developments weakened the motivation of market participants – especially depositors and creditors – to monitor banks' risk profiles. This dynamics was exacerbated by misaligned incentives within the prudential framework, which undermined the effectiveness of supervisory institutions. The failure to enforce existing regulations prior to the crisis exposed structural weaknesses in regulatory governance and contributed to the erosion of supervisory credibility. In response, the post-crisis period has seen a significant increase in both the volume and complexity of prudential regulation, extending into new areas such as liquidity risk management and enhanced rules for the disclosure of sensitive financial information. In addition, entirely new institutional mechanisms were put in place, including systems for mandatory restructuring and orderly resolution of failing banks (Basel Committee on Banking Supervision, 2021: 9–10).

To enhance confidence in *transparent reporting*, the implementation of stress testing and enhanced data disclosure requirements has created additional challenges for supervisors, particularly with respect to the collection, integration, and interpretation of data necessary for informed regulatory decision-making. Despite the tightening of prudential rules, many frameworks continue to provide supervisors with considerable discretion in enforcement and interpretation. While this flexibility can facilitate the adoption of new rules, it also leads to inconsistent application across jurisdictions. In the context of highly globalized banking activities, regulatory divergence in the aftermath of the financial crisis increases the *risk of regulatory arbitrage*, thereby undermining the consistency and effectiveness of international financial supervision (Algan et al., 2017: 309–400).

One of the main reasons for the erosion of public confidence in banks during the global financial crisis was the *excessive risk-taking behavior* of financial institutions operating with insufficient capital reserves to absorb unexpected losses. From a macroeconomic perspective, this risk was closely linked to a prolonged period of excessive credit expansion, which led to a growing mismatch between the volume of lending and the quality of banks' capital bases. As the credit cycle matured, lending standards deteriorated and banks increasingly extended credit to riskier borrowers, further exacerbating systemic vulnerabilities. The crisis exposed deep structural weaknesses related to excessive financial leverage-often referred to as the *Minsky moment* that had been building in the years leading up to the collapse (Vercelli, 2011: 49–67; Gropp et al., 2019: 266–299).

A significant number of banks lacked sufficient high-quality capital to absorb mounting losses, necessitating public sector intervention and bailouts. These actions fueled *public distrust* and reinforced the perception that financial institutions were operating with impunity under implicit government guarantees. The widespread use of market-based funding, particularly through the issuance of loan-backed securities, further facilitated excessive leverage. This trend was exacerbated by declining underwriting standards, flawed credit assessments, and the proliferation of complex structured credit instruments. The expectation that insolvent institutions would be bailed out with public funds ultimately undermined market-based incentives for prudent risk management, creating a *moral hazard*. In addition, regulatory frameworks that were inadequately designed and poorly enforced to monitor leverage allowed banks to accumulate substantial exposures with limited oversight.

Given the procyclical nature of banking regulation and the tendency for financial crises to trigger institutional reform under political pressure, there is a risk that post-crisis regulatory responses will be shaped as much by political and social considerations as by economic rationale (Caprio et al., 2010: 125–

155). In the wake of growing public dissatisfaction with the global banking system, concerns have arisen that some regulatory reforms may prioritize symbolic responsiveness over technical effectiveness. In advanced OECD economies, the average capital adequacy ratio of the banking sector increased from 14.6% of risk-weighted assets (RWA) in 2010 to 18.7% in 2016. Notably, this increase was observed across both large and small banking institutions, with smaller banks maintaining relatively higher levels of regulatory capital across the OECD region (Anginer et al., 2019: 13; Idzik, 2020: 119–130).

As a result, while regulatory capital requirements have been raised significantly, concurrent changes in the definitions of high-quality capital have complicated the assessment of overall regulatory progress. Beyond the CET1 and Tier I capital ratios, a key determinant of capital quality lies in the balance sheet items that regulators allow to be included in capital calculations.

As banks faced practical and time constraints in raising high quality capital, greater reliance was placed on supplementary capital instruments classified as Tier II. Under pressure to accelerate the *recapitalization of the banking sector*, many jurisdictions permitted the expanded use of lower-quality capital components, such as hybrid debt instruments, revaluation gains, and subordinated debt. This broadening of the definition of capital raises several concerns (Lane, 2013: 555–580). First, a more comprehensive definition of regulatory capital may undermine the transparency and reliability of assessments of a bank’s resilience to financial stress. Second, in emerging market economies where financial markets tend to be less liquid-the valuation of debt instruments is more volatile, further reducing the reliability of these instruments as buffers. Third, the complex and idiosyncratic nature of hybrid instruments, asset revaluation gains, and subordinated debt requires supervisors to have advanced technical expertise and robust verification mechanisms to ensure accurate and credible capital adequacy assessments (NBP, 2017: 78–79; 133–134; Basel Committee on Banking Supervision, 2021: 9–10).

Economic Consequences of the Financial Crisis: Financialization Challenged and Deglobalization Intensified

The global financial crisis of 2007–2009, triggered by instability in the US financial sector, rapidly spread to the real economy, culminating in the most severe global recession since the Great Depression of the 1930s (Mishkin, 2011: 49–70). Despite growing concerns about expansionary monetary policies, asset price inflation, financial liberalization, and mispricing of systemic risks, the scale and intensity of the crisis surprised not only investors and financial institutions, but also entrepreneurs and policymakers around the world (Lenza & Slacalek, 2018: 31–35).

The crisis exposed deep *structural vulnerabilities* in the modern economic system, notably excessive private sector leverage and persistent fiscal deficits in advanced economies. These imbalances – supported by global capital flows and financed by excess savings in emerging markets and energy-exporting countries – proved highly unstable and prone to abrupt reversals. The financial architecture underpinning these flows failed to absorb shocks, thereby amplifying the crisis on a global scale.

Beyond its economic and financial dimensions, the crisis generated significant *social unrest*. Mass layoffs, rising poverty, and the widespread loss of household savings and homes contributed to heightened social frustration, especially among the middle class. In many countries, particularly in Europe and the United States, the socio-economic impact of the crisis served as a catalyst for public protests, social mobilization and growing political polarization. The erosion of trust in public institutions and financial elites fueled the emergence of new political and social movements that openly criticized the neoliberal model of development and advocated for more equitable economic systems and greater social protection.

The financial crisis thus not only destabilized the foundations of the global economic system, but also undermined its legitimacy in the eyes of many citizens, triggering a wave of structural and institutional reforms. Its impact was far-reaching, as its effects quickly cascaded through global economic networks. By 2010, many economies in Europe and Asia had fallen into recession (Ball, 2014: 149–160). In East Asia, particularly China, the collapse in global trade caused exports to fall by as much as 16% in 2009, forcing the closure or bankruptcy of many export-oriented factories, particularly in the southern provinces. In response, the Chinese government launched a massive stimulus program, embarking on major infrastructure investments and expanding social spending. These measures allowed China's GDP growth to rebound to 10% by 2010, although labor shortages soon resurfaced as a structural challenge (Chan & He, 2018: 402–417).

The crisis also triggered a *global employment shock*. The sudden contraction in the supply of credit – commonly referred to as the credit crunch – put downward pressure on the real economy and disrupted international trade flows. Many countries experienced negative growth rates, and almost all experienced a significant slowdown in GDP growth. Global unemployment is estimated to have exceeded 200 million people, with the employment gap reaching 61 million by 2014 relative to projections based on pre-crisis employment growth trends. Signs of recovery began to emerge almost a decade later. In 2017, global GDP grew by 3.8% and international trade increased by 4.9%, although uncertainty remained about the long-term impact of the crisis (Johnstone, 2019: 455–456). While the effects of the financial crisis were unevenly distributed across countries and regions, the crisis also underscored the degree of interdependence among economies and the systemic nature of global financial vulnerabilities.

The pronounced volatility of national economic trajectories in the aftermath of the global financial crisis highlighted the significant dependence of contemporary economic systems on debt-financed growth (Epstein & Crotty, 2013: 3). This dependence has been extensively examined in the economic literature through the lens of *financialization*, a concept broadly understood as the increasing dominance of financial motives, institutions, and markets in the functioning of national and global economies. Financialization also encompasses the evolving behavioral logic of economic agents in which profit generation is increasingly driven by financial activities rather than by the production and exchange of goods and services.

Key indicators of advancing financialization include the exponential growth of financial transactions, the acceleration of deregulation and liberalization processes in financial markets, and the proliferation of complex financial instruments and services. These include securitization mechanisms and the emergence of derivative instruments such as futures contracts on novel asset classes (e.g., carbon emissions) and credit default swaps (Vercelli, 2014: 19–25). This transformation of financial market infrastructure reflected a shift in the structural basis of economic value creation.

In the aftermath of the crisis, there has been a renewed academic and policy debate about the *disproportionate role of banks* and financial markets in shaping macroeconomic outcomes. The pre-crisis paradigm-which assumed a linear, positive relationship between financial sector development and economic growth-has been increasingly challenged. In its place, scholars have posited an inverted U-shaped relationship, in which financial development initially stimulates growth, but beyond a certain threshold, further expansion of the financial sector may hinder long-term economic performance. This suggests the existence of an optimal level of financial development, beyond which the risks associated with over-financialization begin to outweigh its benefits (McKinsey Global Institute, 2019: 48–50).

Empirical studies suggest that the financial crisis led to a significant, albeit temporary, *deleveraging* of the banking sector in many economies. In particular, cross-border banking activity contracted sharply, especially in the countries most affected by the crisis. These developments reflect not only increased risk aversion, but also a broader reassessment of the sustainability of financial globalization (Rose & Wieladek, 2014: 2127–2149; ECB, 2017: 145–157).

As with previous systemic financial disturbances, the 2007–2009 crisis triggered processes commonly referred to as *deglobalization*, characterized by a slowdown in the international integration of national economies. The contraction in international capital flows contributed to a marked slowdown in global trade, prompting a critical reassessment of the role of trade in modern economic systems. At the same time, the stagnation in the expansion of financial assets began to be interpreted as a symptom of a broader phenomenon referred to as the *peak of globalization*. This notion reflected growing skepticism about the continued viability of unbounded financial and trade liberalization as an engine of economic progress (Lund et al., 2017; James, 2018: 221–242).

It is important to note that while globalization in its current form is a relatively modern concept, the term itself began to appear in academic and policy discourse in the late 1960s. It gained particular prominence in the 1970s, when it was used to describe the rapid internationalization of markets-especially financial markets-as the volume of international lending soared following sharp increases in oil prices. Over time, however, the concept of globalization has evolved beyond purely economic dimensions to encompass transnational flows of labor, ideas, technology, and culture-often captured in the metaphor of the "global village". These cross-border transfers are highly interdependent and mutually reinforcing (Gropp et al., 2019: 266–299).

Most definitions of globalization emphasize interconnectedness as a core feature. Actors, both state and non-state, are increasingly embedded in networks of interaction that transcend national boundaries. Socio-economic processes once confined to the territorial state now unfold within broader transnational frameworks. While the degree of integration varies across countries and regions, virtually no society remains untouched by the dynamics of globalization. In economic terms, globalization is primarily associated with the integration of national economies into the world market through mechanisms such as international trade, foreign direct investment (FDI) – especially by multinational corporations – short-term capital movements, cross-border labor mobility, and the diffusion of technology (Bhagwati, 2004: 3; ECB, 2017: 145–157).

The current phase of globalization functions through a highly institutionalized system of rules, many of which have been established through international agreements. The global financial crisis of 2007–2009 marked a significant turning point, initiating a reversal in the momentum of economic globalization. This period is often associated with the emergence of deglobalization, which shares the same dimensions as globalization but reflects a retreat or weakening of integrative processes. In the aftermath of the crisis, trade flows have been severely disrupted – if not, in some cases, suspended altogether – leading to increased unemployment and economic contraction in export-dependent economies. Taken together, these developments represent not just a cyclical downturn, but a structural turning point in the trajectory of globalization – marked by growing skepticism about liberal economic integration and a reassertion of national economic sovereignty.

It is important to emphasize that globalization played a key role in the rapid transmission of the financial crisis to the real economy. For example, international trade contracted almost immediately after the first wave of bank failures related to the subprime mortgage crisis. Between September 2008 and April 2009, the collapse in global trade volumes was more severe than during the Great Depression. Although swift intervention by public authorities helped arrest the sharp decline in global exports and imports, a notable shift occurred: since 2014, global trade expanded more slowly than overall global economic activity, in stark contrast to the post-World War II era when trade consistently outpaced output growth (James, 2018: 221).

The reemergence of trade protectionism is another defining characteristic of classic phases of deglobalization, such as the reversal of globalization in the late 19th century. Contemporary protectionist discourse echoes earlier periods; however, despite heightened rhetoric about trade wars, the actual implementation of restrictive measures has so far played a more limited role in shaping the dynamics of current deglobalization trends. Nevertheless, the global economy of the early 21st century is very different from that of the 19th century. As a result, large-scale trade wars seem unlikely given the high costs they would impose on today's interconnected economies. Several factors underline this distinction. First, the gains from international trade remain substantial, especially for developing countries (Costinot & Rodríguez-Clare, 2014: 197–261). Second, modern globalization is characterized by highly specialized and concentrated trade in niche goods, in sharp contrast to the commodity-based trade patterns of earlier eras. Moreover, contemporary economic growth is increasingly driven by the free flow of data and information, as well as efficient logistics and transportation networks (James, 2018: 221–242). Third, and perhaps most critical, the significant job losses caused by the financial crisis have been concentrated in sectors that are unlikely to be revived by trade alone. For example, the U.S. steel industry employs about 140,000 workers, compared with 4.7 million in China – illustrating the scale and complexity of global industrial shifts (Baldwin, 2018; McKinsey Global Institute, 2019: 48–50).

The Financial and Economic Fallout of the Global Crisis: Implications for Social Structure and Public Trust

From a social perspective, the contestation of the pre-2008 economic order in the aftermath of the crisis focused on a *critical reassessment* of capitalism and its perceived institutional underpinnings, particularly financial markets and, in particular, the banking sector. As these institutions depend on public trust to operate effectively, the financial sector was particularly susceptible to reputational damage amid widespread public skepticism about the wider capitalist system. This vulnerability was exacerbated by the public's general lack of understanding of the complex mechanisms of modern finance, despite money playing a central role in household economic security. Social movements that emerged in the immediate aftermath of the crisis, such as Spain's Indignados and the Occupy Wall Street movement, targeted financial institutions as emblematic of systemic failure. They accused banks and stock markets of betraying the fundamental promise of capitalism: the equitable distribution of wealth. Instead, they were perceived as contributing to the deepening of socio-economic inequalities and the erosion of democratic accountability (Lenza & Slacalek, 2018: 31–35).

The financial crisis also brought a growing *sense of disenfranchisement* from representative democracy to the fore. A significant proportion of the population began to feel that they had no meaningful influence over the political decision-making process in their own countries and that mainstream political elites no longer represented their economic, social or cultural interests. This sense of alienation was not purely economic, but was also deeply intertwined with issues of identity, cultural belonging and political recognition. Three structural dynamics contributed to this growing sense of alienation. Firstly, the perceived distance between citizens and national governments increased as decision-making power shifted towards supranational institutions, such as the European Union and the International Monetary Fund. This was particularly evident in the context of post-crisis recovery programs. Secondly, the contrast between the large-scale bailouts of financial institutions and the concurrent rise in unemployment and social hardship caused public trust in national governments to collapse. Thirdly, the crisis reinforced the public perception that political elites and the mainstream media had become detached from the everyday concerns of ordinary citizens, operating instead within closed, self-preserving networks.

The deepening of income inequality and growing disillusionment with capitalism's failure to deliver rising living standards for the majority has perhaps been the most tangible driver of *post-crisis social discontent*. While the incomes of the wealthiest segments of society increased significantly in real terms, income growth for the majority either stagnated or declined. By 2010, for instance, the real incomes of the bottom 60% of earners in the United States had fallen relative to the 1990s, whereas the incomes of the top 20% had doubled. Meanwhile, the income share of the top one % had doubled since 1980 in both the United Kingdom (from 7% to 14%) and the United States (from 10% to 20%), while that of the bottom 50% had halved (Wright & Benson, 2019: 7). In the United Kingdom, a decade after the crisis, average real wages had still not returned to pre-crisis levels. This persistent economic stagnation, coupled with perceptions of systemic injustice, is widely regarded as a contributing factor to the 2016 decision to leave the European Union – a political watershed reflecting broader patterns of social frustration and institutional distrust.

The global financial crisis has highlighted a key aspect of economic inequality: the increasing significance of *rentierism*. This is where individuals earn substantial income not from productive labor, but from owning significant capital assets. This phenomenon is closely linked to the concentration of wealth and has exacerbated disparities in income and opportunity. The consequences are particularly acute when viewed through the lens of intergenerational inequality, calling into question the long-held assumption that each successive generation will enjoy improved living standards compared to the previous one (Ampudia et al., 2018: 1–4).

Although central banks and public authorities responded swiftly to the crisis with unprecedented monetary expansion and liquidity injections, these interventions disproportionately benefited asset holders. Expansionary monetary policies, such as quantitative easing, triggered a rapid and sustained recovery in financial markets, inflating the value of stocks, bonds, and other assets. However, large segments of the population, especially those without financial assets, were effectively excluded from this recovery. In the United States, for instance, almost half of the population reported having only a few hundred dollars in emergency savings during a decade of stock market growth. This disparity has deepened perceptions of inequity and social exclusion (Lenza & Slacalek, 2018: 31–35).

The crisis has also exacerbated public dissatisfaction with the broader economic order, reinforcing the belief that access to opportunities, particularly those associated with social mobility, is neither fair nor meritocratic. Perceptions of inequity have been particularly pronounced in relation to educational opportunities. As knowledge-intensive sectors have become more dominant in advanced economies, the value of higher education has increased significantly, and educational attainment has emerged as a key factor in determining socioeconomic outcomes. However, access to elite education – and, by extension, to prestigious and high-paying jobs – remains highly stratified by social class. In the United States, for example, two-thirds of Harvard University students come from the top 20% of the income distribution. Even more striking is that the proportion of Ivy League students from the top one % of households slightly exceeds that of students from the bottom fifty % combined. Such disparities in access to elite institutions perpetuate broader patterns of inequality, contributing to mounting political and cultural polarization as education emerges as a pivotal axis of identity and social belonging (Wright & Benson, 2019: 9).

The global financial crisis has exacerbated the growing disparity between high-productivity, high-wage jobs in knowledge-based sectors and lower-wage, less secure roles in other areas of the economy. This has contributed to a stronger perception of inequality, not only in terms of income and opportunity, but also across geographic regions. Dynamic, rapidly expanding industries such as finance, technology and media tend to be concentrated in large metropolitan areas, where they offer attractive career prospects and are largely dominated by multinational corporations. In contrast, sectors such as hospitality, retail and leisure tend to offer lower wages, limited career progression and increasing employment insecurity.

In recent decades, a growing proportion of the labor force has been absorbed into low-paid, low-autonomy service roles supporting the infrastructure of expanding sectors such as finance and information technology. The aftermath of the crisis also saw a sharp rise in precarious employment typified by temporary, unstable and often informal contractual arrangements with limited protections and social benefits, commonly referred to as 'junk contracts'.

Consequently, secure, well-paid, fulfilling employment opportunities have become increasingly concentrated in a limited number of sectors, which are often accessible only to graduates of elite, frequently prohibitively expensive, private universities.

The widespread use of public funds to support struggling financial institutions during the crisis led to growing public support for radical economic reforms, such as the nationalization of banks and higher capital gains tax. In many countries, government-sponsored bailout programs were seen as emblematic of systemic injustice. While the banking sector was stabilized through extensive public subsidies, other large non-financial firms in distress were often permitted to fail. This asymmetrical treatment fueled public resentment and heightened perceptions of inequity in the application of economic policy (Anginer & Bertay, 2019: 4–8).

The demands voiced by post-crisis protest movements were rooted in the belief that capitalism had been distorted by the disproportionate influence of large corporations, a concept commonly referred to as *corporatism*. The close and often opaque relationship between government and major business actors has long been viewed as problematic, particularly given the growth of corporate lobbying, which facilitates the shaping of regulatory and legislative frameworks in favor of well-resourced firms. A key criticism is the 'revolving door' phenomenon, whereby individuals frequently transition between public office and high-level corporate positions. This has contributed to a perceived contradiction between public rhetoric about free-market principles and private actions by corporations to entrench their market dominance through regulatory capture and preferential treatment.

Consequently, the widespread belief has emerged that contemporary capitalism is structurally biased in favor of the wealthy and powerful. This perception has been reinforced by the increasing concentration of economic power in the hands of a small number of transnational corporations, particularly in the digital economy. Scholars and policymakers have increasingly highlighted the monopolistic or quasi-monopolistic tendencies within key sectors, which undermine competitive market dynamics and reduce consumer welfare. Technology giants such as Amazon, Facebook and Google have repeatedly been accused of abusing their market dominance to impose unfavorable terms on consumers and suppliers alike. In some cases, they have operated as monopsonies, exercising significant control over labor and input markets.

Conclusion

The purpose of the article is to provide a multidimensional assessment of the wide-ranging impact of the 2007–2009 financial crisis, with the particular emphasis on its financial, macroeconomic, and socio-political impacts. The article examines the profound disruption to the banking sector and deterioration of macroeconomic conditions, as well as the subsequent political and social consequences, and advances the research hypothesis that a crisis-induced decline in public trust in the banks and financial sector increased skepticism towards globalization and heightened political polarization. The main rationales of this research hypothesis are outlined below.

Firstly, post-2008 regulatory reforms resulted in a substantial rise in capital requirements and a nominal strengthening of banks' capital positions. However, these improvements were accompanied by a strategic shift in bank portfolios towards assets with lower regulatory risk weights. This reallocation often came at the expense of socially desirable activities, such as retail mortgage lending or investments that stimulate employment, thereby undermining the developmental role of financial sector.

Secondly, the crisis prompted unprecedented levels of state intervention. The extensive public resources allocated to rescuing systemically important financial institutions provoked a strong social reaction, contributing to the emergence of protest movements and a broader crisis of legitimacy. The expansion of deposit insurance schemes and the normalization of government bailouts weakened the incentives for market participants to independently monitor financial risk, thereby undermining one of the key mechanisms of market discipline.

Thirdly, although financial supervision has become more complex and formalized, supervisory authorities have struggled to keep pace with the growing scope and technical demands of the new regulatory environment in terms of enforcement capacity. The transparency and quality of information disclosed by banks has remained limited, exacerbating the erosion of public trust in the financial sector and reinforcing concerns over its accountability and resilience.

From an economic standpoint, analyzing the change in public trust reveals that the crisis catalyzed a process of gradual deglobalization, reflected in the declining openness of markets to cross-border flows of capital, goods and labor. Rising geopolitical tensions, the resurgence of protectionist policies and shifting political narratives in many countries have collectively challenged the long-standing consensus on the benefits of global economic integration. At the same time, the crisis has accelerated the rise of new economic powers, particularly China, and facilitated the relocation of production hubs to emerging economies. This transformation was further reinforced by the expansion of outsourcing and multinational corporations' increasing reliance on low-cost labor markets in the Global South.

Nevertheless, the crisis had its most profound and lasting consequences in the social and political spheres. The erosion of trust in financial institutions led to a more widespread disillusionment with the capitalist system and the neoliberal policy paradigm. This disaffection was particularly pronounced among younger generations, contributing to the radicalization of political attitudes and the intensification of ideological polarization.

Moreover, the crisis brought long-standing inequalities in income and wealth into sharper public focus. While these disparities were shaped by structural trends such as globalization and technological change, the post-2008 context made them more visible and socially significant. In many societies, a clear divide emerged between those who benefit from globalized economic systems and those who are left behind by structural transformations. A growing sense of injustice and socio-economic exclusion fueled support for anti-establishment and populist movements, ultimately reshaping political discourse and generating renewed debates over the role of the state, the legitimacy of globalization and the social responsibility of the financial sector.

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