Crisis and Stability: The Global Financial Crisis, British Broadsheet Press and the Politics of Ideational Reversion

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Abstract

By analysing UK media narrations surrounding the global financial crisis, this thesis presents a critical engagement with existing constructivist institutionalist literature. Through the application of a 'dynamic tracing' methodology to British broadsheet newspaper discourse from 2007-10, the thesis reveals three significant, and interconnected, dynamics. Firstly, it highlights the existence of 'ideational reversion', whereby after a short period of flux through late-2008 and early-2009, prominent discourses by and large returned to the pre-crisis status quo ante. By analysing the pre-crisis, crisis, and post-crisis discourse holistically, a notably higher degree of overall ideational stability is found than the existing literature suggests would be the case. Secondly, it is demonstrated that ideational disjuncture within media commentary was effectively 'siloed' in the financial sector, meaning that the perception of crisis did not challenge broader conceptualisations of the neo-liberal economy. Thirdly, the impact of such reversion and siloing was to provide a greater social source of legitimacy, or strategic advantage, to orthodox austerity narratives than to their Keynesian alternative. On the back of these observations, conceptual extensions are put forward that involve developing a greater focus on the 'stickiness' of pre-existing discourse through crisis periods.

Table of Contents

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Author's declaration

I, William Vittery, declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

Chapter 1: Introduction to the Thesis

This thesis aims to make both empirical and conceptual developments relating to the understanding of economic crisis and political change. In particular, it seeks to make clarifications and extensions on the issue of the ability of crises to create the conditions for changing economic paradigms, something that is frequently cited by the growing constructivist institutionalist literature. The purpose of this introduction is to provide a brief summary of the intended argument of the thesis as a whole, and an overview of how each chapter will contribute to the elaboration of this overall goal.

The central research puzzle animating the thesis is one of explaining political continuity of economic policy in Britain after the global financial crisis, when much of the literature on economic crises suggests that they are a time ripe for paradigmatic change. In particular, it seeks to utilise constructivist institutionalist thinking, and to seek to develop this theory by suggesting that with a couple of revisions it is capable of discussing both political change and continuity with equal comfort. The major research questions to be addressed, then, are:

1. To what extent did the ideas underpinning political economy in Britain actually shift as a result of the global financial crisis?
2. To what extent can we observe a structural vacuum in which there was genuine uncertainty and a generalised sense of economic crisis?
3. To what extent did continuity of ideas constitute an important source of social legitimacy for ideas of austerity?

Firstly, the thesis intends to advance empirically our understanding of crises situations by exploring crisis discourse and narratives in detail to explore the extent of change that takes place through a crisis. Whilst existing works focusing on crisis and political change have tended to approach newspaper analysis as a supporting or subsidiary medium for focus, this thesis intends to utilise more systematically such documents as a primary focus of study, and ones that are justified in providing a proxy for the wider public debate on economic policy. The thesis will therefore analyse pre-crisis political economic discourse in the UK during 2007 and early 2008, and track the development of the prominent discourses through the crisis and post-crisis context to provide a rich detail of continuity and change over time.

The thesis as a whole seeks to work within the constructivist approach to political analysis, but highlights the need for greater specificity within this literature in relation to political paradigms and their breakdown in a time of crisis. It argues that constructivist institutionalism is of great value in utilising discourse analysis to understand shifting economic ideas, but that it has to date been under-utilised in explaining political continuity. Very briefly, constructivism holds that institutions tend to maintain a political paradigm for understanding economic developments and creating policy solutions to social problems, until a crisis arises which the existing paradigm cannot explain. When this occurs, the structural power the existing paradigms holds is eradicated, creating a vacuum in which new ideas can germinate and come to replace the previous narrative. As such, it is expected that economic crises are moments of major turmoil and change, with narratives that are able to appeal to a wide audience and explain the nature of the crisis likely to prevail. The Keynesian shift during the Great Depression and the rise of monetarism in the 1970s-80s are seen as two such major turning points where one policy paradigm was replaced by another. However, whilst in theory the Global Financial Crisis would appear to be another such episode suited to such major paradigmatic shifts, the success of the 'austerity' narrative in Britain highlights that continuity, rather than change, characterises this crisis. Rather than being replaced in the aftermath of the crisis, neoliberal orthodoxy has maintained its dominance within Western thinking and governance.

Therefore, whilst constructivist institutionalism has added a commendable level of depth and theoretical intricacy to these examples of major paradigmatic shift, it has not yet been so regularly applied to examples of ideational continuity, or in Hall's (1989) terms 'first' and 'second order' ideational change. To date historical institutionalism has been more commonly utilised in such instances. However, if we are to accept constructivist institutionalism's critique of historical institutionalism, covered in chapter 3, then one important extension of constructivist institutionalism must be to expand its focus and provide explanations for continuity as well as change. The purpose of this thesis is to take a first step in this direction. As will be stated at various points below, then, the purpose of the thesis is to work within the constructivist institutionalist tradition with the intention of developing and extending the literature, rather than merely critiquing it from without. These extensions will be both theoretical and empirical. Theoretically, it will suggest that a more 'realist' approach to discourse analysis is of value in explaining ideational contexts, and that crisis narratives need not permeate the entire political economic sphere but rather can be restricted to certain sections of the economy. Empirically, it will show that there is a greater amount of ideational 'reversion' in post-crisis ideas than has been identified to date.

The thesis will take the constructivist idea of a structural vacuum very seriously, however, and uses this as a justification for the research framework. It works within a constructivist mindset by suggesting that a time of crisis is indeed a very public political context, and therefore one in which public debate and the importance of ideas is of much more paramount importance than during times of economic and political stability. As such, it is argued that the public debate surrounding economic policy has a significant degree of rhetorical power in shaping the acceptability or 'social source of legitimacy' of different policy approaches. The primary research focus is on the broadsheet press as a valuable resource for analysis, for it provides a representative microcosm of the 'public debate' more broadly. By focusing on the ideas circulating the public debate of the broadsheet media, we can explain the more conventionally 'institutionalist' outcomes of the acceptability or otherwise of Keynesian and orthodox economic policies. This research agenda is justified in more detail in chapter 3.

To expand on the methodological implications of this, through a ‘dynamic tracing’ methodology, starting in 2007 and finishing in 2010, the empirical chapters discover a process of ‘ideational reversion’ whereby the central ideas of the pre-crisis period re-emerged once the immediate danger of financial collapse had passed. With existing discourse highlighting a need for reduced government involvement in the economy and warning of government over-spending and a burgeoning public sector, in the context of budget deficits created by the crisis these ideas helped to justify fiscal consolidation as a policy approach over its Keynesian stimulative alternative. A significant finding within this is that blame for the crisis was effectively siloed within the financial sector, thus leaving the primary ideas governing the corporate sector un-touched. Thus a greater level of ideational continuity is observable compared to what existing constructivist literature would prepare us for. The effect of this greater than expected level of stability is that the orthodox paradigm had a greater social source of legitimacy than its Keynesian alternative in the aftermath of the crisis. The existence of this strategic advantage in the public imagination helps to explain its political success.

These empirical contributions in turn lead to two notable theoretical conclusions from the thesis. Firstly, the analysis of broadsheet discourse demonstrates that crises are not to be considered structural vacuums within which existing narratives are completely de-stabilised, as has previously been understood. Rather, crises appear to be episodes of confusion but also of some continuity, in which the pre-existing discursive context is still vitally important in shaping the likely policy outcome. Whilst the failure of the dominant pre-crisis paradigm in the existing literature is taken as representing a structural vacuum in which a new idea will come to dominate, here it is suggested that this is actually a more sociological process in which the description of failure from an external political analyst does not necessitate the public perception of the same thing; thus because academics highlight the crisis as demonstrating the failure of the neo-liberal financialisation growth model, does not necessitate that it is viewed in this way by the public, and press, at large.

The structure of the thesis to achieve these conclusions is set out as follows:

Chapter Two discusses the intellectual context of the development of constructivist as a unique approach to the understanding of politics. As such, the general meta-theoretical tenets of constructivist thought are justified against the more prevalent rationalist approach to academic political explanation. However, the chapter demonstrates the particular brand of ‘realist constructivist’ thought which will be applied in this instance; an approach based in IR scholarship but which I feel has lessons for domestic constructivist political analysis.

Chapter three focuses more explicitly on crises and constructivist institutionalist scholarship, highlighting the advances to date but importantly also the unanswered questions and potential theoretical weaknesses in the existing work. Here I focus on the overly-determinist thinking of existing constructivist scholarship and the reliance in the post-crisis literature on more structural explanations for stability. I seek to apply strategic-relational thinking to allow for a research design that clears these existing hurdles whilst remaining explicitly constructivist. From this the dynamic tracing methodology of the thesis is justified; a focus on the broadsheet media in the pre-, mid- and post-crisis context is presented as a way of tracing closely ideational development, stability and change through differing economic conditions.

Chapter four provides an overview of the economic context of the thesis as a whole. It provides a review of the development of orthodox monetarist and Keynesian schools of economic thought, and the significance of crises to these bodies of work. Secondly it provides an overview of the economic context of the Great Moderation period which begun in the 1980s and was ended by the Global Financial Crisis. The existing tenets of political economic governance are therefore described. The chapter also provides an overview of the economic events of the financial crisis itself, providing the economic detail which the discourses covered in the empirical chapters attached themselves too. Finally, the chapter highlights the potential utility of both orthodox and Keynesian logic in the crisis context. In doing so, the chapter suggests that neither provides a more 'scientifically correct' understanding of the crisis, and hence justifies an essentially sociological and discursive approach to crisis resolution.

The empirical chapters are split into three parts. Chapter Five covers the period from the beginning of 2007 until the onset of the major heart of the crisis in late summer 2008. The purpose here is to provide an overview of the major pre-crisis discourses of the British press so that the extent of continuity and change within these can be gauged in the mid- and post-crisis periods. Chapter Six covers the mid-crisis period of the autumn and early winter of 2008-09, in which the period of uncertainty was at its height. Here it is explained that the severity of the crisis was sufficient for much of the pre-crisis concern with fiscal deficits to be side-lined, but that there was never a complete ideational reconfiguration even during this period. Chapter Seven covers the period from early 2009 until the General Election of 2010, when the sense of a 'fiscal crisis' became most prominent in the British press. It demonstrates the significance of the pre-crisis discourses to this issue and the methods of crisis resolution in general, thus suggesting that the austerity discourse held a strategic advantage over its rival.

Finally, chapter eight provides a summation of the major empirical and theoretical findings and conclusions. From this, a discussion is presenting relating to the major contributions of the thesis as a whole, and the suggestion of further study to extend its findings and contribute more widely to constructivist discussions of political continuity and change.

Chapter 2. Constructivism, the British Broadsheet Press, and the Global Financial Crisis: An Overview

2.1 Introduction

The Global Financial Crisis of 2007-08 generated deep questions over the nature and sustainability of the economic and political order of the Western world. We are now at a sufficient distance from the core of the crisis to take stock of the key points of continuity and change that have followed this point of disjuncture. Recent works have suggested that, in the realm of economic management, a fundamental continuity has been displayed in the post-2007 period (e.g. Moschella and Tsingou, 2013; Broome et al, 2012; McCarty, 2012). Whilst some governmental innovation has been observed to help mitigate the effects of the crisis (Clift and Woll, 2012), on a wider macro-economic level there has not been a 'third order' change in ideas (Hall, 1993). Therefore rather than fore-telling a 'return of the state' and a major re-configuration of the relative powers of the state vis-à-vis the market, as many social democrats predicted, the impact of the financial crisis appears to have actually consolidated and entrenched the classically 'neo-liberal' pre-crisis role of the state in economic life (Gamble, 2013). This thesis aims to explore and explain such patterns of continuity and change in UK economic policy debate through the immediate pre-, mid- and post-crisis years of 2007-10.

Through the thesis as a whole, I critically draw upon established constructivist political economy literature to accomplish this goal. I offer a number of extensions to this literature that stem from my analysis of the UK case study. I specifically suggest that broadsheet media reporting constitutes a valuable focus of analysis as a means of exploring the constitution of ideas in political economic landscapes.[1] By holistically reviewing prominent discourse across mainstream broadsheet reporting, I demonstrate the existence of two key trends. Firstly, I demonstrate a process if ideational reversion whereby the 'austerity' discourse that emerged from 2009 represented a return to the pre-

[1] The term 'the broadsheet newspaper media' is somewhat cumbersome, and hence with the exception of the methodology section where closer precision is necessary, I will shorten this to 'the media' for the rest of the thesis.

crisis status quo ante, in which criticism of excessive spending and public sector inefficiency had predominated across many outlets. Second, supporting initial findings from Pirie (2012), I demonstrate that ideational change associated with the crisis was effectively siloed; while commentators accepted that extraordinary monetary interventions were justifiable and necessary, other beliefs about the appropriate role and policies of the state in relation to the corporate sector remained in place

Through this chapter, I provide an overview of the explanatory potential of constructivist research in general, in order to justify the approach taken in this thesis. The thesis in general intends to broadly work within the constructivist intellectual tradition in order to suggest developments for its understanding and contextualisation of the issues of crisis and change. This chapter will begin by contrasting constructivist logic to those of the most extreme elements on the 'ontological spectrum', rationalism and post-structuralism. Further, it will highlight the importance, in particular, of the constructivist theoretical work on structure and agency which will be utilised in the thesis as a whole.. I will also adopt insights from the 'realist constructivist' school which I argue help to clarify this approach further. This more general justification of a constructivist approach to the topic will lead in to the following chapter, where a more detailed explanation of the approach I will adopt is reached.

2.2 Constructivism and the Ontological Middle Ground

Constructivism as a school of thought developed, and is still developing, largely as a result of frustrations at some of the enduring weaknesses of existing scholarship of positivist, rationalist and institutionalist nature (see Morrow, 1994; Levi, 1997; Scott, 2000; Shepsle, 2006). 'Rational Choice Theory', adopting a belief in the application of positivist economic methods to political analysis, had become central to the study of political outcomes by the mid-1980s, with William Riker calling it the greatest advancement made to political science (Riker, 1990). However, whilst its ability to offer statistical measurements and measurable outcomes gives such an approach a surface rigour which helps explain its popularity, the strength and reflectiveness of such research on political reality has increasingly been questioned, along with the theoretical logic underpinning it. The 'Comtean' foundationalist ontology (Matlary, 1997: 202) of positivism began to be questioned; thus also questioning the capability of political 'scientists' to truly capture the 'truth' about the 'real' world around us. As the spate of apostrophisation in the previous sentence suggests, constructivists take issue with the widespread belief in political academia that we can make truth-claims about the social world which are truly independent of our own interpretation of it, i.e. there is a 'constructed nature of our claims to knowledge' (Bevir and Rhodes, 2003: 3; also Fierke, 2005: 7; Guzzini, 2005). Facts, for constructivists, are therefore not discovered in the social world so much as created (Collingwood, 1965: 99). The obsession with creating a 'science of the political' in order to justify political studies has been most starkly criticised by Connolly as 'a wish to escape the political. It emerges…as a desire to rationalise public life, placing a set of ambiguities and contestable orientations under the control of a settled system of understandings and priorities' (Connolly, 1993: 213). There is a small irony therefore that the public attempt to 'instrumentally' rationalise (Dryzek, 1994: 5) the understanding of the political is in this sense as doomed to fail as political attempts to rationalise the public (Scott, 1998).

The weakness of the assumption of rationality has been critiqued in detail on several occasions, but is worth reviewing in brief. The central lines of rationalist reasoning follow three steps: actors have perfect knowledge of the potential outcomes of their potential actions; actors are always self-interested and never motivated by normative or other non-material factors, and, consequently, only one course of action can be defined as rational - that which will increase the actor's material interests, and; political outcomes can therefore be explained by the material interests of relevant actors (Elster 1982: 453-82).

Whilst the focus on the 'microfoundations' of political processes has certain appeal, and can help to explain the often disjointed behaviour of democratic institutions (Green and Shapiro, 1994: 4), several flaws are notable within the assumption of perfect foresight and pure material interest. The empirical record of this approach has been severely critiqued, with Hayward citing the 'portentous claims, methodological obsession and paltry performance' (Hayward, 1986: 8) that came with political science acting like the pure sciences. Likewise, Krehbiel's review of rationalist studies on legislative politics found that 'empirical successes are as yet difficult to identify' (1988: 259). In short, therefore, the prediction of human rationality and a micro-focus for political analysis does not seem to have adequately explained a great deal of the political events it has been most interested in. As we shall see in the following chapter, rationalist assumptions of crisis solution have been equally flawed.

On the theoretical level, too, however, the assumption of rationality and material interest can be questioned. Certainly, there are instances where the material interests of parties can be adequately measured; the interest of a business in lobbying for a lower corporate tax rate, for instance. However, even within the field of economics from which rational choice has taken considerable inspiration, the idea of rational actors having perfect foresight has been rigorously contested. Minsky (1977: 24) described the "tendency to transform doing well into a speculative investment boom (as) the basic instability in the capitalist system" as a development of Keynes' notion of herd mentality. Whilst constructivism is a relatively recent political school of thought, the critique of such approaches to rationality has deeper intellectual bases. Weber's very typology of political action depends on the significance of non-rational components of behaviour such as tradition, for instance. Constructivism could also be said to have roots in Durkheimian and to an extent Gramscian philosophy along similar lines (Allcock, 2000: 219; Hopf, 1998: 177; Ruggie, 1998: 857).

In such an environment, actors rely upon internalised assumptions rather than facts to rationalise their action (Denzau and North, 1994; Bell and Hindmoor, 2014). It is in particular suggested by Abdelal that in times of crisis, actors' shorthand assumptions attain an increased degree of importance (Abdelal, 2007: 197). Financial crises, by their very nature unexpected ruptures to the pre-existing stability, create a considerable amount of uncertainty over policy goals and methods. As such, in these contexts, the suggestion of a single rational response to crisis is particularly questionable. As such, a legitimate avenue of political inquiry is not on asking which collection of interests explains an outcome, but to take a step back and consider why certain policies, programmes or goals were deemed rational in the first place.

Likewise in relation to the public acceptability of policy proposals, content alone cannot be taken to best explain the success or not of a political message (Hall, 1993: 280). Rather it is the 'communicative environment' that helps to legitimise certain approaches over others (Payne, 2001: 39). Where material interests cannot be objectively calculated, constructivism seeks to understand the social construction of knowledge that led to certain political avenues being pursued. This need not suggest that empirics are insignificant, nor that any explanation could be considered of equal rationality. Rather, where rational choice theory sees a dualism of rational and irrational, constructivism sees a continuum with different approaches taking in different evidence to put forward its case, with some strategically more likely to succeed in democratic appeal than others. Rationalism must therefore be understood as a 'contingent product of its time' (Abdelal, 2007: 218). Rather than rationality being a pre-ordained and un-measured assumption, therefore, it becomes an area of political contestability and academic analysis.

Constructivism therefore utilises this different approach to rationality to suggest a switch of focus of study from being one seeking to explain why different policy outcomes occurred, and doing so by explaining the rational interests of the agents involved, to asking why the rational agents acted as they did, and how the construed their circumstances to lead to the power relationship developing as it did. It is in this context that the term 'depth ontology' in relation to constructivism is most clear; for rather than assuming rational interests and merely explaining political outcomes through the power relations of the relevant actors, constructivist study seeks to understanding the power relations *and* the construction of interests which explain them.

If the rationalist approach to political analysis is deemed too reductionist, empiricist and behavioural, what exactly does constructivism offer as an alternative to its ontological approach to political behaviour and institutions? Rationalism can be broadly defined as ontologically foundational, i.e. believing in a world that exists objectively and independently from our knowledge of it (Sanders, 2010: 32), whilst poststructuralism occupies the alternative end of the spectrum by being stridently anti-foundational in the belief that all knowledge and understanding of the world is inherently subjective. Constructivists believe in a 'minimal foundationalism' (Hoffman, 1991:170); that our access to the social world is essentially mediated through socially constructed norms, i.e. they seek to 'denaturalise' the social world. As Hacking (1999) highlights, a proliferation of constructivist work has highlighted (and often mis-highlighted) how a wide variety of concepts that are taken for granted in the modern world need not actually be seen as permanent or inevitable. Moreover, this is often matched by an implicit normative suggestion by constructivists that these perceived structures should actually be replaced (Ibid.: 6). Thus constructivism has often attempted 'to empirically discover and reveal how the institutions and practices and identities that people take as natural, given, or matter of fact, are in fact the product of human agency, or social construction' (Hopf, 1998: 182; also Béland and Cox, 2011: 11, Bevir and Rhodes, 2003: 3, Pouliot, 2007: 367).

In ontological terms this approach therefore suggests a certain scepticism towards a fully knowable social world, but not one that reduces all social knowledge to relativism. The social world is certainly not fully knowable in the positivist sense; rather it is the social constructions which take on this persona of being infinite and eternal truths which are of importance to scholars of the political. In Cox's words, 'social constructivists argue that beliefs and preferences of individuals cannot be deduced from preconceived assumptions about human nature but rather they are constructed in a social environment where the beliefs and preferences held by others members of the community constitute the basis for what is deemed to be socially valued or preferred' (Cox, 2001: 473). Whilst much knowledge is social, this does not make agents free to completely imagine and hence develop new paradigms; ideational structures 'define the meaning and identity of the individual actor and the patterns of appropriate… activity engaged in by those individuals' (Boli et al, 1989: 12). As a result, then, constructivist has placed the study of ideas as central to political explanation, with a reduced role for the previously pre-dominant study of interests.

The response that constructivist literature received from the dominant positivist mainstream was mixed. Whilst in the field of IR in particular the lack of explanatory power in existing theories to explain the seismic end of the Cold War led to a certain amount of self-reflection amongst positivists, there was still some scepticism towards constructivism generally. Keohane admitted that 'reflectivist' accounts had highlighted some of the theoretical weaknesses within neo-realism and rationalist theory (1989: 174), and even turned towards the use of ideas himself (Goldstein and Keohane, 1993). However, he criticised the lack of a clear operationalisable constructivist research agenda (Keohane, 1989: 173). More pertinent, however, was the clear lack of actual transformation positivism's basic epistemological views in relation to the constructivist challenge.

Alongside King and Verba, Keohane still proclaimed that a worthy scholarly study should 'make a specific scientific contribution to an identifiably scholarly literature by increasing our collective ability to construct verified scientific explanations of some aspect of the world' (King, Keohane and Verba, 1994: 15), i.e. that a science of the political is still possible. Moreover even this turn to ideas was essentially still framed in terms of rational choice (Blyth, 1997: 229), highlighting a remarkable lack of 'learning' on the part of the positivist mainstream from the critiques that constructivism had provided. Keohane and others were robustly criticised for this clear lack of understanding of the fundamental challenges that had been put before them (Ashley and Walker, 1990: 266; Der Derian, 1990: 295-6; George and Campbell, 1990: 288; Walker 1993: 81-103). Rationalism and positivism therefore tend still to rely more upon empirical generalisation and the potential for quasi-scientific explanation as a justification of their work than any notably strongly held ontological beliefs (Shepsle, 2006: 32-33).

Constructivism can certainly claim to have played a notable role in the development of ideas as a legitimate focus of study for political scholars however, alongside the new institutionalists. It has not completely transformed the scholarly landscape, but has rather seen a more ‘quiet cataclysm’ (Mueller, 1995), in which perceptions of the explanatory power of political study have subtly changed, with an increased leaning towards more qualitative and social aspects of change than had previously been the case. Importantly, it has caused all scholars to be more explicitly reflexive about the assumptions than underlie their work. The turn towards ideas and social construction is flexible enough to have permeated a wide variety of different research foci also, providing an ever-richer research output.

In essence therefore this ontological challenge is quite straightforward, with the two schools representing starkly conflicting worldviews; constructivists critique the positivist belief that the empirical can be separated from the philosophical (George and Campbell, 1990: 288). Epistemologically, with human behaviour no longer being explained by its ‘natural’ constituency of utility maximisation based on pre-ordained economic interests, constructivism has focused more on the social elements of knowledge, notably on ideas (Abdelal, Blylth and Parsons, 2010: 2; Bell and Hindmoor, 2014). This focus analyses the causal role they can play independent of the interests of those that created them, going against what positivism, historical materialist Marxism or post-structuralism would ascertain (Béland, 2009; Béland and Cox, 2011; Carstensen, 2011; Hay, 2011). Indeed as well as being independent of interests, ideas are also deemed important in their very creation. As such we cannot understand what interests are without fully understanding the ideational environment in which they were forged.

It must be noted, however, that constructivism is by no means a unified school of thought and a great deal of theoretical variation exists within it. Most significantly, there is a split between ‘thinner’ and ‘thicker’ constructivisms which place different weights on the accessibility of a ‘real’ world and the independence of material interests from the ideas which narrate their meaning. For ‘thinner’ constructivists we can still provide an objective analysis of the world because even though agents’ understandings are inherently social, our analysis of them needn’t be (see Adler, 1997).[2] Under such an approach, the scholar can claim to objectively analyse others’ subjectivity (Pouliot, 2007). ‘Thicker’ constructivists would doubt that we could provide such an objective understanding however, for even our own understandings of events may colour our empirical focus and hence the scholar also to an extent replicates the social reality which constitutes them. For thinner constructivists, material power has a crucial causal role independent of ideas and discourse, whilst for thicker constructivists the distinction between ‘the material and the ideational (is) meaningless, because there is no ‘real’ material, word (sic) independent of discourse, or the narratives or traditions that shape outcomes, or, to put it another way, there is no extra-discursive realm’ (Marsh,

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2 Thin constructivism therefore follows a causal epistemology whilst thicker constructivism provides a more relativist one.

2009: 680). Realist variants also exist, with Marsh suggesting that ‘real’ material structures independent of agents’ understandings of them exist and exert a causal influence on political processes. The commonalities across these approaches involve the modesty which they claim over absolute scientific social knowledge; as Moravcsik notes, history rarely fully vindicates any theory (Moravcsik, 1998: 12). One of constructivism’s core aims is not to proscribe and deduct too many universal ‘scientific’ variables onto given social situations.

To varying degrees both thinner and thicker variants of constructivism puts a notable explanatory weight behind the idea of norm- and ideational-based political behaviour (Parsons, 2010: 80-81), to offer added value over a rationalist approach which can only explain through an appeal to a single rational interest. However, it should be noted that the leading exponents of crisis research from constructivist positions have tended to fall on the side of thicker constructivisms to date (Marsh, 2009: 681-687). Whilst constructivist institutionalism is not dependent on a ‘thick’ approach, it does lend itself most easily to largely ideationalist approaches to political outcomes, and as it has been currently constituted does theorise crisis in particular as an area of study where the ideational gains primacy over the material because of the uncertainty it creates. This thesis will, however, suggest that benefits can be gained from adopting a more realist approach to ideas in section 2.7, methodologically and analytically at least. Generally, however, the thesis seeks to work within a generally constructivist framework in order to make suggestions for development *within* rather than critiquing its theoretical premises from *without*.

We have seen, then, that constructivist scholarship occupies a middle ground between rationalism and post-modernist approaches. The implications for the study of the political economy of the credit crunch and financial crisis are quite straightforward. Given the constructivist implication that preferences need not always be (indeed, perhaps rarely ever are) fixed, and that interests are not simply dependent on objective calculation but to an extent are dependent on the social climate in which they exist (Price and Reus-Smit, 1998: 261). It suggests that the ideas of those with power matter, and these cannot be equated with interests alone (Hay, 2011). It is the contention of this study that the discursive environment, the social understandings attached to ‘real world’ events play a role in shaping a reaction to them. Thus this guides us naturally towards a research design focused on seeking to explain how the ideational context of the financial crisis may have led to certain policy approaches being deemed favourable to others. However, whilst ideas have been argued above to matter, the issue of how, where and when they matter most must also be discussed. In order to do this, and expand in more detail on the theoretical promise of constructivism, a discussion of its approach to the issue of structure and agency is necessary.

2.3 Structure versus Agency for Constructivists

By occupying the ontological middle-ground, the constructivist framework facilitates the production of pragmatic accounts that combine a focus on the interplay between material and ideational forces in shaping outcomes. In addition, the constructivist approach also allows for the interplay between structure and agency to be effectively interrogated. In the paragraphs below I provide an overview of such work and its implications for the research of this thesis. Despite the centrality of the question in political study over whether agents or structures are key to understanding outcomes, the problem of observability of the social world means that no scientific answer can ever be given to it. Thus a variety of approaches based in different philosophical beliefs about the nature of the social world have produced different analyses of the issue. A dichotomous split between two extremes can here be identified: intentionalist analysis focuses entirely on the motivations, actions, desires and beliefs of the agents in question to provide the explanation of the consequences and actions in question; and structuralist analysis which highlights the all-important role of the context in framing the events in question (see Hay, 2002: 96-100). However, few but the most extreme scholars would suggest that political action can be simply defined in terms of one of these two approaches, and therefore it is a common consensus within political academia that we must look for explanations that involve at least to some extent both elements of structure and agency.

Essentially the argument that constructivism makes is that both extremes of what I call the 'ontological spectrum' suffer from an inherent structuralism which gives no scope for humans to actually possess strategies independent of either their personal, or society's, interests (Ibid.: 103-104). In the case of positivism these are boiled down to the material interests of those involved, whilst with postmodernism Foucault's term 'power-knowledge' explains the prism in which all are subjected to thinking (Foucault, 1977). 'Research traditions such as rational choice, postmodernism and…large parts of constructivism, which occupy endpoints in the agent-structure debate, have life easy' argues Checkel (1999: 558), in that they can ignore the 'messy middle ground' where norms, discourse, language and material capabilities interact with motivations, social learning and preferences' (Ibid.). This has allowed modern middle-ground theorists to develop on the classic agent-structure debate, arguing that neither agents nor structures are fully independent entities. Rather, the two are mutually and dialectically constitutive of each other; this frees us from assuming that agents aren't capable of creating ideas or strategies outside of their institutional context whilst still keeping in place an understanding of the restrictions that historically prior actions have had on their scope to institute change. We might, however, not think of these structural restrictions solely in legally formal manners, but also of the creation of norms which achieve general acceptance and therefore shape future strategies. Certain critiques of constructivism have argued that it swings the pendulum too far towards the power of agency (Bell, 2011: 884), and in the case of Blyth's assertion that 'in moments of uncertainty (crises) generated by the failure of existing institutions, institutional choice becomes undetermined by structure' (Blyth, 2007: 761), this is perhaps the case. The relationship between structure and agency is not one we can solve empirically based on the newer understandings of the complex inter-relationships between the two (Carlsnaes, 1992: 250), and the debates are therefore somewhat ontological. There are three central theories, two of which are arguably compatible with constructivist ontology.

Metaphors abound in these debates. The morphogenetic approach of Margaret Archer uses that of DNA to explain the relationship between structure and agency; two branches which are interlinked (over time as opposed to space), and therefore suggesting an ontological separation of structure and agency (Archer, 1989, 1995, 1998). Such an account is essentially realist and does not therefore provide scope for an understanding of the constitution of agents per se. Rather structures are to be seen as outside of agents, obstacles to be overcome. Giddens' structuration theory, popular amongst constructivists (Glarbo, 1999 takes it for granted as the constructivist methodology of choice, and Wendt (1999: 165) relies on it to), provides the metaphor of a coin; structure and agency are bound together as with the DNA example, but as they are two sides of the same coin we cannot see both at the same time (Giddens 1979, 1984). Structure and agency are ontologically conjoined in this theory, but still have an element of independence. Moreover by taking an empirical approach of 'methodological bracketing', although we cannot analyse the respective input of both combined in a given moment, it is possible to analyse one or the other in any given event. As stated, this is a common and popular approach of constructivists to date, something I consider slightly problematic given the criticism of this approach by Hay (2002) and Bieler and Morton (2001: 7-9). The strategic-relational approach of Jessop (1996) and Hay (2002) cures some of these problems. Firstly it notes that the 'distinction between structure and agency is a purely analytical one' (Hay, 2002: 127). Neither is truly 'real' in this sense since neither can exist without the other. It is here that constructivism differentiates itself most clearly from critical realism, given the denial of structures as causal entities whose existence we can only understand through the observation of their effects.[3] Given this it chooses to replace the terms 'structure' and 'agency' altogether and instead to talk of 'strategic agents' and 'strategically selective contexts', i.e. agents have certain aims, based in part upon their social constitution, but their ability to meet these aims is determinant on the context, which will favour some courses of action over others.

The metaphor of choice here is that of a duo-metallic alloy. Whilst in a specific situation we know there to be a combination of both elements, what we observe is the final combination of the

[3] It is here that McAnulla (2005) posited the charge of 'actualism' against constructivists, for denying the realm of the 'real'. Whether one is preferable to the other is essentially an ontological question in which the answer lies in the eye of the beholder. As Hay's (2005) response highlights, the accusation that actualism is bad on the basis that it isn't sufficiently realist doesn't ultimately prove very persuasive.

two, making it impossible to ascertain exactly what 'proportion' of either has led to what we find before us. The idea that social construction plays a large role in creating agential identity poses the problematic epistemological question of 'to what extent is identity "pre-" and "post-social" (see Zehfuss, 2001)?' However again this suggests an ontological separability of agents and structures which arguably the strategic-relational approach dissolves. Ultimately we can only see the outcome of the fusing of the two, not their relative parts.

The challenges of resorting to structural explanations of crisis resolution can be seen through a brief analysis of two such works. Both Ashbee (2011) and Armingeon (2012) have pointed to structural differences in the British and American political systems to explain their different fiscal paths in the post-crisis context. Briefly, Ashbee highlights the pork-barrel approach of the American system and the greater immunity of the British Prime Minister to the business lobby to explain the differentiation. Armingeon outlines institutional veto points as the vital factor in influencing whether counter-cyclical spending will occur. Two central problems are visible here. Firstly the two analyses reach very different conclusions, with Ashbee highlighting the structural capacity for Britain to implement austerity without hindrance, whilst Armingeon places the UK as a counter-cyclical spender for exactly the same reason. But more significantly the appeal to 'static' institutional factors cannot explain why a dynamic shift took place within the British, and to an extent the American, response to the crisis. Britain in particular reverted very quickly from a more stimulative approach to one characterised by austerity. Such variation suggests a role for ideas and discourse in shifting acceptability for different policies. Indeed, as the above theoretical discussion implies anyway, such structures 'do not come with an instruction sheet' (Blyth, 2003).

2.4 Strategically Selective Contexts, Strategic Actors, and the Financial Crisis

Given the ontological question of whether structure and agency really exist independent from one another, Hay argues that, from a meta-theoretical standpoint which he doesn't explicitly call constructivist, but which we can term as such, what we actually see in political outcomes is not so much an inter-twining of the two, but a more complex alloy of their dialectical inter-relationship, in which a 'true' assessment of the relative component of each is not possible. Rather than discussing structure and agency at all, then, he argues it is preferable to talk in terms of 'strategically selective contexts', and 'strategic actors' (Hay, 2002: 128). The implication of this for the causal chains we draw as political analysts is therefore significant, albeit highly complex.

The key impact of this dissolving of the ontological dualism of structure and agency in the strategic-relational approach is to make the two inter-dependent, and hence, in its most simple terms, to change the terminology of the debate surrounding the relative significance of context and conduct in the political arena (Ibid.: 129). Thus we cease to seek the relative significance of structures and agents on political outcomes, but look at the political context and ask which strategies are conducive in such an environment. But, importantly, the context does not make a certain strategy inevitable; it may be that an unelectable political party take up a strategy that in other circumstances might be favoured but fail regardless, i.e. the context does not pre-determine the outcome as structuralist approaches do (Ibid.: 128). The central appeal of such an approach is that it prevents a political analysis which accidentally slips into structural or agential explanations, but highlights the political contingency of individual situations and importantly provides a crucial role for ideas in that structural constraints 'do not come with an instruction sheet' (Blyth, 2002: 8). The fact that political outcomes in each situation are a specific outcome of the agents who existed within it and the constraints they found upon themselves may be considered overly simplistic, perhaps even blindingly obvious. But as Hay (2002: 129) suggests, such 'sociological truisms' are a sign of strength, not weakness. 'Good political analysis is often a case of stating and re-stating that which is obvious but all too rarely reflected upon' (Ibid.), he continues.

2.5 Crisis and Strategic-Relational Action

Below I begin to operationalise this theoretical starting point to justify the focus of this thesis on analysing media discourse as an essential component of the strategic context of the global financial crisis.

The shift towards thinking of politics as involving strategic contexts and situated agents is very instructive in relation to our expectation of political change in the midst of a crisis, and yet perhaps has been somewhat overlooked by the constructivist desire to explain endogenous political change in such an environment. For rather than the failure of ideas necessitating political change, as constructivist theory seems to suggest, what we see when we apply this strategic-relational logic is that a financial crisis actually presents a context in which certain strategies are selectively favoured over others, depending on the political circumstances of the polity in which it occurs in. Thus, crudely, we could suggest that the financial crisis either represents a context in which policy stability and a lack of change are favoured, or a context in which change is favoured, likely leading to a rupture in the policy norm – an episode of punctuated equilibrium. The central point remains that when we apply strategic-relational thinking to the issue, we cannot suggest that the context *determines* a specific outcome. Thus we must move beyond the suggestion that crisis necessitates change. It is important to note, however, that such a suggestion is not at odds with constructivist thinking to date, but arguably a more full application of its logic to crisis episodes.

Again, for the purposes of clarity, this thesis explicitly wishes to place itself within this theoretical heritage that constructivism's founding authors have created. But a central contention of the theoretical argument of this thesis is that these major meta-theoretical tenets of constructivist analysis of political reality *could be more clearly applied to the issue of crisis and change*, and indeed that to date much of this work has failed to apply these insights fully enough into its empirical analysis. Thus, the insights of selective contexts and situated and strategic actors help to explain why a crisis need not necessarily lead to widespread change. For whilst, in the issue of a financial crisis, the context can be confidently stated to be selective towards change on some level - the above discussion of my definition of 'crisis' suggests that this should be the case - the nature of the change that takes place depends on the inter-relationship of the strategic actors who come to fill this context.

But such a suggestion risks a reductionism in which the only element of contextual selectivity is in the need for some level of change, and thus, as with other constructivist work on the issue of crisis, might perhaps tip the balance of explanation too far towards agential interpretation and too far away from strategic selective contingency. There are other contextual factors which must be considered when interpreting the discourse of political actors, however. Most notable amongst these are electoral pressures. The debate over the 'correct' economic course to take in a financial crisis, and of the real meaning of that crisis in the first place, does not happen in a vacuum. Electoral pressures greatly influence how different agents choose to publicly discuss events, either passing the blame to external factors or utilising the opportunity to blame the existing government for the crisis and thus increase the electoral appeal of the opposition, depending on one's relationship to political power. Thus the political argument over ideas ceases to simply be a case of getting a majority of people to think of the crisis is one's own terms, and generating sufficient external credibility for these ideas, but an important dialectical relationship in which political agents seek to neutralise the arguments of their opponents. Put in such a context, radical political change in a democratic society suddenly appears much less likely, as no party wishes to be seen to be deviating too far from the 'average' voter.

The role of the media in shaping perceptions about the relative political discourses of the major parties, and indeed of the issues which lie behind them, is therefore a subject worthy of study. With much of the work of discursively-focused scholars focusing on political and institutional elites, discourse, whilst communicative, is largely top-down directionally. The analytical focus is therefore largely on how change takes place through a discursive re-framing of interests within epistemic communities, policy communities, policy networks, etc. A role for the media does exist to an extent in such analysis, for they may play a role in making certain discourses acceptable or not, but often there is assumed to be relatively little outside light shone on the ideational understandings of elites. I do not wish to question the value of such work here; it is often a fruitful and logical progression of analysis. However, for two reasons I wish to take a slightly different starting point from more conventional discursive approaches to politics. Firstly, the very public nature of the discussion about the financial crisis, a necessary outcome of the confusion and shock it caused, places the significance of the media on a higher level than is often the case in terms of political ideas. This is especially the case if we take seriously Blyth's starting position of a crisis being an episode of 'Knightian uncertainty'. Many political decisions frankly take place without a great deal of media analysis of the ideas behind them, hence the acceptable decision in such circumstances to focus on political elites and policy networks. However, for the wider macro picture which I cover in this thesis, the media play a much greater role in political discourse, and indeed play a more generative role in the context of public acceptability than is normally the case. In this instance, then, the 'puzzling' about policy necessities was an unusually public affair.

Secondly, the decision to focus on the media more than politicians' statements comes from adopting a more realist-constructivist position as outlined by Kreb and Jackson (2007) in relation to discourse and ideas. Justified in more detail below, their work argues that scholars should be less focused on the *true* ideas of political agents, but rather more on which ideas are publicly acceptable, and which are not. If certain policy frames are accepted by the public, then they will force politicians to utilise them whether they are believed in or not. When ideational contestation takes place, whichever frame comes to gain public acceptability will be adopted as the new policy norm. Thus, to operationalise such a perspective, we become less interested in what politicians actually *say*, but more on which elements of public arguments gain traction and force strategic actors to either adopt them or challenge them. Hence, the media becomes a suitable unit of analysis; if a certain frame of understanding becomes sufficiently dominant publicly, then the space for political parties to oppose it becomes limited, and thus it increases the chances of it being adopted as a policy frame. It is therefore through the lens of the contestation of ideas in the media that we can achieve an understanding of why certain policy positions became acceptable and others didn't.

Thus the question of whether the media is a generative political actor in its own right or not ceases to be important, something again that I feel is a suitable and logical development of realist constructivist, and strategic-relational, theory. Whether the media's analysis is a result of structures or agents cannot be known, it is an alloy of various elements. Thus again whether the media's view causes political views, or simply reflects them, is not something that can be easily empirically identified. However by analysing the extent to which certain ideas gain traction in the media realm, we can begin to understand how they limit the discursive space for politicians to follow an alternate course.

It is not to place the media necessarily above political elites in terms of their significance in sculpting public opinion and political acceptability, but given that the broadsheet press provide a vital medium through which political discourse reaches the public, the way in which this lens reflects the light of political discourse provides academic appeal. Again, this is not to state that this thesis will produce a 'better' understanding of political discourse than one focused purely on the political elite, or indeed of a study that combined both. Rather, due to the necessary limits on the scope of this project, the media have been chosen as a case study from which it is hoped that theoretical developments will spring; other ontological and epistemological positions on the nature of the political world and how best to access it may well produce different, but equally valid, conclusions.

2.6 The 'Realist Constructivist' Agenda and crisis analysis

'Realist constructivism' has to date largely been a sub-group of academic discussion within the field of international relations, attempting to bridge some of the barriers between classical realism and constructivist scholarship (see Barkin, 2003). Whilst much of the discussion about the compatibility or incompatibility of realist and constructivist conceptions of state interests and the balance of power are not relevant to the domestic level, the attempt by Krebs and Jackson (2007) in particular to highlight the power of rhetoric in creating and resolving disputes has some potential applications to constructivist institutionalist theory in relation to domestic discursive contexts. One of their central concerns with existing constructivist scholarship in IR, but arguably one that applies also to constructivist political economy, is that it creates 'unanswerable questions about actors' true motives' (2007: 36). The works of Payne (2001) Finnemore (1996) and Finnemore and Sikkink (1998) all highlight 'persuasion' as being a key tool in transforming ideas into norms. However, from a more realist constructivist perspective, the constraints of working in a social science mean that we are incapable of measuring or assessing where 'persuasion' of the validity of arguments has truly taken place (Krebs and Jackson, 2007: 40), and thus need to focus not so much on what individual policy actors really *believe*, for we cannot be certain of this from their public statements, but on the social processes that create outcomes (Ibid.: 40-41).

Much critique on constructivist work stems from this questioning of whether ideas are an independent causal variable, or merely a tool used by competing interests to promote their agenda (See Buller and Lindstrom, 2013: 405-406). Ideas are a 'Janus-faced' academic concept with which to grapple: 'sometimes actors' beliefs guide their actions, sometimes apparent beliefs only rationalize strategies chosen for other reasons' (Parsons, 2002: 49). Utilising a realist perspective helps to dissolve this issue: rather than stating that ideas either were or weren't the cause of action, paradigm change, continuity etc., from a realist strategic-relational viewpoint we can suggest that the existence of certain discourses created a context which limited the boundaries of acceptable policy development or change.

Rhetoric, then, works not by 'persuading one's opponents of the rectitude of one's stance, but by denying them the rhetorical materials out of which to craft a socially sustainable rebuttal' (Krebs and Jackson, 2007: 42). Whilst their application of this logic implies known preferences and the use of rhetoric as a tool of power and not simply one of social puzzling, the more 'realist' understanding of the power of political discourse can be applied to the domestic sphere to advance our conceptual grasp of the dynamics of a crisis context and the causes of continuity and change. For the key element here is not that social actors have 'internalised a particular set of normative principles', but on whether certain arguments are 'socially sustainable' (Ibid.: 57; 42 respectively). The link here with the notion of a strategically selective context is clear; we are not attempting to gauge how many people were persuaded by the logic of austerity over stimulus, but of the extent to which the arguments for either were 'socially sustainable' within the strategically selective context(s) of the developing financial crisis. Whilst it is impossible to make a general law within constructivist scholarship to delineate the limits of what is socially sustainable, the key insight here is that methodologically we should consider how the arguments made for and against certain policy positions generate credibility within the public realm, rather than seek to discover whether the ideas of the orthodoxy school had been sufficiently internalised by a wide enough variety of actors to offer a causal explanation of the continuity in policy that emanated from the financial crisis.

Again, I feel such an approach justifies a focus on the media as a locus of economic and political debate. More centrally, however, it highlights the futility of the question of whether the media shape political actors' preferences or whether politicians shape the media debate. For realist constructivists, this is not causally important. As long as a frame of understanding pre-dominates the public debate about an issue, then it becomes socially unsustainable to act against it. Whether the media generated that norm of understanding or whether politicians did is impossible to decipher in the same way the relative weight of agential and structural causes of outcomes are; it becomes necessary to dissolve the question entirely to offer an account that has analytical tractability alongside epistemological consistency. Indeed the central argument of the thesis will postulate that the common frames of understanding of the media did not shift over the crisis period, contra to expected constructivist beliefs, and this provided the foundation upon which the orthodox austerity approach became socially sustainable in a way that the Keynesian approach didn't in the immediate post-crisis period, as it relied upon the pre-crisis frames of reference to a much greater extent than the Keynesian school was able to.

A critique of such an approach to discourse is that, as Marsh (2009) suggests, it overstates the causal role of ideas compared to interests and structures. This may well be true, and I do not actually wish to challenge such a claim. For it is the major suggestion of this thesis that even if we *are* working within a constructivist approach to crisis which posits Knightian uncertainty, then we can still question the validity of its explanatory power. In other words, whilst Marsh critiques the theory from 'outside', by questioning its beliefs regarding the material and the ideational, I wish to critique it from 'within' by suggesting that even within its own terms, there are developments to be made. Insufficient space in unfortunately available here to discuss in wider detail whether or not the critique that constructivism over-states the role of ideas is a strong one of not, ultimately it lies outside of the focus of this study.

2.7 The Relevance of Constructivism to Crisis

In relation to crisis politics therefore, what makes constructivism the most suitable school of political thought for undertaking a study? Firstly the uncertainty which crises create makes problematic the positivist understanding of perfect information in regard to outcomes and the role of material interest in shaping political opinions. In this sense the political impact of an economic crisis is not ‘economically given, but politically orchestrated’ (Hay, 2010: 447). Whilst rationalist account of crisis-solution would point to the materially-given interests involved and the way in which they went about changing policy, a constructivist account would find some of this problematic. For, as Blyth and Hay have succinctly argued, crises are not objective and external events; rather they are lived experiences, the popular narratives of which affect the ways they are understood and the ability of ideas to simplify and ‘cure’ them (Blyth, 2002: 9; Hay, 1999: 338; Hay, 2010: 447). Those in the public sphere have the power to influence both public sentiment and economic confidence (Hassdorf, 2005; also Gill, 2003: 16) with a popular construction of events. A coalition analysis approach which highlighted how different resources were mobilised to support a policy therefore focuses ‘on how a coalition is able to reach its goals’, but in so doing ‘overlooks the question of how those goals are defined and articulated’ (Cox, 2001: 469). Whilst much of the literature suggests that the onset of a critical juncture gives scope for ideational change, the experience of our current crisis suggests that this is not by any means pre-destined. Ideas do not magically change by themselves, but require agential intervention to modify them (Béland, 2005; Berman, 1998). This mixture of ontological and epistemological theorising makes a constructivist approach offer notable promise for the study of crises. This is not to say that constructivism is a perfect theory of political action; below I discuss some of the existing issues that need improving within the field.

What questions does constructivism ask of crisis politics? As stated above it problematises materialist accounts of change, and it therefore asks what ideational formations can be used to explain change alongside material factors (Blyth, 2002: 10). More work is needed on exactly the processes by which ideas shape policy and influence agents however, and this is something for the methodology section to address. The turn to discourse advocated below however is, I feel, a critically under-utilised one in terms of understanding the power of ideas. This means a much greater constructivist emphasis on context, history, policy networks and the media than traditional accounts would include.

2.8 Conclusions

This chapter has placed the development of constructivism in its historical context, and sought to demonstrate the alternative it has offered to mainstream rationalism on account of its different meta-theoretical starting positions. Through this concluding section, I briefly review the core conceptual points of entry that I take from the approach in to the study of financial crisis in the UK.

Firstly, the chapter has highlighted and justified a social approach to political analysis which questions rationalist assumptions about objective reality, human nature, and the foundations of knowledge. As such, the constructivist focus on ideas and discourse as important variables in political explanation has been detailed. Following on from this meta-theoretical starting point, I continued by outlining how this feeds into an approach to the structure/agency issue which attempts to dissolve the 'Gordian knot' (Bieler and Morton, 2007) of existing discussion on the topic. The strategic-relational approach, which stems from constructivist thought on social reality and identity, shifts the discussion towards one of focusing on the strategic context within which action takes place, and the situated actors who undertake it. On top of this, by borrowing insights from the realist constructivist school of IR, we can focus on crisis and crisis-resolution as a more sociological process in which we can observe ideas and discourse and how these provided a social source of legitimacy for certain policy approaches. Whilst much existing constructivist work has sought to understand why actors believed the ideas that they did, the central insight from realist constructivism is that research should focus to a greater extent on how language frames, creates and limits the options open to political actors.

From these points of entry, I develop two main extensions to the existing constructivist approach through this thesis whilst continuing to work broadly within this intellectual and theoretical tradition. These are, firstly, that crises display a far greater level of ideational continuity than the school of thought has to date recognised. Following from this observation, I will argue that epistemic uncertainty may not be a sufficient cause of ideational change and thus that a new type of conversation needs to develop within constructivism about the situations in which continuity and change take place, for the purpose of nuancing and advancing the theory in a way that enables it to explain both more satisfactorily.

Chapter 3. Constructivism, the British Broadsheet Press, and the Global Financial Crisis: The Extensions

3.1 Introduction

Whilst the previous chapter set out the theoretical underpinnings of constructivism and its approaches to crisis and central questions relating to structure and agency, this chapter proceeds by analysing more specifically the institutionalist analyses of crisis to date, and their major developments and limitations. The central implication of this, crucial to the overall argument of the thesis, is that we need not see crisis situations as determining widespread paradigm change, but rather that the central political formations of the immediate pre-crisis era are more pervasive to the ways in which crises are explained, thus creating a greater level of ideational continuity than has hitherto been suggested.

I begin by critically engaging with the other 'new institutionalist' theories of the state, which alongside constructivist institutionalism have been commonly deployed to explain crisis resolution by modern scholars. Whilst the previous chapter introduced constructivism by comparing it with other ontologies, here we compare and contrast it to other 'middle way' institutionalisms (Hall and Taylor, 19996). The chapter will then proceed to focus more explicitly on constructivist institutionalist scholarship, particularly the works of Blyth and Hay who have most explicitly laid the foundations of this scholarly approach to ideational change. Their central pre- and post-crisis works on the subject will be discussed, a whilst their approach to crisis narratives is deemed highly valid and relevant, two critiques are made which this thesis will seek to develop; either over-determine the likelihood of change, or fall back into structural arguments to explain continuity. This thesis will seek to further constructivist institutionalism by expanding its focus to moments of ideational stability and hence seek to re-frame constructivist institutionalist discussions of crises away from simply seeking to explain where crises create change but, importantly, also by focusing on where they do not. The outcome, it is intended, will be a more rounded discussion of ideas and crisis. By focusing on the 'social source' of governing legitimacy through an analysis of the public narration of crisis, the chapter will go on to justify the dynamic tracing methodology adopted as one capable of explaining continuity within a constructivist approach to political analysis.

3.2 Setting the Scene: Constructivism and the New Institutional Turn

It was established in the opening chapter that constructivist literature occupies an ontological middle ground between rationalism and post-structuralism. However, rather than emerging into an intellectual vacuum, the constructivist approach emerged in to a field populated by other prominent attempts to explore the complexities of the social world from similarly pragmatic positions. In the study of political economic governance, various forms of institutional analysis in particular have provided frameworks to guide investigation in relation to crisis resolution. Thus as well as justifying itself against more rationalist approaches to politics ontologically, this thesis must also defend constructivism against the various alternative 'new institutionalist' approaches to ideas and change. In the paragraphs below, I first introduce each of the main schools of institutionalism and explore relevant contributions made to the study of on the politics of crisis. Whilst this thesis intends to work within the constructivist institutionalist school, there are insights from the historical and sociological institutionalisms which remain of value, to the extent that some crossover is still notable.

Historical institutionalism, as the name suggests, highlights the importance of history and the structural constraints that come with the continuation of a practice over a period of time. 'Path dependence' is therefore the most common phrase used to explain this expected outcomes with historical institutionalism; the institutional context, once a practice has been accepted, will structure future actions towards the same practice even if external conditions change. The institutional decisions of political actors are not to be understood simply by an explanation of the rational self-interest, but also by the way in which institutions mould those within them towards seeing issues in certain ways. The example of the QWERTY keyboard is often used to demonstrate such an approach in its simplest form (Mahoney, 2000). Although ergonomically the layout of this keyboard is far from optimal for typing efficiently (and indeed some computer experts use different layouts), the fact that the first computers to be designed for mass-production and consumption featured such a keyboard made it hard for any future companies to choose any other given layout, for people will naturally align themselves towards buying a product that they are already comfortable with the mechanisms of (Mahoney, 2000: 515).

Thus a path dependence is created in which a structure becomes accepted and thus influences all future actions in that particular sphere. Note that although the keyboard cannot be considered optimal, it is also not sub-optimal to the extent that people find it impossible to use. Returning this metaphor to institutional politics, it is worth noting then that not any idea can be uploaded and become hegemonic, only those that have sufficient explanatory traction to be supported.

Constructivists, of course, would problematise the notion of 'explanatory traction', suggesting that this itself is socially constructed to a certain extent. Whilst historical institutionalists use ideas as an explanatory variable similar to constructivists, the issue of how exactly certain ideas become accepted in the first place is less clear in historical institutionalist scholarship, whilst constructivism places this at the centre of its research agenda.

The question of ruptures and the creation of hegemonies is therefore a central problem for historical institutionalists. Such accounts are strong at explaining continuity: once policy paradigms have been institutionalised within a polity, we can expect to see responses to future events shaped by this paradigm, and problem-solving likely to take place within the confines of its intellectual basis. Given that institutions are generally inert to change, such an approach suggests that policy continuity and equilibrium become the norm. Naturally, though, such an approach finds change harder to analyse and explain than continuity, as by definition to explain change we need to be able to explain a rupture in existing institutional constraints or understandings (although see Bell (2011) for an opposite conclusion). The absence of research on paradigm shift within this tradition, or questioning of the extent to which external events can problematise institutionalised ideas, was perhaps a major motivation in the creation of a more explicitly constructivist approach to ideas and politics. Nonetheless the two schools have as many similarities as differences, and the findings of this thesis in relation to ideational continuity through crisis could also easily be viewed through a historical institutionalist lens.

Sociological institutionalism bears a similarly close resemblance to constructivism, given its greater emphasis on socialising and norms on political outcomes. However it tends towards a similar, if less concrete, view of the normalising effects of institutions on actor behaviour as does historical institutionalism, transplanting the structure of history and formal political procedures for socialising 'logics of appropriateness' (March and Olsen, 1998: 951; also Börzel and Risse, 2003). The essence of this, as with historical institutionalism, is therefore a somewhat static view of institutions and political behaviour. The forces of continuity here are the logics of appropriateness which institutions embed in their agents; socialising them into following given policy paradigms. Thus again, as agents internalise such norms and act accordingly, we expect to see continuity in political practice. Both schools therefore provide theoretical explanations of why political behaviour will remain the same or conform to certain pre-existing formal, normative or discursive standards (Hay and Wincott, 1998; Wincott, 2004), but fail to offer a strong explanation of political change (Hay, 2006: 58). Indeed given the lack of scope for political change in these theories, they tend to rely on exogenous variables to explain it. That said, the approach I offer here is in many ways a sociological-constructivist one: in highlighting the continuity of central ideas, norms and values through a crisis I reach conclusions that may well be compatible with a form of sociological institutionalism. This highlights that although some differences in theoretical approach do certainly exist within the new institutionalisms, their similarities are often overlooked because of this. Whilst academia is rife with petty sectarianism over relatively minor meta-theoretical differentiations, I will allow the reader to arrive at their own conclusion about the natural placement of this work.

Historical institutionalism is inclined towards an analysis of structure and agency as analytically separable entities (see, for instance, Thelen and Steinmo, 1992: 10) which the constructivist approach has seriously questioned the logic of (Hay, 2006: 58). This dynamic interplay between structure and agency, or structured contexts and strategic situated actors as they become, highlights a further development of constructivist theory on the existing institutionalisms. The existing institutions are poor at explaining political change, and are better suited to equilibrium conditions (Hay, 2011: 66). For instance, given the historical institutionalist focus on the development of structures which make agents increasingly bound into path-dependence over time, how can this school understand sharp breaks or ruptures in institutions? Likewise with sociological institutionalism, if actors are influenced by social norms, what causes these to change suddenly? And finally for rational choice institutionalism, if agents act upon material self-interest then why do these suddenly change in times of crisis? These schools become dependent on exogenous factors to explain such developments (Skocpol, 1979; Tilly, 1994). Meanwhile by making structures notably less reified, albeit still with the power to shape agents' opinions, constructivist institutionalism has a view on politics which is better capable of understanding endogenous development.

One central issue here relates to the utilisation of ideas as an object of study by the different new institutionalisms. Historical and rational choice institutionalisms have tended towards using ideas rather 'instrumentally and functionally, rather than as progressive extensions of their research programs. They reduce ideas to "filler" to shore up these already existing research programs rather than treat them as objects of investigation in their own right' (Blyth, 1997: 229). A critique of rationalism was made in the previous chapter; hence we need only briefly extend this to rationalist institutionalism. Because of its individualism and belief in singular rational calculation, thus ideas must also merely be an element of such rationality. Thus ideas are not distinct of their own right, but merely a function of pre-existing interest. The attempt by such a school to utilise ideas to help solve problems within their existing research framework is therefore undone by failing to offer an independent causal role for such ideas. The same ultimately applies to historical institutionalism's approach, with Blyth critiquing Sikkink's (1991) and Hall's (1986; 1989; 1993) works as treating ideas as 'the most important factor (which) 'do not ultimately determine the outcome' (Blyth, 1997: 235). Significantly, a critique is also made of the elitism of such suggestions (Ibid.; also Campbell, 1998): relatively insulated policy elite decide on policy developments within given policy paradigms, and occasionally these change at a critical juncture. At times such an approach is suitable, but given the very public nature of the need for ideational deliberation at a time of crisis, a more discourse-oriented approach is of validity in questioning the ability to new ideas to be uploaded to the policy level at times of crisis. Discursive institutionalism therefore encompasses a greater focus than other institutionalisms in seeking such explanations.

It is important, also, to note that we should not shift seamlessly between historical or sociological and constructivist institutionalism depending on whether we are facing a continuous or dynamic context (Schmidt, 2008: 316). The fact that constructivism places ideas as a more central explanatory variable independent of material factors is what leads me towards favouring such an approach[4]. Indeed such an approach allows for a closer examination of both continuity and change (Schmidt, 2011: 107). Regardless, constructivist institutionalism has to date largely been used to explain and theorise change, whereas this thesis seeks to suggest that it could also be used to explain continuity. My preference for labelling myself within the constructivist institutionalist tradition also stems from the tendency of constructivism to engage with a wider set of actors than historical institutionalism, where the focus is on the internal evolution of institutions. As will be justified below, crisis and the public deliberation it stimulates requires a focus beyond merely institutional actors but to the narration of such a rupture to the public. Whilst first and second order policy evolution can often take place without a great deal of public deliberation, the onset of a crisis whereby the third order ideas of macroeconomic policy are being materially challenged requires a greater level of public engagement than historical or sociological institutionalisms classically engage with. It is here that a more discursive approach, elaborated on below, intends to offer a broader analysis of policy choice. It includes institutional ideas and norms but also analyses the temporal and hence dynamic impact of discursive deliberation within the political domain, which in turn will influence and sculpt economic policy decisions.

3.3 Institutionalist Studies of Crisis

To operationalise some of the problems with the various institutionalisms highlighted above, we can look specifically to their research outputs in relation to crises. In particular, a variety of work exists utilising these positions in relation to the last major western financial collapse: the Wall Street Crash and the subsequent Great Depression.

Rationalist institutionalist analyses have taken a 'corporatist' approach to explaining crisis politics (notably Amenta and Poulson, 1996; Gourevitch, 1984, 1986). Given the implied rationalism, the assumption made of the key vested interests who lobbied the state is that their interests were known and fixed. With existing interests weakened by the crisis, a space was opened for new coalitions to form. Gourevitch's analysis suggests that the New Deal, something very out of kilter with conventional American economic and social governance, was caused by the unusual coalition of agriculture and industry combining together to get financial assistance and producing a common policy response (Gourevitch, 1986: 33). This work fits into the American political

[4] Hay (2006:61) notes, however, that although historical institutionalism has often taken a rationalist approach to ideas through a suggestion of material self-interest, there is an ontological diversity within the school, with some less clearly rationalist. It is here that the boundaries blur, leading to Bell (2011) asking if a separate constructivist institutionalism is actually necessary.

tradition of assuming polyarchy in relation to power questions in politics (Dahl: 1961). Politics is taken as an open field for different interests to compete against each other, and those that successfully create the necessary lobbying power tend to get their way. There is also an appealing logic to it, after all the very term 'New Deal' implies some sort of bargaining to which these authors make reference as their central explanatory factor. However, a number of questions can be posed of this approach from a constructivist perspective.

Firstly is assumes that all interests are known and caused by material conditions. The constructivist would problematise this. As was stated above, adjudicating what is in one's real interest is not always possible, given the inherent uncertainty surrounding issues of economic confidence. Even if a group's interests remain fixed therefore, we must make scope for the ideational context which has brought this about. Essentially therefore the constructivist takes as a social construct what the rationalist assumes is natural. Therefore there are other research questions to ask, such as why such a position was deemed to be in an agents' interest. It is also a position of dubious relation to the historical evidence. Whilst Gourevitch has pointed to the coalitional alignments in the US to explain policy change, Dobbin (1993) has shown that no such shifts in alignment can be identified in the UK, which also saw several policy shifts during the Depression. It also fails to take into account the often quite differing responses that nations produce for crises; corporatism simply assumes that a couple of different options are available depending on which coalition succeeds, whilst the history of economic policy is much more diverse. It therefore fails to ask what ideas different coalitions have had and why.

Gourevitch's work focuses on 'state strategies', asking how states respond to crises and why (Smith, 1993: 351). The explanation for different outcomes often cites the different production profile of the country, and the economic preferences of major societal actors. Again, however, we are faced with the question of known and fixed interests. Whilst Gourevitch's work is prefaced with commendable modesty in relation to the capacity to make simple models explaining state behaviour, ultimately the question of why interests were perceived in the way they were requires explanation. As he notes in a hint towards a more ideational explanation, 'the most puzzling question of all is why the Labour Party did not take up demand stimulus' as a policy suggestion in the 1930s (Gourevitch, 1984: 121). By suggesting that the desire to fit within elite opinion, which at the time excluded the likes of Keynes, was part of the strategic approach of Ramsey MacDonald (Ibid.), we get a sense of the significance of political contexts in shaping the perceived acceptability of different strategies.

Historical Institutionalist scholarship of the Depression has produced an abundance of research. As stated above the core explanatory factor in the development of policies is whether ideas fit into institutional structures. Like constructivism, it takes ideas as important, but they can only work if they fit the specific national institutions. In the Great Depression therefore, it is argued that the policy responses chosen by different countries reflected the cultures of the institutions that were in charge of them. There is much of interest here, and particularly impressively it provides an allowance for diversity that stricter theories of rationalism do not permit. However, it fails in the case of the Great Depression to give a strong understanding of the radical nature of the shift that the New Deal epitomised. How can institutional structures be the core explanatory variable for a policy programme that tore up such structures and replaced them, one which was a complete departure from the ideational norms of American governance since the nation's founding?

Historical institutionalism therefore explains moderate policy developments or equilibrium much better than large changes in policy. Given that the current financial crisis has so far not produced a new orthodoxy in terms of economic policy (Hodson and Mabbett, 2009), a historical institutionalist perspective could easily explain the stability of policy paradigms by recourse to the existing economic neo-liberalism of the Anglo-Saxon countries. Whilst the lack of a fundamental shift in economic policy paradigms has puzzled both political analysts (Hay, 2014) and economists (Stiglitz, 2010), it is doubtful that institutional stasis and inertia alone can be used as the explanatory factor for this, especially when we compare different case studies such as Britain and the USA where different policy approaches were adopted. It also creates a question of why economic failure led to a widespread shift in the institutional conception of economic priorities in the Great Depression but not now? Again, I feel there is justification here for focusing on how the public debate about policy priorities was undertaken in order to help explain this process. Indeed, given the expectation of policy change for constructivists in times of crisis, the constructivist institutionalist school is also open for re-examination in the face of political developments. The next section develops on this important issue by discussing constructivist institutionalist work to date, and the questions that the existing crisis asks of it.

3.4 The Constructivist Institutionalist Alternative: Prospects and Weaknesses

The above section intended to spell out some of weaknesses of the existing 'institutionalisms', and the scope for a more ideational analysis of crisis moment in particular. However, to recap briefly, constructivists take issue with the structuralism and lack of scope for endogenous institutional change within these theories, not to mention the familiar positivist criticisms of Rational Choice Institutionalism. They also stand accused of downplaying the role of ideas in politics, and also failing to acknowledge the open-ended influence that material factors can have on ideational developments (Hay, 2011). As such ideas should not simply be seen as a by-product of material interests, but as something much more causally independent. The utility of constructivist institutionalism in explaining change is not to say that this is the only context where it is relevant, but rather than it allows for a more fully rounded analysis of the interplay of structure and agency, material and ideational regardless of context. Constructivist institutionalist studies of crisis to date have added valuable depth to the issue of the role of ideas in policy change, and it is explicitly within this academic tradition that this thesis intends to make its mark. However, as with any nascent intellectual paradigm, it has created some questions and challenges. Some of these stem naturally from its desire to focus on change from a less structural perspective, meaning that it has not perhaps yet had time to reflect more widely on continuity and change. This thesis seeks to undertake this progression to further the school of thought.

Constructivist work to date has sometimes conflated crisis and change to the extent that one is often taken as a key determinant of the other, leading to charges of tautology and determinism. By analysing briefly the principal works of constructivist institutionalist literature to date, this section seeks to portray some of the weaknesses of these works which the thesis will seek to expand upon and provide solutions to. In brief, these are: that the analysis of existing works has focused insufficiently on the crisis period itself; that they would benefit from widening their scope from elites to the wider public debate; and that these works were initially overly determinist of change. This thesis will seek to make methodological developments on the first two points to ensure an approach that does not fall into the trap of the third, whilst maintaining much of the constructivist flavour which I have argued thus far to offer compelling analytical purchase to the issue of political change. The following section will demonstrate that whilst post-crisis reviews of constructivist institutionalism have already sought to overcome some of these problems, the outcome is a situation where the links between crisis and ideational continuity and change remain contested, and would benefit from closer examination. Thus a dynamic tracing methodology focused on public debates will be justified for use in this thesis.

Let us start with perhaps the most notable book of the modern constructivist school, Mark Blyth's (2002) *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. The book intends to build on Polanyi's work on the 'double movement', which he used to explain political change over time, noting that whilst this is an impressive addition to the field, it is guilty of using comparative statics (Blyth, 2002: 7) in order to make its case. This therefore falls into the trap of *post hoc ergo propter hoc*, i.e. studying two different cases in different time periods and producing an exogenous factor to explain the change from one to another (Ibid: 8). Whilst exogenous factors can indeed lead to change, Blyth notes that this is reliant on endogenous agents interpreting these events, for they are not objectively identifiable in their own right. Blyth's focus is therefore on endogenous ideational change by actors within institutions, which explains their development and changes over time. It is therefore intended to produce a dynamic, or 'sequential' (Ibid: 18), as opposed to static analysis to the issue, something that is a very welcome development. He takes issue with some of the existing ideational work of the historical institutionalist school, notably those of Skocpol and Weir, and Hall (Skocpol and Weir, 1985; Hall, 1989; 1993) for failing to provide a model of change in which ideas are genuinely transformative, but instead suggesting that only ideas that fit with existing institutional arrangements can succeed in being uploaded into policy (Blyth, 2002: 22).

Blyth's work represents an important introduction of a constructivist analysis of institutional change, and provides a compelling constructivist account of paradigmatic change. But as always with notable academic work it throws open a lot of questions, about both constructivism itself and institutional ideational change. Firstly whilst constructivism proclaims to be most interested in 'critical realignments' (Gourevitch, 1986: 32-33) 'organic crisis' (Gill, 1995: 400), 'creedal periods' (Blyth, 1997: 245) 'windows of opportunity' (Kingdon, 1984) or 'policy de-legitimation' (Goldstein and Keohane, 1993: 12) depending on your diction of choice, relatively little attention is actually paid to the crisis point in *Great Transformations* (Hay, 2006: 70-71). Whilst the study is still sequential, relatively little attention is paid to the most crucial time period of all; the period in which no ideational framework was dominant. The picture that is painted is therefore at times one that is guilty of teleology, with the assumption cast on Keynesianism in the 1930's or monetarism in the 1970's as ideologies which were homogenous in their nature and in their popular understandings, and arguably therefore pre-ordained in their success.

One of the central assumptions within Blyth's account of institutional change is the suggestion that the scale of the uncertainty in a crisis context is sufficient to blur agents' perception of their interests. This 'Knightian' level of uncertainty is argued to be sufficient to nullify all structural barriers to change, something that, as Hay points out, is not clear that crises necessarily do (Hay, 2004: 209-210). Given that there is some lack of clarity in Blyth's analysis about how crises are resolved in such epistemic uncertainty, or why it blocks some to identify their interests with new narratives, such an approach 'need(s) to be able to tell us rather more about the determinants, internal dynamics and narration of the crisis itself' (Ibid.: 210). In this sense, one of the more notable critiques of Blyth's work is that it overstates the role of the ideational at the expense of the material (Marsh, 2009). It is this critique which lies at the heart of what this study hopes to be able to build upon, for if we take away the starting assumption that crisis renders existing discourses null, then we are left with a question of what determines whether ideational change will happen or not. By taking this as the focus of study, rather than as an assumption, the British case study will demonstrate a high level of ideational stability and continuity during the financial crisis, providing empirical support for Hay's suggestion. The thesis does, however, take very seriously the idea of a moment of 'Knightian uncertainty' but the empirical evidence suggests that in the global financial crisis this window was very short. Hence, the crisis did not lead to ideational change comparable to the 1930s.

Berman's (2006, 2013) approach is similar in its invoking of a type of Polanyian double movement. She posits that the rise and fall of ideas follow a two-stage process: firstly where a failure of an existing paradigm creates a demand for new ideas; and secondly once this political space has opened, a supply of new ideas is provided which vie for dominance (Berman, 2013: 227). This, as Berman notes (Ibid.: 228) also leads us to the question of why some crises lead to a paradigm shift, as the Great Depression eventually did, and others apparently don't, as is the case with the current crisis. A society may enter the first phase but not proceed to the second because of the lack of development of an attractive alternative or because of the structural power of the defenders of the status quo, she summaries (Ibid.).[5] Likewise, Van Hooren *et al* (2014) Capiccia and Keleman (2007) and Soifer (2012) suggest that crises are necessary but not sufficient causes of paradigm change. Van Hooren *et al* note that in fact such change is the exception, rather than the rule. This leads to a need for close attention within case studies to offer suggestions as to why change or continuity occurred. This thesis finds empirical support for these suggestions, and suggests that they need not be at odds with constructivist institutionalism. By widening our definitions of crisis, the constructivist institutionalism of Blyth can be utilised to understand a much wider array of political contexts than those of the type debated in *Great Transformations*.

This therefore returns us to the importance of closely studying internal discursive dynamics so as to begin to answer why a change of ideas did not seem to flourish in a new economic context. At times Blyth's empirical work seems to forget his own nuanced theoretical work on the differentiation between 'real' and perceived interests and adopts conventional materialist explanations. Rather, I feel it is better to ask how certain strategies were constructed so as to give the perception of being in most people's interests. Furthermore it seems at times as if Blyth's focus is purely elite-focused (see Blyth, 2007), but if it is only elite ideas that are important, how does this fit in to 'patronising' argument quoted above? The links between elites and the public therefore need to be more explicitly explored. Placing a greater focus on the narration of messages from elites to the public, through the media, as I do below, intends to build on his approach.

The suggestion that the existing set of ideas could not continue within the crisis context of the Great Depression also seems to ignore much of the historical evidence on the uptake of new ideas. Whilst it is easy to view the Depression as a simple switch from one set of failed ideas to a new set with better explanatory and popular appeal, the relatively slow switch towards Keynesianism questions this. Roosevelt's election did not take place until three years after this apparent failure of ideas, of course, and even then the policies of the Hoover and Roosevelt administrations defy the simple economic dichotomy between orthodox and Keynesian. Thus a greater than appreciated period of social puzzling took place, with insufficient focus on continuity and change within this, or how this fitted with political strategies to create viable policy suggestions.

This returns us therefore to the relative under-focus of the actual critical juncture itself as the core subject of study. Not enough attention is paid by Blyth to the actual dynamics of discourse development within these periods, and he therefore fails to offer a deep understanding of how a certain framing of events came to win greater support than others. It is important not to teleologically assume that Keynesianism was a natural outcome of the Depression, it was actually a dynamic debate which 'took a certain amount of learning – economic, intellectual and political' (Gourevitch, 1986: 153), before the outcome was finalised.[6] Likewise there is a historical problem

[5] For Baker (2012) and Hall (2013), time can also be added to this list of reasons for continuity.

[6] 'Social Learning' is a term many constructivists find highly problematic, in that it suggests that it is possible to learn better policy responses from objective analyses of former ones. I prefer the term 'social puzzling' (Wincott, 2004: 360) to show that this process is not quite so unidirectional and objective.

with suggesting a single homogenous Keynesianism, for ideas are 'contradictory, ambiguous and open for contestation' at all times, not just during crisis (Carstensen, 2011: 598). Whilst his argument that crisis problematises agents' ideas and interests is intriguing, he fails to detail the dynamics that lead to ideational shifts in times of crisis. For as Hay has noted, a major difference between our current crisis and that of the Winter of Discontent is that our current crisis lacks 'a clear public discourse of crisis, linking our present economic woes to a systemic failure of economic policy' (Hay, 2010: 447). Our current crisis and that of the Great Depression therefore have key commonalities in this sense, making the discursive dimension by which a new idea comes to take hold in this 'problematised' state of affairs all the more important. This is both an empirical and theoretical critique; on the empirical level not enough research has actually been done into the dynamics of discursive conflict within the period of critical juncture, and on the theoretical level it fails to offer a detailed epistemologically-backed account of the role of power and epistemic communities in shaping discourse development. To these theoretical questions I will return later.

The other central work on the construction of crisis refers to the British case in the 1970s; Colin Hay's work on the Winter of Discontent (Hay, 2010). Hay's theoretical position is largely similar, pointing out that we cannot explain it through material explanations alone and must focused on how it was 'lived and experienced', and what 'collective understandings' developed as to the nature of the crisis (Ibid.: 447). He points to the empirical difference between the material development and ideational development of the time, pointing out that the largest economic crises of the times actually occurred before and after the central political crisis which led to the fall of the Labour government (Ibid.: 464). He makes a similar empirical observation to Blyth's central thesis of the 1930s, suggesting that a particular construction of events became a public norm, in this case Thatcher's argument that the events were being brought about by an overload of the state, and as such that the most suitable cure was increased privatisation and monetarism (Ibid.: 465, also Hay, 2001). He deems its success as a construction not to be the result of its inherent accuracy, but in its ability to 'resonate with, and make sense of, the events and experiences of the winter of 1978-79' (Hay, 2010: 465). Therefore whilst the economic difficulties Britain faced in the period provided 'exceptional raw materials' to craft a narrative like Thatcher's, it did not in and of itself guarantee that such a narrative would be successful (Ibid.).

As with Blyth's work, this argument throws up almost as many questions as it answers however. In some cases these are methodological. For instance, whilst the theoretical suggestion that the lived experience and the construction of crisis being important are ones I support, there is arguably insufficient empirical evidence showing that these frames of understanding increased in popularity in the period leading up to the political crisis. A key question, given this interest in the popular narration of crisis, is that of why it came about when it did. What were the differences in terms of the discursive environment between the pre- and mid-crisis periods? It is not quite clear whether a consistent set of ideas was utilised by monetarists and these became more popular as economic events became worse, or whether the ideas evolved to better capture the public mood. A more detailed focus on the dynamics of ideas and their extent of change through a crisis is the major development this thesis seeks to make beyond Hay's work.

Where though, does this leave the constructivist approach to crisis politics? The theoretical work, as outlined above, certainly offers a strong rebuke to some of the more conventional understandings of ideational developments, and the theoretical suggestion in both Hay's and Blyth's work that material events do not necessitate certain ideational positions 'naturally' but only when they develop enough social support is one that this study seeks to be based upon. The relative under-focus in this work on the actual crisis period itself and the internal dynamics here that explain change, or indeed continuity, calls for a more detailed dynamic tracing of frames, norms and understandings within crisis episodes to help explain in more contextual detail the way in which new ideas entered the political discourse and found resonance, or likewise failed to penetrate existing discursive trends. As such, the dynamic tracing methodology outlined below will seek to provide this greater detail so as to open up a constructivist discussion on the extent to which crises really problematise existing frameworks. The central constructivist political writings tend to focus also on elites primarily as the adjudicates of the value of new ideas; whilst I do not explicitly choose to critique such an approach, I feel in the context of problematised interests and ideas there is greater value to be had in focusing on the public deliberation over such ideas. As such, whilst media narrations are often included within the prior analyses, this is often done sporadically and could benefit from more sustained and systematic research.

To an extent, the first contributions of Blyth and Hay also seem to over-determine the necessity of change in a crisis situation. The apparent failure of an existing paradigm to explain developing events and the ability of others to do so and hence become predominant has an appealing theoretical logic because of its clarity and simplicity. However, what I feel is less certain is that all media discussion takes place neatly within such frameworks, and that only ever one singular framework is in place at any one time. Given the often sociological nature of constructivism's approach to politics, this neatness is perhaps therefore actually problematic. The failure of one set of events, I argue, does not necessitate that the associating paradigm is objectively failing and doomed to be replaced; if the crisis is not understood as a crisis *of that paradigm* but as of something else, then the 'failed' paradigm may not be replaced. In other words, to expect crisis to be debated publicly in terms of the failure of a wide-arching set of ideas such as 'neo-liberalism' on the basis that we as academics view it as highlighting contradictions within such a set of ideas, is a flawed starting point of analysis. By focusing more holistically on the discourses of state and economy through a crisis we can hope to observe in greater detail the extent to which these are problematised by crisis events, and thus the extent to which crises may remedied by new ideas or existing ones. One of the major arguments of the empirical chapters will be that for the most part the idea of 'crisis' itself was largely confined to the financial sector, and hence the demand for change stayed largely within this sector also. An important starting point for much CI literature to date has been to focus on 'generalised' crises, as opposed to specific ones. However, this thesis seeks to extend this discussion by disaggregating the issue of political economy into its two major spheres: financial and corporate. The empirical chapters find that the sense of failure of ideas did not percolate from one to the other, and hence the scope for wider change was more muted.

3.5 Constructivist Responses to the Global Financial Crisis

One of the challenges of writing about constructivism and its position on crisis and change is that, almost ironically, this has been a somewhat moving target since the financial crisis began. The suitability of the financial crisis for analysis in constructivist terms and indeed on the type of reflection on constructivism itself which I am partially engaged in here, has meant that the nature of the constructivism being engaged with in this research has changed as new works have been added to the field. Naturally, such developments have advanced the working definitions of constructivist institutionalism from their original beginnings. The 'classical' views of crisis and change, most notably from Blyth and Hay, analysed above, demonstrated the need to explore the link between the two, and made some preliminary theoretical suggestions about the links herein.

The failure of the financial crisis to lead to widespread political economic change in the UK and other western countries, which indeed have often seen a solidification of the existing paradigm, has caused both authors, as well as others, to reflect on constructivist institutionalism itself in a way that added further nuance to its explanatory potential. Many of the constructive criticisms of constructivism which this thesis therefore intended to engage with have therefore already begun to be ironed out during the course of the research undertaken. This is undoubtedly a positive development, of course, and I believe there has been a subtle but important development of the constructivist institutionalist theory that has come out of the process of this self-reflection on the part of its principal authors. It has not made the research irrelevant, however, as the analysis of continuity and change in public discourses through the crisis period, I believe, complement these theoretical developments and allow us to flesh them out more notably. The following section analyses the nature of these contemporary theoretical developments and what they mean for the understanding of crisis and its political implications.

One of the constructive criticisms outlined above suggested that existing constructivism over-stated the extent of the 'structural vacuum' that crisis generated. In other words, it was suggested that the assumption that all the structural impediments to a change in paradigm simply were eradicated by the failure of that paradigm to predict economic events was too idealistic and simplistic. Whilst not always explicitly stated in these terms, two of Blyth's post-crisis academic contributions have in a number of ways accepted this position and produced a number of structural impediments which may have continued to play a role in shaping post-crisis policy. In his 2013 contribution to the legacy of Hall's policy paradigm debate (Blyth, 2013b: 208-210), five (largely structural) challenges to paradigm change are cited as having helped maintain the orthodoxy of the Great Moderation or neoliberal period:

1. Time – ‘it is too early to expect the accumulated wisdom of an entire generation to be trashed and replaced’.
2. A crisis in one paradigm doesn’t necessarily mean that there is another one waiting in the wings to replace it (see also Baumgartner, 2013: 253; Berman, 2013: 228; Gamble, 2013: 55).
3. The economics profession is still largely structured towards the shibboleths of the pre-crisis period and there is academic pressure to comply.
4. Those in power were too firmly wedded to the ideas, and were not open to change. They also used this power to decide which evidence was of importance and chose to focus on government debt (see also Baumgartner, 2013: 252).
5. There was strong institutional, academic, media and financial weight behind these ideas, compared to the 1970s when a number of these respected voices were against the status quo.

Within these lie some significant arguments about the nature of crisis and change. Firstly, and perhaps most importantly, it demonstrates an understanding that the entire discursive force behind a dominant paradigm cannot disappear overnight, even if the paradigm fails on its own terms to understand the developing economic events. The agents, institutions and discourses that have supported it are slow, if not inert, to change. This creates a research agenda focused on exactly how vulnerable existing paradigms are to change within a crisis, which this thesis seeks to explore more fully. One problem, however, is the apparent shift away from constructivist notions of strategic-relational behaviour and towards more conventionally structuralist or intentionalist arguments. Blyth’s re-assessment seems to demonstrate a re-emergence of both within his beliefs on policy change. Within both is a continued elitism which I feel is questionable. Firstly it suggests a neat elite groupthink in which the political-corporate-media nexus decide which evidence to present to the public and hence receive passive compliance from them to continue their policy experiments. I am not convinced that sufficient evidence is presented of this ubiquity of elite thinking. Secondly the return of structuralist explanations question the theoretical ability of crises to cause epistemic uncertainty, as highlighted in Blyth’s earlier work. There is a danger here then that the theoretical baby of constructivist institutionalism is thrown out with the global financial bath water.

It does, however, highlight the contingency of change on the ideational conditions which can allow for it. Whilst previously it was suggested that crisis necessitated a change in paradigm because the failure of one necessitated its removal, this was arguably an overly-Bayesian approach to the issue of 'failure'. For if there is no true scientific measure of the success of a paradigm, and what determines this is actually a more sociological process, then likewise there can be no objective measure of its failure. Thus crisis cannot *necessitate* a change in paradigm unless we either view the discursive and sociological approach to evidence as paradoxically scientific, or we define crisis purely in terms of change, which I return to below. What can be concluded from Blyth's contributions then is that an empirical focus is needed on ideational stability and instability through crisis, so that more clear formulations can be made about exactly how economic ruptures are likely to problematise particular discursive formations and create, or not, the conditions for new ideas to flourish. The British context laid out in this study suggests that greater political stability is indeed apparent than is often presumed, and that the particular pre-crisis context created a strategic advantage for the discourse of austerity over that of stimulus.

At this point it is worth noting the contributions of Colin Hay to the theoretical questions which the financial crisis stimulated. Perhaps his most telling addition to the theoretical literature comes in his chapter on the 'crisis of politics in the politics of crisis' (Hay, 2014). Here he astutely notes that the fact that the narration of crisis has been paradigm-reinforcing rather than paradigm-threatening 'is not something that the existing literature, in its typical (and perhaps understandable) concern to link crises with episodes of paradigm succession, prepares us well' (Hay, 2014: 65). However his conclusion is in many ways quite different to that of Blyth. For, rather than questioning the more structural factors which may have limited the capacity of a crisis to produce change, he sticks (linguistically and etymologically, very logically) to the perception that crisis can only be considered as such at a moment of 'decisive intervention' (Ibid.: 77). Thus the financial crisis cannot be viewed as a crisis as it did not lead to such a decisive change, and is better viewed simply as an accumulation of contradictions in the existing paradigm (perhaps 'ailment', to maintain the medical metaphor) that has not yet led to its crisis. As stated above, the etymological consistency of this is very hard to challenge, but again it leads to the criticism that the study of crisis is somewhat tautological if we only define it in terms that justify itself. Below, I turn to the literature on strategically selective contexts to attempt to dissolve this definitional issue of crisis.

3.6 When is a crisis not a crisis?

It may be beneficial here to take a small detour to return to the question of what exactly we consider a crisis to be in the first place, for implicit within the whole discussion of the impact of crisis on political change is the assumption that the global financial crisis was actually a crisis in the first place. On one level, my concern with Hay's suggestion that this was an accumulation of contradictions rather than a full-blown crisis is somewhat normative. I am troubled by the suggestion that the western world coming to within thirty minutes of the collapse of its entire financial system, to which every citizen and government was deeply interconnected, as somehow being definitionally insufficient to be deemed worthy of the term 'crisis'. Importantly, however, the above discussion of strategically selective contexts suggests that the issue of what actually constitutes a 'crisis' can be unproblematically resolved and dissolved, or at least rendered analytical as opposed to causal. For, as stated above, if no political situation pre-determines action, there can be no such thing as a crisis necessitating change. Whilst this seems to run counter to Hay's definition of crisis,[7] it need not necessarily be read as a critique of it. This leaves us with two different ways of defining crisis.

Firstly it could be defined as a period of upheaval or uncertainty, in this instance economic, caused by a rupture in an existing model. Secondly, however, it could also become a post-hoc heuristic tag used by scholars to group episodes of similar characteristics, for the ease of their collective understanding. This follows Hay's conception more closely, but crucially rather than being an independent variable upon which change is dependent, it becomes a category used to describe, rather than explain, common changes. For such a view, given that crisis can therefore be relatively easily identified – if there's punctuated equilibrium there must have been a crisis, if there hasn't then there wasn't – the issue of whether the financial crisis was indeed a crisis can be relatively easily solved; it cannot have been due to the lack of major change. For the former view, on the other hand, the global financial crisis was indeed a crisis, albeit one that didn't lead to change. Either way, the discussion, when put in these terms, dissolves the importance of the term 'crisis' as an important explanatory discussion in its own right, and merely leaves us with the more important issue of determining why a strategically selective context did not favour change in this period of upheaval. I believe a more solid definition of crisis could be conceived in the following terms:

For something to be considered a 'crisis', previously unforeseen internal contradictions to an existing model must have become visible to the extent it becomes universally understood that there is something unstable or unsustainable about the status quo which has created this problem to be solved.

On first appearance, such a definition might be accused of the same tautology that Rogers lays at the door of Hay; after all it comes close to pre-determining that change must take place, and that 'decisive intervention' is therefore required. However, it does not pre-determine that the change that takes place must be a paradigm-shift; the policies that are created to 'solve' a crisis may not actually rectify the contradictions that led to it, but as long as they are discursively believed to do

[7] And arguably Blyth's too: although his take on exactly what constitutes a 'crisis' in the first place is a little unclear, he appears to situate it as a context in which something has clearly "gone wrong" in which economic ideas can explain "what is to be done" (2002: 10). This follows a similar etymological process as Hay's definition of a critical event in which continuity is no longer possible.

so, this is irrelevant. Change may therefore be cosmetic, or indeed the full nature of the crisis and its implications may be conceived in a way that is dependent on a specific reading of the crisis that may or may not really deal with these contradictions. Due to the ontological diversity of the human mind, constructivism takes as a crucial starting point that multiple understandings can flow from the same empirical events. When we apply this logic to a crisis, we can see that there is never a single way to interpret, and therefore devise a strategy for curing, it. There is no objective existence of a 'real' or 'true' set of causes for the crisis or how society should interpret it.

The definition therefore allows, I believe, for sufficient sociological space not to pre-determine specific change or paradigm-shifts, and therefore incorporates my argument above that paradigm-shift need not be a Bayesian process in which an existing policy paradigm is objectively proved to have failed and thus be replaced with something that can objectively address the contradictions that led to the crisis. Rather, a wider space is opened through which the interpretation of exactly what the contradiction mean in terms of the existing paradigm, the extent of change necessary to rectify them, and the success of them, is a sociological and political, rather than purely empirical, process. It also incorporates Hay's (2014: 77) concern that 'crisis' itself has become an over-used term in political discourse in recent decades, muddying the waters of the analysis of it.

The above definition does not allow for a crisis to be one purely because a political actor uses the term for rhetorical purposes; it must have some basis in ongoing events that a consensus of instability has arrived relatively quickly. However, the definition admittedly has blurry edges in terms of what exactly constitutes a consensus on instability, and how exactly this is formed. Despite this, I utilise it, for as with the argument about early constructivist institutionalism and crisis, a definition which is too prescriptive in the social sciences is likely to have faults within it. The focus of study, therefore, under such an understanding, ceases to be a question of 'what determines whether a crisis leads to change?' and instead becomes 'what determines whether major economic ruptures leads to change?' The added benefit of such an eradication of 'crisis' as a major conceptual discussion is that it tackles Rogers' (2012) critique of Hay's conception of crisis as tautological.

3.7 Discursive Institutionalism and Media Narration

To date, prominent constructivist analyses of crisis events and their institutionalist forerunners have tended to focus heavily on political elites as the key unit of analysis. Following the insights of Schmidt and others, through this thesis I have sought to explore the wider discursive context in which elite discourse is located by analysing the media narration of the UK financial crisis. In the paragraphs below, I explore the ways in which this focus can extend our understanding of dynamics of continuity and change in political economic crises.

As has been noted by Seabrooke, much scholarship about ideas in politics focuses on elites actors (Seabrooke, 2006: xi). Discourse and ideas, where covered, tend to revolve around the ways in which political agents narrate to the public. Discursive Institutionalism, as conceptualised by Schmidt, for instance, covers the 'coordinative' and 'communicative' elements of elite discourse (Schmidt, 2008: 303; 2011: 3). Others focus on advocacy coalitions, epistemic communities or policy networks to analyse the spread of ideas through elites (Haas, 1992; Sabatier and Jenkins Smith, 1993; Keck and Sikkink, 1998). Much of the work on 'policy paradigms' focuses on the way elites develop, maintain or change ideas about economic policy based on their perceptions of their success (Seabrooke, 2006). Such perceptions of ideas and discourse do not necessarily place politicians as the sole agents with power in the creation of discourses – Schmidt's communicative discourse, for instance, focuses on the way shared narrations of policies develop, in which the media may play an active role. But few explicitly focus on the discursive context that is created by the media, a perfectly understandable outcome of the preference of interests that political analysts will have for politicians.

Through this thesis, I add to this avenue of research by incorporating a focus on media narration. The fact that elites need a 'social source' of legitimacy for their power is put forward by Seabrooke (2006), and it is in this spirit that I likewise wish to focus less on elites themselves than on the public debate which shaped the limits of acceptable political action by such elites. Indeed, to narrow the frame of analysis even further, I wish to focus explicitly on the broadsheet newspaper media. The role of the media in generating understandings and politically acceptable strategies is often cited in ideational understandings of the political, but it rarely gets systematically studied. Rather, choice quotations are often used to demonstrate a wider point, without exploring the extent to which these quotes fit within the general picture or represent fairly the wider beliefs of the press in general. Thus, such selectivity raises questions about the methodological impartiality of the researcher and the extent to which they are capturing a relevant element of political debate, or are merely 'cherry-picking' an example to support a wider point. A wider discussion of this issue will be covered in the below methodological chapter, but for now it is worth briefly dwelling on how an analysis of media discourse fits into the strategic selectivity of a context.

The major analytical intention of this thesis is to work within a constructivist institutionalist framework to suggest potential developments on this theory's understanding of political continuity and change. Thus we take as a starting point Blyth's assumption that in periods of crisis, structures become problematised and entrenched interests are dissolved by the uncertainty of a situation. Thus in a context of limited structural constraints, the public understanding of 'what is to be done?' is important in shaping how these interests re-align. The public debate over crisis is therefore one that is particularly significant, and, from a strategic-relational and realist constructivist standpoint, the development of publicly acceptable norms is crucial in limiting the agential scope of politicians to respond to events in their 'own' desired way. Thus the public acceptability of certain ideas and norms limits political action in a particularly significant way during times of crisis, and thus by focusing on the arena of this debate, the media, we can begin to understand why certain options became tenable and untenable, credible and incredible. From a realist constructivist standpoint, it is not decipherable whether the media generate public norms which constrain politicians, or whether their norms simply reflect those of politicians. Again, like structure and agency this is an alloy we can only see the outcome of. But regardless, we can deduce that the ideational context was important in shaping the outcome.

3.8 Methodology

As Parsons (2010: 91) notes, the diversity of constructivist methodologies is almost as broad as the topics that constructivism has discussed. Most, however, include some element of process tracing to show how ideas have been adopted over time through persuasion, socialisation, or bricolage (Ibid.: 92). Important here is the dynamic nature of much constructivist study; whilst there is no common methodology, the inclusion of a focus on development over time, as opposed to a static analysis of a given moment, is a common approach. As noted above, one weakness of existing constructivist literature on crisis, however, has been the relatively limited focus on dynamics within crisis discourse, however. This section justifies the dynamic tracing methodological approach adopted to help tackle this weakness, borrowing insights from the framing literature to justify the importance and value of media analysis as a tool in political explanation. Having done this, it will continue by describing the specific methods adopted in the thesis as a whole.

Here, I take the phrase ‘dynamic tracing’ to refer to holistic analysis of patterns of discursive continuity and change across a medium-term timeframe. Whilst my specific approach may be deemed one of discourse analysis, I prefer the term dynamic tracing to explain the particular discourse analysis approach adopted here. The approach differs, however from ‘policy discourse’ type analyses such as Schmidt’s (2002; 2008) ‘discursive institutionalism’ which focuses to a greater extent of the coordination and communication of policy approaches by elites. Here I focus more on the ‘communicative environment’, which I consider a central part of the strategic context (Payne, 2001: 39). A focus on public discourses allows us to understand ‘how they legitimise some policy initiatives and marginalise others’ (Burnham *et al*, 2008: 250).

There are two central reasons for this. Firstly, discourse analysis, and specifically critical discourse analysis (CDA), often generates connotations of a type of post-structuralist analysis that I am not attempting to engage in here (On CDA, see: Fairclough, 1995a, 1995b; Van Dijk, 2003). Secondly, however, the thesis attempts to move beyond one of the central challenges of undertaking discourse analysis; namely the question of whether politicians create, or merely react, to discourse (Burnham *et al*, 2008: 254). This is a result of my adoption of a more realist constructivist approach where I focus less on the meanings of communication and language, but rather choose to focus on the emergence and development of certain public discourses which frame situations as necessitating certain action.

The framing literature has itself provided a varied discussion on how media discourses can shape public perceptions on given topics. Whilst demonstrating a causal link between discursive frames of understanding and public opinion as a whole has at times proved problematic, sufficient empirical work has highlighted the ability of specific frames to mould political opinion. Thus I am able to justify a focus on media discourse as an area that plays an important 'part of the process by which cultures are produced' (Gamson and Modigliani, 1989: 3). Public discourse as a form of 'argumentative rationality' is crucially 'linked to the constitutive rather than the regulative role of norms and identities' (Risse, 2000: 2), suggesting the value of media analysis as a realm in which public ideas can be created as well as debated.

A short overview of relevant literature is helpful in displaying the importance of frames for shaping our perceptions of social reality. Whilst the notion of the media as an ideological agent has declined in social studies since the 1970s due to the failure of this research to seriously investigate the ways the public 'read' texts and discourse (Fairclough, 1995a: 47), we should also not be 'beguiled by the economic metaphor of a marketplaces of ideas into assuming that the media automatically provide citizens with exactly the ideas and information they need' (Page, 1996: 8-9). Much modern framing research has therefore taken an explicitly constructivist stance in viewing the media as the shapers and makers of social reality (Chong, 1993; Scheufele, 1999: 105). Whilst Jacobs and Shapiro (2000) argue that public opinion is almost completely obsolete in modern political decision making, the focus of the 'communicative environment' within a realist constructivist position means that media content remains relevant without having to make direct causal assumptions about whether media discourse is top-down or bottom-up in nature (Payne, 2001: 39). Jacoby's empirical study of framing and perceptions of government spending is particularly relevant here, demonstrating that attitudes 'vary markedly with the presentation of the issue' (Jacoby, 2000: 750), but also that 'public opinion is *not* merely an aggregate characteristic of the mass public' but rather that 'public opinion results from the *interaction* between the public and political elites' (Ibid.: 763). From this flows the notion of the media as an important venue for this interaction as a whole.

Frames of understanding are not simply an opinion or topic (Carragee and Roefs, 2004: 218-219), but serve the function of problem definition, causal interpretation, moral evaluation and treatment recommendation (Entman, 1993). They make 'certain practices possible but others unthinkable' (Dunn, 2006: 370). They therefore provide 'a singular interpretation of a particular situation and then indicate appropriate behaviour for that context (Payne, 2001: 39). Klotz (1995: 31) notes that agents tend to demonstrate how their ideas fit in with existing practices, a more sociological-constructivist hybrid understanding which demonstrates the importance of socialisation alongside the scope for new ideas to be incrementally developed if they are able to describe themselves within existing patterns of discourse.

Whilst some benefits of using framing as a way of explaining the political salience of certain ideas (Stromback and Kiousis, 2010: 287), I intentionally do not engage in a full framing methodology here. Several weaknesses could be noted. Framing research has tended to focus on one directionality and on single frames (see Entman and Herbst, 2001; Zaller, 1992), but this has been criticised for missing the existence of multiple frames in a given context (Borah, 2011: 251; Carragee and Roefs, 2004: 216; Pan and Kosicki, 2001; Sniderman and Theriault, 2004). On a more practical level, there is insufficient space in this thesis for a focus both on media discourse and its effect on public opinion through survey data. Demonstrating the precise effect of particular frames has also been challenging for the existing literature (Rein and Schön, 1993: 151).

I therefore favour a looser 'bricolage' approach to discourse, framing and ideational dynamics (Parsons, 2010: 96). The methodological focus is not on individual frames but the more general discursive context surrounding several topics of state and economy. The 'bricolage' approach I adopt intends to provide a broader overview of the strategic context created by political discourse, and leads me to adopt a more holistic analysis. The advantage of this broader approach is that by focusing on specific discourses or ideas, we miss the 'complex landscape of overlapping realms of action' (Ibid.). Given that a financial crisis impacts and problematises a variety of spheres of governance and policy paradigms, I feel this breadth is a strength.

The thesis engages broadly with the fiscal policy debate within 'the media' in Britain, although it is important to clarify again that the engagement is not with the media in its entirety but with a specific section of this: broadsheet newspapers. The issues of justification here relate to whether broadsheet newspapers provide a representative sample of 'the media' as a whole, and what specifically they can tell us about national policy debates and ideational legitimacy. There are a number of valuable reasons for choosing to use the broadsheet media as a focus for analysis. The representativeness of the general political philosophies of sections of the public are captured very neatly by newspapers, in that they target a specific section of the public in a way that cannot be said of television news media. They are independent of the need to achieve 'balance' in the way that the biggest news media outlet in Britain, the BBC, is, and thus they are able to generate an acceptability of certain ideas, or at least to reproduce them, more so than news media is able to do. For my chosen topic of continuity and change, this provides a much clearer and accessible route into the issue than news media where the need to provide balanced reporting masks the extent to which there is genuine change or continuity in the ideas on a subject.

On a more practical level, broadsheet newspapers as a medium offer a continuity of style and format that is not always be the case in other forms of the media. A single-author analysis of economic events does not change over the period of analysis, ensuring that the comparison between earlier and later time periods is done consistently and does not accidentally produce an 'apples and pears' approach. For television news, specific documentaries, different editors to programmes, and the multiple voices that come from the range of interviewees means that analytical consistency is much harder to achieve. Likewise, practically, a good national database of archived broadsheet publishing exists in a way that is not specifically the case for television news media.

I likewise chose to ignore the role of social media. The academic utilisation of this as a medium of value was relatively scarce at the start of the project, and the vast development of social media as a feature of daily life over the course of the timeframe for analysis again makes ‘apples and pears’ type comparisons problematic. Moreover, recent research suggests that a great deal of the ‘noise’ on social media is made by a very small proportion of the public on it, raising major questions of representativeness (Pew Research Centre, 2013; Tufekci, 2014).

The decision to focus on a single case study differs slightly from the more common constructivist approaches, which often focus on a small-n sample of cases to engage in comparative and counterfactual testing of necessary and sufficient conditions for ideas to be adopted. The decision to focus on a single case stems from the following major factors. Firstly, as above, the issue of space and scope limits the variety of cases I can consider in sufficient detail in the space allowed. Ultimately this creates an option whereby either more cases could be analysed in thinner general detail, or a single case in greater detail. Because one of my central criticisms of existing constructivist work above has related to the lack of detailed attention paid to crisis periods, I decided upon the latter as the more suitable logic of progression. Furthermore, a challenge of cross-country comparison is the inevitable cultural differences between the two that obscure more scientific comparative analysis (Blondel, 1995: 6). As will be mentioned in chapter 8 however, one obvious scope for extension of this work is the expansion into more case studies to provide more general conclusions on ideational stability and change.

Small-n comparative studies are of particular value in situations where the researcher is attempting to establish causality and isolate potential variables causing change. This is often a valuable approach, in constructivist institutionalism as elsewhere. I do not wish to argue that a single case study discussion is more suitable in all contexts. However, given my interest here in starting a conversation about whether constructivist institutionalism has sufficiently discussed continuity and explored the potential reasons for it from an ideational perspective, the above reasons for choosing a comparative approach are less pressing. It seeks to extend the literature by highlighting ideational continuity in a crisis, and using this as a basis for discussion about constructivist institutionalism itself. For such an enterprise, a single case study is sufficient, and indeed the extra depth that undertaking a single case allows for actively works to strengthen the argument that this continuity is present and worthy of discussion.

The time-frame for analysis is the 2007-10 period, beginning in January 2007 and ending at the 2010 General Election. The logic of this is to provide a roughly equal time-frame both before and after the election to study the extent of ideational commonality between the two periods. The election provides a suitable ending point given the definitive policy approach that was adopted by the Coalition government in its aftermath. As such a similar time period before the crisis is covered to ensure balance.

In order to ensure a breadth and depth of coverage, the analysis has included both left- and right-leaning papers. As such, the *Guardian* and *Independent* represent the left-leaning media, the *Daily Mail* and *Daily Telegraph* represent the right-leaning media, with the *Times* representing something of a middle ground in between. The *Financial Times* is also included, given its prestige in financial circles. Whilst the decision to only focus on the broadsheet media could be critiqued for its narrowness, the inclusion of a variety of titles from different sections of the political spectrum was undertaken with the minimising of this critique in mind. It ensured an analysis of the full depth of major titles in Britain which play an active role in high-level policy debates, and hence avoids some of the questions over selectivity that would stem from focusing more on a couple of titles specifically. The decision to avoid tabloid titles was taken in large part because of the desire to engage with the more detailed intellectual offerings on the subject of fiscal policy, which are more consistently in evidence in broadsheet than tabloid newspapers. Whilst tabloid newspapers can often claim to play a central role in shaping the political spectrum, on the topic of the high-level ideas governing the country, it is the broadsheet media that arguably plays a more active role in the detail of political debate. This is not to say that a study of tabloid newspapers is of no value, but given the relative lack of economic depth to their analyses, such a study would have perhaps required a 'deeper' discourse analysis looking at the way in which language choice affected either public understandings or political reality. I have sought throughout this study not to engage in quite this 'type' of discourse analysis, and have not therefore coded headlines or differentiated between front-page and other articles, but instead sought to look at the major ideas behind broadsheet media analysis.

Many of the methodological choices made within the thesis are forced to straddle the breadth/depth divide, and this is no different. It is hoped that these largely work to balance each other out as a whole; the breadth of media titles chosen helps to balance out the lack of breadth of this news medium within 'the media' as a whole.

Nexis UK was used to identify relevant news articles, and a variety of search terms were used to provide an overview of the arguments being made in each time period. Particular attention was paid to the coverage surrounding budget and pre-budget reports to parliament, set piece acts of political debate which allow for the press' appraisal of the government's role in the economy to be exposed most fully. 'Financial Crisis' and 'Global Financial Crisis' were also used to pre-select relevant articles. Particular attention was paid to 'comment' articles by regular columnists at the paper, and hence the names of each papers' regular economics commentator were used also. 'Fiscal', 'Crisis' 'Fiscal Policy', 'Fiscal Crisis', 'Keynes' 'Hayek' 'Recession, 'Depression' 'sub-prime', 'economic policy', 'economics', and 'banking' were also used to produce relevant articles.

To capture the detailed processes through which discourses evolved across the Global Financial Crisis period under investigation, qualitative notes were made on each about the central economic arguments, the underpinning ideas relating to the proper role of the state in the economy, and the impact of the crisis (for mid- and post-crisis articles) on such roles. While quantitative content analysis has been used in other constructivist studies (e.g. Pirie, 2012), the technique is typically deployed when discrete operational practices or the presence or absence of broad themes are being tracked; in this study, to generate a rich understanding of points of continuity and change, this qualitative approach was more appropriate. That said, after notes had been taken on whole sum of the documents , a rough content analysis of key themes for the pre-crisis period was undertaken. It was then that the content of the pre-crisis analysis began to be structured, and only then that the post-crisis documents were compared with the pre-crisis ones over these themes. In such a way selection bias over the mid- and post-crisis material has been minimised as far as possible. Inevitably there is a question over the problem of selection bias here, and naturally it is one that is impossible to entirely eradicate the potential of, for even the separation of articles into major themes entails a certain amount of human subjectivity. I do not intend to argue that an entirely objective approach is feasible or was undertaken, merely that the content analysis used to bring out the key themes was sufficiently rigorous to minimise it as far as was possible.

The quotes used from these articles in the following empirical chapters is intended to summarise sections of such articles faithfully and objectively, although naturally from a constructivist position, the ability of the researcher to engage such an analysis in a purely objective way is open to question. A central underpinning assumption of the analysis that follows from such empirical work, then, is that this objectivity has been reached as fully as is possible.

3.9 Conclusions

‘Through this chapter as a whole, I have added to the foundations provided in Chapter One by outlining the specific engagements with constructivist literature that have been catalysed by my analysis of UK media narrations from 2007-10. In particular, two core extensions have been highlighted. The first extension relates to the value to be gained by using a constructivist framework to navigate a middle-path between historical and sociological institutionalisms. The second to the value to be gained by holistically studying media narration to gain traction over a period of crisis. I recap on these two dimensions below.

Firstly, the chapter review much of the existing ‘new institutionalist’ work. Here I demonstrated that, by often focusing on the ability of institutions to rapidly reconfigure or to produce stasis, they were perhaps less comfortable in dealing with crisis situations which produced partial or 'slow' change. Existing work has tended to focus on institutional inertia along historical or sociological institutionalist lines. Constructivist institutionalism, however, was found to be guilty of over-emphasising the ability of crisis to create paradigm shifts through its focus on ideational failure and replacement. Importantly, then, this chapter has built upon the existing constructivist literature to create a focus on discussing both continuity and change from a constructivist position without risking tautological findings.

Secondly, the chapter has justified a focus both on the media, and on a dynamic tracing of key ideas over crisis to provide greater empirical examination of their ability to cause ruptures in existing understandings. The focus on the media has been justified from a combination of the strategic-relational and realist constructivist literatures in that it allows us to dissolve the issue of beliefs and persuasion, and instead focus on the significant context created by media discussion in the face of a major economic rupture. We can thus argue that the context create by media discourse creates a strategic context likely to favour certain policy paradigms over others. The empirical chapters of this thesis will utilise this to examine the extent to which we can suggest that the post-crisis context created a strategic advantage for the orthodox austerity discourse. By dynamically tracing key ideas on the role of the state over the time period of the crisis, this thesis intends to overcome existing weaknesses in constructivist institutionalist literature relating to the relatively under-detailed analysis taken to actual crisis discourse dynamics.

However, before this analysis is undertaken, it is necessary to provide greater economic context on the financial crisis itself, and to explain the significance of the two principal schools of economic thought that came to dominate discussion through the 2007-10 period. The following chapter will therefore do this by providing an overview of the economics of the pre- and mid-crisis contexts, and explain how the available raw economic evidence could be interpreted in two different ways by these schools of thought. Again, this feeds into a justification of constructivist thought highlighting the lack of social truths and the importance of ideas to help us explain the world as we observe it.

Chapter 4: Contextualising the Global Financial Crisis

4.1 Introduction

The previous chapter highlighted the significance granted by existing constructivist research to the role of uncertainty in creating a space for new ideas to gain pre-dominance in a crisis context. In particular this literature highlights the capacity of crises to create these episodes of epistemic uncertainty that reduces the structural impediments to change. These 'windows of opportunity' are marked by ideational contestation in which successful ideas come to shape the future institutional order. One of the primary purposes of this thesis is to explore the extent to which the Global Financial Crisis ruptured existing discourses and truly allowed for new ideas to germinate in the public consciousness.

Through this chapter, I bridge between the earlier conceptually-focused chapters and the following empirically-focused chapters in three central ways. Firstly, because of the principal significance of orthodox monetarist and Keynesian schools of thought during the crisis, I provide a broad outline of both and the impact that past crises had on their key ideas. By looking to the Wall Street Crash and Great Depression, the role of crisis in shaping these schools of thought, and in turn how they have been used previously as models of crisis resolution, provides context on the significance of these ideas to post-war British economic governance and tradition. Secondly, the chapter provides a general overview of the economic context of the pre-crisis period and the economic events of the financial crisis itself. It achieves this by outlining the governing orthodoxies of the 'Great Moderation' period, but also highlights some of the key economic data to which political discourses might naturally attach themselves and seek to explain. Again, the purpose here is to provide context and economic detail to the discourses which will be referred to in the following empirical chapters.

The third, and most significant, purpose of the chapter blends the two previous sections to highlight the alternative explanations these discourses held over the economic events in question. The logic here is not to favour one approach over the other as a method of crisis resolution, but precisely the opposite. By demonstrating the capacity of two distinct schools of thought to interpret the same events and suggest alternative solutions, the potential value of both as governance paradigms can be established. If a pure structural vacuum existed, we would expect neither of these discourses to have a particular pre-selected advantage over the other, and theoretically either could expect to become dominant should they prove discursively popular. Crucial, here, then, is the concept of 'contestability'; the events of the financial crisis represent a contestable context in which events are open to a wider variety of explanations than is generally the case in a period of stability. It is important to state, then, that what separates the two schools of thought is not simply whether one is more economically 'right' than the other, but the ability of either to win over more support more normatively. To re-state Hay's focus, then, the outcome is one that is political, rather than economic, in nature. In making this distinction, this chapter plays a significant role in the development of the thesis as a whole, for it allows the empirical work which follows to question the nature of this existing constructivist tenet, and as such allows the conclusions to offer a development upon current work in this regard.

4.2 Introducing the Keynesian and Orthodox Paradigms

Through this section, I provide a 'broad brushstroke' overview of the contending Keynesian and Monetarist approaches to crisis management, as developed in response to the Wall Street Crash and Great Depression. Contestation of the 'correct' lessons to be drawn from the Depression has been identified as a key battleground in elite policy discourse over the Global Financial Crisis (see Samman, 2011). Through this section, I provide a 'broad brushstroke' overview of the contending Keynesian and Monetarist approaches to crisis management, as developed in response to the Wall Street Crash and Great Depression

After a booming post-war economy had inflated asset prices in America to all-time highs in the late 1920s, a series of shocks hit the economy in late 1929, and again in the early 1930s, knocking such a great value off the American stock market that it took until 1954 for the Dow Jones to return to its pre-1929 level. Whilst Britain had suffered relative post-war stagnation in the 1920s, Western European economies were still sufficiently coupled to the USA's for there to be a severe contagion effect. The crisis created a period of great ideational dispute, leading to a host of different policy programmes being followed in different countries to tackle the crisis' consequences (Dobbin, 1993: 6; Gourevitch, 1984: 95).

Looking firstly at America, often overlooked is the variations within 1930s economic policy. Herbert Hoover often plays the fairy-tale villain in modern representations of the crisis for favouring orthodox policies, focusing on balanced budgets above all else. This overlooks his support for public works schemes during Harding's Presidency (Kuehn, 2012: 156), and his statement that the government was "engaged upon the greatest programme of waterway, harbour, flood control, public building, highway and airway improvement in all our history" in response to the crash (quoted in Roubini and Mihm, 2011: 159). The 1932 presidential election does not therefore constitute the clear-cut 'austerity versus stimulus' vote as is often suggested. But regardless, Roosevelt unveiled an even greater collection of stimulative policies, labelled the New Deal, to create employment and boost business investment.

Most commonly cited by Keynesians is the attempt of Roosevelt to cut back on such spending during 1936-37 in the hope that the recovery had been sufficiently supported by the New Deal, only for it to become apparent that it hadn't. With the economy tumbling back into recession, Roosevelt opened the spending taps once again leading to a return to growth. Various political coalitions were necessary to undertake such the sweeping changes that the New Deal represented (see, for example, Ferguson, 1984; Kurth, 1979), highlighting how crisis had swept away existing governing consensuses. The Federal Reserve generally opted against an activist stance to prop up the money supply, which as noted below has been attacked by some as a key cause of the depth of the downturn. An important issue to highlight here is that of temporality; it took almost a decade of uncertainty before the crisis was ended, and the best part of half a decade before a reasonably coherent set of policy prescriptions were decided upon to fix the initial crash. As such we can question the inevitability of change in the short term as a response to such shocks.

Britain lacked such a New Deal programme, focusing on orthodox balanced-budget measures (Arndt, 1944: 94). Its Depression was milder than in America (McKibbin, 1975: 104), 'surprisingly vigorous' even (Richardson, 1967: 313), but still saw high unemployment and stagnation until the War forced the economy into gear. There was not a coherent macro-economic strategy that ran through the decade as could be argued with America (Booth, 1987: 499), although the Treasury did show some fiscal, monetary and exchange rate innovations (Howson, 1975: 142; Howson, 1980: 56; Middleton, 1985: 173) Indeed the British left were highly complicit in the economic orthodoxy (Gourevitch, 1984: 121; see also Lyman, 1965: 142-143), and it was not until the Second World War that the Labour Party started to adopt Keynes as an economic figurehead for the party (Barberis, 2006: 145, 161-162). In the 1930s Keynes was seen to be seeking to save capitalism from itself, something the Labour Party at the time was not naturally aligned with (Skidelsky, 1967: 12). Likewise therefore New Deal spending was seen as merely propping up a failed economic system by many on the left (Malament, 1978: 138-139). In its most extreme guise, it was suggested that 'fascism was capitalism in decline, American capitalism was in decline, and therefore the New Deal was a nascent form of fascism' (Ibid.: 139). There was a general concern that counter-cyclical measures would lead to capital flight (McKibbin, 1975: 105), and most of the establishment therefore followed orthodoxy. In both cases, it took the impact of the Second World War to truly wash away the stagnation of the 1930s and return output towards its maximum potential. In both cases also, the window of uncertainty was open for a prolonged period.

As stated above, this is far from a detailed or objective analysis of the key components of the 1930s, but its intention is to highlight some of the central moments which have been used by differing schools of economic thought about macroeconomic management in the post-Depression era. Two central schools of thought came out of the crisis; the monetarist and Keynesian schools. Two further groups, the 'Austrian school' led by Von Hayek and a Marxist interpretation of the 1930s operated more on the margins of mainstream debate, but argued for more fundamental changes as a result of the Depression and shall be covered briefly.

The monetarist conclusion from the Great Depression was that the Federal Reserve was largely to blame for allowing the money supply to drop so dramatically between 1929-1933. It was this, they argued, that had prevented the economy from recovering quickly from the impact of the crash (see Friedman and Schwartz, 2008). The more classically Keynesian plan of government spending was rejected because it was feared that government spending would drive up inflation and scare business away from investing (Leuchtenburg, 1963: 245; Winch, 1969: 136-137), and didn't influence the recovery as is often suggested (Romer, 1992: 781). The monetarist conclusion was therefore that the central bank, and therefore monetary policy, could solve a crisis by actively and artificially propping up the money supply. Indeed monetary policy was believed to be able to prevent crises happening in the first place by manipulating interest rates to prevent asset price bubbles occurring in the first place; 'taking away the punch bowl just as the party gets going' in the words of former Fed Chairman William Martin (quoted in Born et al, 2011: 254).

This 'lesson' from the depression, perpetuated by Milton Friedman and his supporters, has had a profound impact on American central banking ever since, with current Fed Chairman Ben Bernanke stating at Friedman's 90th birthday celebration that 'you're right. We did it. We're very sorry. But thanks to you, it won't happen again' (quoted in Krugman, 2009). Moreover Robert Lucas in 2003 declared that the developments in knowledge about monetary control since the Wall Street Crash meant that the entire 'central problem of depression-prevention has been solved' (Ibid). As will be discussed later in the chapter, this view of crisis-management is highly contested by the heirs of Keynes, especially when interest rates hit the Zero Lower Bound, but regardless has been perhaps the dominant stream of economic thought amongst economic-policy circles in the USA and beyond for a great majority of the post-Depression era. The stagflation period of the 1970s and the failure of the post-war Keynesian consensus to make sense of it gave these views particular pertinence in the Great Moderation, favouring minimal government interference in the economy and the use of monetary policy to mitigate downturns as the most efficient mode of macro-economic management.

The Keynesian lesson from the Great Depression was somewhat different. Following Keynes' ground-breaking 1936 publication *A General Theory of Employment, Interest and Money*, and to an extent also built on the work of American economists Irving Fisher and Marriner Eccles, the role of an activist fiscal policy was promoted as central to preventing mass unemployment and a permanent loss of output resulting from Depression, replacing the prior consensus that governments must seek always to balance their budgets in a depression (see Fisher, 1933). Friedman's comment that "we are all Keynesians now" (albeit "only in once sense") highlights the support that this theory developed in the late Depression and post-war eras. Keynesians did not suggest that the monetarist solution of massaging the money supply was pointless, but rather that it was unlikely to solve a crisis alone. Activist fiscal policy would actually pay for itself in a deep depression because the multiplier effect of government money in getting people back into work, paying taxes, consuming and hence stimulating further job creation actually saved more money; something the Depression appeared to verify (Almunia et al, 2010).

Unlike neo-classical economists, Keynes did not believe economies to be self-correcting, believing that a cycle of decline could set in as job losses reduced consumption, hitting profits and hence leading to further job losses. This was supported by Fisher's notion of debt deflation; in response to those who feared sovereign insolvency if they took on more debt to pay for an economic recovery, Fisher argued that the cost of doing nothing was greater because deflation in the economy increased the relative debt burden of the country (Fisher, 1933). The viewpoint that Keynesian stimulus spending is vital in a downturn has unarguably been a dominant force in economic policymaking ever since, despite Keynes' complaint that 'it seems politically impossible for a capitalistic democracy to organise expenditure of the scale necessary to make the grand experiment that would prove my case – except in war conditions' (quoted in Renshaw, 1985: 231).

The uncertainty that surrounds the best way to interpret the events of the Depression, and indeed the debate over what exactly stabilised the economy, highlights that even with the benefit of hindsight, the events of economic shocks produce a great deal of uncertainty and contestability. Interpretations of them inevitably highlight different levels of ideas that commentators have in regards to political economy, meaning that the debate, like any meta-theoretical one, can never truly be 'won' empirically. This sets the scene for the same contestability being applied to our own time period, and therefore contextualises the discussion later in the chapter of the different economic interpretations of fiscal necessity in relation to the Global Financial Crisis.

Whilst having more radical (and therefore generally less influence in policy circles) approaches to the lessons of the depression, Austrian and Marxist scholars have highlighted two further arguments of macroeconomic matters, both of which have been re-applied to our own crisis. The Austrian school maintain that economies are 'perfect' so long as they are not influenced by government (Giménez-Roche, 2011: 17-18). They take quite the opposite approach to the monetarists in suggesting a complete abolition of central banks such as the Federal Reserve, in the belief that any government interference in the economy will only act to distort the natural impact of a free market, hence making crises more common and dangerous, rather than less. This happens because whilst in a free market information is equally available to all, central planning distorts this, removing 'any semblance of economic efficiency' (Parsons, 2003: 6). Marxists have highlighted how the 1929 Wall Street Crash merely re-enforces Marx's original argument in *Capital* (and later, Hobson's) that capitalist economies were naturally crisis-prone and tended towards crisis as a result of their inherent make-up. Furthermore they doubt the real impact of Keynesian stimulus spending on the ability of governments to kick-start a troubled economy, highlighting that it took the Second World War to truly generate growth and recovery both in Europe and America (Foster and Magdoff, 2009: 107-108; Mattick, 2011: 54-55). They therefore ironically actually shadow Keynes' own concerns quoted above that democratic states do not realistically have the ability to adopt a stimulus package large enough to have a strong enough effect on the economy.

This section has provided a broad overview of the two central economic approaches which will be identified throughout the empirical chapters below. It has highlighted the importance of recessions and depressions to their development, and indeed demonstrates that it is in these particular episodes that the two theories are at their most distinct. Indeed theoretically they are perfectly compatible in their views of public spending during economic growth periods; as Keynes suggested, “the boom, not the slump, is the time for austerity” (Quoted in Jayadev and Konczal, 2010: 37). They are both recession-fighting toolkits with an important intellectual history within Western states, and hence the discursive battle between the two in our modern crisis context is not surprising. Having provided an overview of their key ideas and conclusions from historical recession episodes, I now turn to the development of macro-economic thought in the Great Moderation to provide further context on the central policymaking ideas of the pre-crisis period.

4.3 The Great Moderation and the Events of the Financial Crisis

Moving on from the debates surrounding the lessons to learn from the Great Depression, this section aims to outline the developing macroeconomic norms of the pre-crisis period, now most commonly called the ‘Great Moderation’. In particular it will focus on the development of the credit-based economy in a period of low inflation and the growing dependence on both American and British economies on housing-related debt and finance. This will set the context for the economic theories of crisis-solution which follow, and highlight some of the central empirical links to both the causes and outcomes of the crisis.

The multiple economic and political crises of the 1970s, and the ways in which they were resolved, lead to a rapid change in the composition of the Growth Model in both the UK and USA. As ideologically alike leaders in the two countries led similar transformations, the development of the economic conditions which would ultimately lead to our current financial crisis were un-knowingly put in place. This section highlights these transformations. Following a period in which Keynesianism generally dominated the field of macro-economy (although it is questioned to what extent the British and American economies of the post-war period truly were Keynesian to any real extent), the onset of the 1980s led to a period of dramatic changes in the ways in which the global, and in particular the Anglo-American, economies were regulated. The period of greater freedom of capital movement, greater financialisation of the economy, and greater operational independence for central banks with specific inflation targets is now most commonly called the Great Moderation.

4.31 The Leverage Economy

The Great Moderation saw a period of relative decline in manufacturing in the west, as multinational businesses increasingly took advantage of cheaper labour markets and cheaper transport costs to transfer manufacturing to developing countries. As such much of the economic growth in the west in this period was dominated by financial innovation as opposed to rising internal productivity growth. The forces of finance therefore became somewhat distanced from the actual productive capacity of the nation as a whole (Minsky, 1993: 112). There is much academic debate about the lines of causation that led to this situation. Most developed are the proto-Keynesianism of Hyman Minsky and the Marxist interpretations. Minsky highlighted how opportunities for investment and profit diminished over time during a budget cycle, leading to a greater dependence of debt and credit to fund further capital investment. This 'financial instability hypothesis' suggested that financialisation was an inherently unstable economic development, both resulting from and leading to less and less stable endeavours to find profit (Minsky, 1977; 1982). Eventually a crash becomes inevitable (i.e. it is systemic, not accidental to capitalism), as hedge and speculative finance give way to Ponzi finance as returns diminish (Minsky, 1977: 25). Unless government spending offsets it, 'the decline in investment than follows from a reluctance to finance leads to a decline in profits and in the ability to sustain debt' (Ibid.). In fact, for Minsky the capacity of the state to offset depressions by using active fiscal policy has increased in the modern age as the public sphere has become larger, and therefore more able to take up the slack presented by a shortfall from the private sector (Rochon, 2003: 137).

The Marxist interpretation is based on a similar understanding of the tendency towards crisis as Minsky's hypothesis. Financialisation, for Marxists, is an attempt by capital to overcome stagnation in the real economy. But as the housing bubble that developed in the Great Moderation shows, 'it is still dependent on its fortunes' (Foster and Magdoff, 2009: 83). Whilst the post-war period saw a development of monopolies as profits diminished (Baran and Sweezy, 1966), highlighting the overcapacity in the production system, so our current crisis stems from a financialised version of the same tendency (Foster and Magdoff, 2009: 63). Whilst linked to stagnation, this financialisation is in turn a result of the general decline in the purchasing power of the working class, forcing them to turn to credit to maintain consumption levels (Ibid.: 27-28).

Whilst credit has clearly played a larger part in the Anglo-American economies in the post-1979 period, the importance of specific financial innovations in spawning our current financial crisis should not be under-estimated. A period of strong economic growth and rising house prices spawned an era of banks allowing mortgages to those who would previously not have been deemed credit-worthy, so called sub-prime borrowers. This, combined with innovations in which mortgages were bundled together and sold to investors, so-called Collateralised-Debt Obligations (CDOs), meant that the wider financial community became tied to the apparently ever-rising US household market. This process was first adopted by Fannie Mae in 1938 (Thompson, 2012), but the power of computers allowed for a far greater pace of development of this type of securitised debt in the modern age. Institutional norms are often at least partially a result of the crisis that led them into being, and the development of this highly liquid mortgage-based debt circulation was ironically a response to earlier financial failures. The Savings and Loans crises of the 1980s and 1990s saw a number of lenders go bust because they had kept a large number of mortgage loans on their books. Such illiquid debt was therefore seen to be dangerous to lenders, and securitisation allowed the distribution of loans to those 'better able to shoulder the risk…lessen(ing) the risk of a systemic banking crisis' (Roubini and Mihm, 2011: 64-65).

Whilst in theory it was believed that the packaging of mortgages into financial instruments spread risk out throughout the financial system, the increasingly convoluted chains of debt constructed became 'impossible for anybody to fit…into a single cognitive map' (Tett, 2009: 299). The corollary then was that banks increasingly lost the knowledge of the true value of the assets they were holding, buying and selling, and that growth in the wider financial system became fully dependent on confidence that house prices would increase eternally. The repeal in 1999 of the Glass-Steagall Act in the USA, which had previously separated commercial and investment banks only heightened the diffusion of mortgage-related debt into the banking sector and meant that any crash would have dangerous consequences for the wider economy. In essence, therefore, this constituted a classic bubble, which the wider economy had become dependent on. With debt and credit flowing without viscosity, a wider consumer-led growth model developed based largely on this private debt (Hay, 2011: 4).

4.32 Current Account Imbalances

The developing global aspect of trade flows and current account imbalances should not be underestimated either, something that has greatly enhanced the capacity of crises to spill beyond national borders, certainly more so than was possible with the Great Depression. The West's growing dependence on debt and credit was offset by a 'savings glut' in East Asia, which led to China and Japan developing huge current account surpluses, which directly influenced the current account deficits run by both America and Britain. Economic theory suggests that large imbalances in current accounts are unsustainable over a long period of time, as debt cannot be rolled over indefinitely without investors becoming concerned about the capacity of the economy to continue to supply a solid return on any such investment. Crisis is an inevitable consequence of such imbalances as investors become spooked and the absence of capital controls allows for capital flight which can wreak considerable havoc to an economy, as the Asian Financial Crisis of the late 1990s highlighted. Whilst the importance of sterling protects the UK from quite the same level of these dangers despite high current account deficits, there is some uncertainty about how long foreign investors will continue to support their deficits, something that the orthodox school has paid particular attention to in its call for spending cuts.

4.33 Monetary Consensus

The period of the Great Moderation also saw remarkable consensus on several elements of macroeconomic governance. In monetary policy, a consensus developed on the intrinsic worth of an autonomous central bank with power to manage inflation. The market liberalist view of the state came to the fore here, with the belief that monetary policy would be more consistent, and hence a country more stable and inviting to foreign investors, if much economic power was taken away from partisan politics. Whilst taking such power away from politicians was deemed to reduce the likelihood of abuses to the power in the search for electoral gain, the handing of power over to a technocratic elite challenged the sense of accountability and the potential for diversity of opinion on economic matters. Much has therefore been made in the academic literature of the epistemic communities which sprung up in central banking circles and the danger of group-think that this entails (amongst others, see, Bean, 2007; Bowman et al, 2012; Gieve and Provost, 2012; Lawson, 2009; Marcussen, 2006, 2009; Ozgercin, 2012). Moreover the confidence in the power of finance to generate economic growth and the importance attached to gaining the trust of the City of London and Wall Street meant that banks developed a strong ideological hold over economic policy during the Great Moderation (Bell and Hindmoor, 2015; Johnson and Kwak, 2010). Moreover it has even been argued that the overlap between finance and academic economics became too great, with professors having too much interest in the vested interests of the status quo to provide sufficient critical understandings of the potentially dangerous effects of the existing governing orthodoxy (Carrick-Hagenberth and Epstein, 2012).

The lack of confidence in politicians to be trustworthy with national finances and to take decisions of long-term sustainability over short-term potential electoral gain spilt over into fiscal policy also. Academic work focused on the ‘electoral business cycle, highlighting how politicians artificially created booms before elections, hence skewing economic growth from its ‘natural’ trajectory (Alesina et al 1989; Alesina et al, 1993). Economic credibility therefore became a central electoral tool in the Great Moderation, with governments aiming to show that their economic decisions were externally supported by experts, and not skewed towards creating artificial short-term bubbles for electoral gain. Fiscal ‘rules’ therefore developed in popularity, most famously represented by New Labour’s two ‘Golden Rules’ for fiscal policy which were implemented upon coming to power in 1997 (See Clift and Tomlinson, 2012 on the development of such rules historically). These rules intended to ensure that not only were the public finances sound, but that 'spending and taxation impact fairly both within and across generations…those generation who benefit from public spending also meet, as far as possible, the costs of the services they consume (Budd, 2010: R35). The first golden rule, intended to prevent governments racking up large budget deficits to support growth, allowed the government to borrow only to invest, with the second limiting the debt/GDP ratio to 40% (IFS, 2001: 2; Hodson and Mabbett, 2009: 1047). It was believed that by placing tighter restrictions on government borrowing and spending, that respectability would be gained by international finance and that the nation's finances would be put on a permanently sustainable footing. As with the forecasting of ever-increasing house prices however, the crash of 2008 highlighted that these rules worked only as far as the economy was growing; much structural public spending was constructed on tax receipts that were in hindsight only cyclical, leaving the UK with a large budget deficit when the economy entered recession.

4.4 The Onset of Crisis and its Political Response

> 'By the spring of 2006, the financial system, with its extraordinary reliance on leverage – and its blind faith that asset prices would only continue to rise – was primed for a breakdown on monumental proportions. Financing increasingly depended on the sort of speculative and Ponzi borrowing that Minsky predicted. Euphoria that began in the housing sector and percolated upward through the entire financial system only encouraged further risk taking, and the few sceptics who raised the alarm were not heard' (Roubini and Mihm, 2011: 88).

This 'Minsky moment' of the financial crisis was actually somewhat of a prolonged affair, with the slow increase in sub-prime delinquencies developing through 2005 and 2006. Lenders in the shadow banking sector began to see their credit lines tighten up as many of their assets went bad. By March 2007, over fifty of these relatively small institutions had gone bankrupt (Ibid.: 90). Slowly, however, the larger institutions began to realise that this was no longer a problem contained in one small section of the industry, but a wider fracture that threatened the entire system. Lenders rushed to try and prop up the divisions of their companies that were most clearly exposed, but this only signified the famous metaphor of shutting the stable door after the horse has bolted. Bear Stearns eventually collapsed in March 2008, with many of its assets taken over by JP Morgan Chase. The Fed began operating as lender of last resort to key institutions such as Goldman Sachs and Morgan Stanley, but provided a central sign of its unwillingness to support the entire edifice by allowing

Lehman Brothers to enter bankruptcy in September 2008. This in turn led to AIG being nationalised as its assets were downgraded. In the UK, the first sign of the knock-on effect of the events in America was the distress caused to the Northern Rock bank, prompting the first run on a British bank since 1866 (Shin, 2009: 102).

This is necessarily a very reduced history of the onset of crisis, for more relevant to our own discussion is that of the impact of it on government debt and borrowing, and the politics of the response. The UK acted to insure bank deposits at the beginning of October 2008, with Washington's Federal Deposit Insurance Corporation (FDIC) insuring a swathe of new debt from selected lenders later in the month, effectively allowing them to borrow and lend at lower rates. The aim at this stage was to prevent the entire credit chain from drying up and to give banks confidence in each other's capacity to repay debt by opening emergency credit lines and lending mechanisms. The US government was also forced to offer emergency aid to Fannie Mae and Freddie Mac, which held a great deal of mortgage related debt. Late 2008 saw governments take an unprecedented amount of debt on board to keep the ailing banking sector afloat. In July, the US Government passed the Housing and Economic Recovery Act, which pumped $320 billion into helping mortgage-owners refinance, and followed this up with the notorious Troubled Assets Relief Program (TARP) which aimed to buy up $700 billion worth of banks' toxic assets to help clear their balance sheets, and to buy shares in the troubled institutions. With little public accountability, sovereign governments vastly increased their role in the banking economy with such actions. The UK's equivalent of the TARP package allocated £500bn for a combination of re-capitalisations, loans and loan-guarantees, although focused less on the purchasing of toxic assets than did TARP.

The impact of this on budget deficits was understandably huge. Having had a surplus during the first New Labour term in office, Britain had been running a deficit of £32bn in 2006 and £36bn in 2007. This increased to £69bn in 2008 and £156bn in 2010. Public debt-GDP increased from 36% in 2008 to 52% by 2010. US government debt, already high from the Bush administration's combination of spending increases and tax cuts, increased from 69% to 93% over the same period. Net tax revenue for the UK government fell from £514bn in 2007-09 to £500bn in 2008-09 and £485bn in 2009-10. Had it kept up with the pre-crisis trend for these years however, it would have reached around £575bn in 2009-10, i.e. the real drop was actually somewhat closer to £90bn.

The US budget deficit, which stood at $161bn in 2006-07 (down from $412bn in 2003-04), rose to $459bn in 2007-08, $1.41tr in 2008-09 and then dropped slightly to $1.29tr in 2009-10. Tax receipts dropped from $2.56tr in 2006-07 to $2.54tr in 2007-08, then to $2.10tr in 2008-09 and then $2.16tr in 2009-10. Again though, whilst this fall accounts for half of the increase of the budget deficit, taking into account the pre-crisis trend growth it falls around $1tr short by 2009-10 of the expected revenue for this year, accounting for a great deal of the swollen budget deficit.

Both countries essentially responded to the downturn by implementing some level of stimulus package. In the USA this equated to 4.8% of GDP in the 2008-10 period, whilst in Britain it was lower at 1.5% (Schirm, 2011: 48). In Britain, measures taken included a reduction in the Value Added Tax (VAT) on sales, the impact of automatic stabilisers including unemployment benefits and a series of smaller schemes targeted at specific industries. In the US, the defining fiscal feature of Obama's first term in the presidency was the American Recovery and Reinvestment Act (ARRA), passed in February 2009 which set aside up to $787bn to help stimulate an economic recovery. It was estimated by the Congressional Budget Office (CBO) that this created or saved around 3.6million jobs by 2010 (CBO 2010), with the money going to a variety of infrastructure projects, as well as a considerable proportion going to tax breaks.

4.5 The Economic Logic of Stimulus in the Current Context

The Keynesian argument is based on analysis of several core tenets of our current economic situation: the importance of debt; the role of stimulus in open economies, and concurrently the potential size of multipliers; the link between private and public spending and the danger of 'crowding out'; the need for creating confidence in the business community; and the power and scope of monetary policy.

Starting with stimulus and multipliers, the general Keynesian argument of today has in many ways stayed remarkably similar to those first professed almost eighty years ago. The metaphor of 'one person's spending is another's income', (Irvin *et al*, 2010: 12) representing the individual but also the public-private levels, remains at the core of Keynesian logic. Highlighting the central problem of the recession as being one of a dramatic shortfall in private expenditure, the fact that an economy is composed of public and private spending means that for an economy to remain steady then such a shortfall in private spending must be compensated by a Newtonian equal-and-opposite increase in private spending.

Stimulus packages in both the UK and USA were criticised from this perspective for not being large enough (Stiglitz, 2010: 63; Taylor et al, 2012: 189), representing only a fraction of the private shortfall, and hence lacking the capacity to return these economies fully to growth. It remains the assumption therefore that government spending at a time of crisis has the potential to have a large multiplier effect, in essence that spending can pay for itself because of the impact of increased employment, spending and tax revenues that they have, which in turn creates new employment, spending and taxes. Whilst it is noted that the increased openness of economies now compared to the 1930s means that multipliers may not be as large (Armingeon, 2012: 546) in that the money props up foreign economies more due to an increased spending on products which involve an international division of labour, this is taken by the Keynesian case to mean that stimulus should be international more than national in character (e.g. IMF, 2009: 3-4).

Likewise, austerity as a method of becoming more competitive so as to resume growth is doomed to fail if everyone mirrors each other (Van Reenen, 2012). Moreover, the nature of a financial crisis means that multipliers will be larger than during 'normal' economic circumstances (Auerbach and

Gorodnichenko, 2010; Christiano et al, 2009; Corsetti, 2012; Corsetti et al, 2010; DeLong and Summers, 2012; Eggertsson and Krugman, 2012; Jordà and Taylor, 2013). Blinder and Zandi, for instance, argue that without government intervention, US GDP in 2010 would have been 11.5% lower than its actual level (Blinder and Zandi, 2010: 1)

The danger of ‘crowding out’ private investment is likewise disparaged (Coates, 2012: 152; Eggertsson and Krugman, 2012: 1491), again using much of the same debates on Say’s Law, which argues that supply creates its own demand (Sardoni, 2002) and Ricardian Equivalence that Keynes himself focused on. Most stridently, this case was put forward in Paul Krugman’s initial response to the crisis and how economists had ‘got it so wrong’ in believing that many tenets of Keynesian economics no longer applied (Krugman, 2009). The Ricardian argument holds that ‘public sector profligacy can be fully offset by private sector prudence if economic agents correctly anticipate that future tax liabilities will rise as a result of a fiscal expansion. It then follows that the contractionary consequences of a fiscal retrenchment will be offset by an increase in private sector spending as ‘economic agents correctly anticipate a decline in future tax liabilities’ (Islam and Chowdhury, 2010).

In essence therefore any short-term boost to GDP provided by a stimulus will be cancelled out by a medium or long-term decline of equal proportion (Ulrich, 2011: 153). The Keynesian argument either rejects Ricardian Equivalence and Say’s Law out of hand (as Krugman generally has), or in a milder form suggests that whilst government spending could lead to reduced output in the future, the nature of such a deep financial crisis means that the long-term reduced output will be smaller than the short-term increase (NIESR, 2009: 43 Stiglitz, 2010: 73). This is not to say that all government spending will be of equal value; capital spending is deemed to have the highest return, and tax cuts a notably lower multiplier (Holland *et al*, 2010: F12; Pollin, 2012: 161).

The Keynesian argument maintains that economies are not made up of perfect, rational, self-calculating agents, but rather are dominated by the ‘animal spirits’ of confidence and the herd mentality (Keynes, 1936: ?). This applies in busts as well as booms, making the creation of business confidence central to getting private investment back to pre-crisis levels (Irvin *et al*, 2010: 9-10). For Keynesians, the confidence created from a growing economy which knows it will be supported by the state if necessary is far greater than the confidence created by highlighting a willingness to cut expenditure at the expense of anything else (King et al, 2012: 9). By acknowledging that in the modern state the private and public realms are far more inter-connected that is generally believed, the ability of the state to take up the slack of the private sector and to underwrite some of its gambles is the primary developer of confidence.

But the issue of public debt cannot be completely ignored. The Keynesian position on the gross size of the national debt is generally to highlight how it began the crisis in a historically low position, and therefore has the capacity to increase without necessarily leading to solvency crises. The potential for debt to curb economic growth is doubted though, with a ‘1 per cent of GDP rise in government debt to GDP ratio’ being associated on average with only a ‘2-4 basis point rise in interest rates (Bagaria *et al*, 2012: F51; See also Pollin, 2012: 161). Furthermore due to the methodological basis of this study, these figures ‘overstate the impacts for non-Euro Area countries’, such as the UK (Ibid.). Either way this increase in itself is vastly outweighed by the impact that Quantitative Easing has had on interest rates, with the measures taken by the Fed alone in the aftermath of the crisis estimated to have reduced Treasury yields by around eighty basis points (D’Amico et al, 2012: 29). DeLong estimates it would take debt yields to normalise above 7% for stimulus to become self-defeating (DeLong, 2012), something that central bank independence and the success of QE makes highly unlikely in the UK. The notion of debt-deflation means that increasing government debt and deficits is not a sufficient cause for public sector cuts in the Keynesian viewpoint. Rather, it is growth that is best placed to reduce the debt burden of the economy, re-affirming the need to invest (Taylor et al, 2012: 201). A restoration of growth and a period of moderate inflation provide a template of how to work down debt in the future (Dornbusch and Draghi, 1990: 8; Krugman, 2012).

Whilst monetary policy has the power to limit as sharp a decrease in the money supply and hence the depth of the recession, and as shown above has the power to decrease government debt yields, it is not seen as sufficient for a recovery to Keynesians. Whilst both the Bank of England and the Fed quickly and dramatically slashed interest rates in the wake of the crisis to attempt to reduce the incentive to save and to encourage investment, this has not been sufficient to spur the economy back into growth (Blanchard et al, 2010: 205). Indeed it is estimated that in the US, a further cut in interest rates of 3-5% was necessary to stimulate sufficient investment (Rudebusch, 2009), something which would require negative interest rates to achieve. This introduces the concept of the ‘zero lower bound’ where monetary policy loses the ability to stimulate growth – typically where interest rates have gone as low as they can. The addition of QE into monetary policy complicated the calculation of where the lower bound existed, but the Keynesian standpoint suggested that by 2010 this has been reached (Blanchard et al, 2010; see also Bernanke, 2009).

Finally the Keynesian analysis posits that governments are not as strait-jacketed by the forces of globalised finance as is often suggested (Aoki, 2002; Boyer and Saillard, 2001; Boyer, 2012; Lodge and Hood, 2012: 79; Posner and Blöndal, 2012: 32); the variety of responses to crisis undermines the argument that governments had little operating space in terms of fiscal policy (Armingeon, 2012: 544). The economic logic for such an approach is therefore multi-pronged: lack of belief in higher debt stocks as a burden in terms of interest rates; belief that monetary policy has reached its limit; belief that government spending will initiate growth, and will not crowd out private investment; belief that this growth will be the real spur to business confidence; and finally a statement that states are not forced by the markets into a single one-size-fits-all macroeconomic strategy.

4.6 The Economic Case for Austerity in the Current Context

In the same way that a Keynesian case for stimulus is based on a variety of understandings of the current context and the relevance of classical economic literature, so does the case for austerity.[8] Generally they take the opposite view on a number of the central tenets of Keynesianism highlighted above, but are worth dwelling on in greater detail than this statement suggests.

The core logic of the case for austerity is therefore based on: a fear that high debt levels will hamper growth in the future; the fear that market confidence will be lost by failing to immediately tackle spending; the suggestion that spending today will provide an unfair burden on future generations; that the level of spending needed is not achievable or sustainable; the belief that government spending crowds out the private sphere, and that cutting is therefore not as contractionary as Keynesians suggest; and a belief that innovative monetary policy can produce a recovery without fiscal interference.

This 'orthodox' approach takes a very different opinion on the debt burden that the financial crisis has created. With budget deficits in the UK and USA even during the boom times before the crisis, the central argument of the 'austerians' is that this level of spending was clearly unsustainable, and indeed a great amount of it became structural spending (as opposed to cyclical). Growth alone will not therefore solve the problem of governments spending beyond their means, therefore deep cuts need to be made into the existing social contract in terms of what the state can seek to provide for its citizens; 'debt cannot be rolled over indefinitely' (Ulrich, 2011: 160-161). This lack of sustainability is heightened by the rapidly aging population in western states, meaning that future funding problems already exist due to the ratio of tax-payers to dependents falling over the next generation and beyond. Further debt is therefore unwise now, as Western states already were perceived to need to start stockpiling for future funding issues (OBR, 2011: 3).

But of course if you were to accept the Keynesian growth and debt argument, then this alone would not be a case for austerity. The orthodox approach therefore holds very differing views of the expansionary capacity of fiscal stimuli, and of the capacity of such a stimulus to reduce the debt burden. The true impact of multipliers has been highly contested itself academically during the current crisis, with those who have supported austerity arguing that the multiplier from increased spending is low because of crowding-out effects (De Soto, 2011: xvi; also Gros, 2011), and as such the negative multiplier of reduced spending is low also (Alesina and Perotti, 1994; Alesina and Ardagna, 2010; Perroti, 2013). Ramey (2013), using US data, has suggested that multipliers may have been anywhere between 0.4 – 1.5 in the current crisis, which respectively would make fiscal stimulus either fairly worthless, very valuable, or anywhere in between.

In its more extreme form, however, it is suggested that contractionary fiscal policy can actually have an expansionary impact. Based on Say's Law, it is assumed by the orthodox school that 'the

[8] I will leave it to the discretion of the reader to decide which they consider more compelling…

decrease in government spending lowers aggregate demand…and output decreased. The aggregate supply curve also shifts backwards, reducing the prices of inputs and lowering the level of inflation. In the medium term, due to the economy-wide deflation, productive resources become more attractive as investment options and so investment increases…There are multiplier effects on this increase in investment', which will raise output further (Kinsella, 2012: 230). In other words, 'debt-financed spending can't have any more effect that spending financed by raising taxes', negating any benefit as people alter their behaviour in response to such taxes (Cochrane, 2009: 4).

Again, the true worth of government spending to influence a recession is dependent on the validity of applying Say's law and Ricardian Equivalence in practice (Sawyer, 2012: 208). Whilst the belief in expansionary contractions began with the monetarist revolution of the 1980s, in which a context of high interest rates, stagnation and high public spending were important in creating the conditions for its success (Giavazzi and Pagano, 1990), later examples from the 1990s of Sweden and Canada running successful fiscal consolidations were used in the current era to provide historical support for the theory. A systematic analysis of all fiscal contractions in the 1970-2005 period brought about uncertain results, however (Afonso, 2010), highlighting further the uncertainty regarding the potential outcomes of different policy approaches.

Whilst those in favour of austerity have rarely argued that it provides a complete objective truth and that all cuts will pay for themselves (Cochrane, 2009: 4-5), it has generally been assumed by this school of thought that the multiplier effect of cuts in government spending will be considerably lower than 1. This more common middle ground accepts that Keynesian stimulus might have some beneficial impact on the economy, but that in a globalised world it is too difficult to do so in a way that doesn't merely prop up your competitors, or that it will not be strong enough to pay for itself, with the negative of extra debt and the danger of this in terms of interest rates outweighing the positive of marginally stronger growth.

The zero lower bound of monetary policy, highlighted by Keynesians as the point where fiscal multipliers become most effective, is also confused by recent monetary developments. The innovation of central banks through the crisis, seen most notably through the scheme of Quantitative Easing (QE) but also through a number of other lending facilities and liquidity measures, makes the identification of a lower bound particularly challenging (Alesina and Giavazzi, 2013: 4). As such, for the orthodox school, the potential benefits of stimulus are more uncertain, and the damage more serious, than for Keynesians. The danger relates to the government's medium term debt accumulation and the willingness of markets to finance this.

Debt and interest rates therefore remain primary concerns. The work of Reinhart and Rogoff (at the time accepted but now ridiculed[9]) highlighted a belief that a debt-GDP ratio of over 90% would begin to produce a drag on growth (Reinhart and Rogoff, 2010; for a critique see Baglan and Yoldas, 2013). Moreover the uncertainty over market forces and the impact of growing debt on interest rates and gilt yields proved central to the argument (Ulrich, 2011: 160). In the absence of

[9] It later emerged that the statistical significance of the results was dependent on a mistake at the data entry stage.

clear empirical results showing that interest rates would not rise, the growing debt burden impacting much of the western world meant that it was deemed safer in the orthodox view to err on the side of caution and provide a clear sign of intent to the markets that governments were serious about making cuts to expenditure in order to tackle debt. The most successful policies in this logic are not those that necessarily produce the most growth at the least cost, but those simply that are keep the country's credit rating intact and pacifies the markets. The slightly counter-intuitive nature of this argument has made it very contentious in academic circles; the empirical likelihood of these market forces leading to spiralling borrowing costs even in major economies like the UK and USA has been doubted by Keynesians, with Krugman in particular mocking both the fear of 'bond vigilantes' and the belief that the 'confidence fairy' of sharp cuts in expenditure would be sufficient to deliver a return to growth (Krugman 2009; 2012).

But either way the gross level of debt is a primary concern. Even if it does not slow down growth prospects, the danger highlighted by proponents of austerity is that we endanger future generations by providing them with such a huge debt burden. Whilst Keynesians aren't generally fazed by the size of this debt, highlighting how in the post-war period even bigger debts were paid down against a backdrop of persistently strong economic growth, the austerians doubt our ability to achieve this record twice. After all, the West, particularly America, was at the peak of its power during that period, with potential economic rivals such as Germany and Japan highly damaged by the War (Roubini and Mihm, 2011: 178). American manufacturing was in demand, providing a huge trade surplus which is no longer the case, with an aging population and the general feel of a nation that, whilst still powerful, is in decline. This is only magnified in the British case. Whilst previously the power of the dollar would have made almost any American debt level safe, perhaps now even the US cannot guarantee its own solvency permanently (Ibid.: 239).

4.7 Ideal Types and Their Political Usage

The above section has intended to highlight some of the central tenets of the two different 'ideal type' schools of thought. The different methodologies used by these different schools of thought allow both to present evidence in favour of their argument. Keynesian models tend to rely on vector auto regression (VAR) models, alternately using case studies to demonstrate that many expansionary contractions were based on export led growth that is not replicable to the world as a whole. The methodology of the orthodox school, led by Alesina and Ardagna, focuses on a comparison of key macroeconomic variables before, during and after a retrenchment to create a dataset of consolidations and their consequences (Perotti, 2013). However, detailed case studies are also used to differentiate between the likely impact of different types of consolidation (Ibid.). The purpose here is not to discuss these different methodologies in detail and attempt to suggest that one is methodologically more rigorous or comprehensive than the other, but quite the opposite; whilst both can create evidence of the validity of their findings an essential contestability exists. Therefore it is suggested that the economic events of the Global Financial Crisis could logically be explained through either of these schools of thought; neither holds a monopoly on logic in relation to the principle methods of tackling the impact of the Global Financial Crisis. . Following from this is the assumption that the policy response to the crisis could have followed either of these two paths, depending on which better fitted existing structures, preferences, discursive understandings etc. The decision of this thesis to focus specifically on the discourse surrounding the two to explain which better resonated with the lived crisis experience has already been justified in previous chapters. The two ideal types rely on different visions of economic imperatives, pathologies of the crisis, and views on economic growth. The essential differences can be summarised along three central and inter-linked themes:

4.71 The Role of Uncertainty

Neither theory doubts the importance of uncertainty in shaping economic events, but they have different views on the way in which it creates economic priorities. From the Keynesian position the central problem in the crisis is the lack of confidence that businesses have to invest again and start recruiting. The longer that economic growth is stagnant or retarded, the worse this will become unless new investment opportunities appear. The role of government economic policy is therefore to help produce investment projects which puts money back into the real economy and hence kick-start this confidence. The knowledge that the government will act as the stimulator of last resort means that businesses have the certainty they need to invest, not having to worry that the economy could potentially continue in a permanently depressed state which would ruin such investments.

However the principal role of uncertainty from the orthodox perspective relates to the willingness of financial markets to fund such government debts. Given the importance attached to transnational finance and the belief that it will cease to fund government deficits permanently, the central issue is how and how large deficits can become before the 'electronic herd' loses confidence in a government's credibility. When this occurs, the high rates of interest of debt the government will have to pay are perceived likely to far outweigh the aggregate demand benefits of greater government spending. As such, the state is perceived as fragile in a globalised financial system, and therefore is forced to play by the rules of a game it is not in control over. How different approaches to uncertainty were understood, and were given precedence over others, provides an important tool in the constructivist understanding of crisis resolution and discursive contestation. The analytical chapters that follow will highlight that fear of government over-spending was prevalent in pre-crisis discourse in the UK, and the failure of the crisis to alter these important perceptions helped to provide strategic strength to the austerity discourse.

4.72 Stimulating Growth

Likewise the two schools take different positions on growth, which link into this element of uncertainty. From the austerian viewpoint, government debt will produce fear in the business community that it will be taxed higher in the future, preventing investment and growth. The impact of high debt on growth might therefore be a secondary as opposed to a direct correlation of it, but it is significant nonetheless. Moreover, it is impossible to increase spending and hope to cut debt within this viewpoint, because multipliers will not exceed 1 and some of this economic growth will be offset by an increase in interest rates that stem from market concerns about the permanence of such spending. Stimulating growth therefore comes primarily by altering people’s medium term expectations on tax levels. A belief that medium term taxation will be lower increases short-term expenditure and investment, and the major way to develop these expectations is to signify a reduction in the size of the state. Alongside this, innovative monetary policy can aid investment through low interest rates.

Overall, then, precedence is placed on supply-side intervention. But from a Keynesian position, the drag on growth comes not from tax expectations but from aggregate demand; if the demand isn’t strong enough in the economy then businesses won’t invest. Hence the short-term priority is to artificially increase demand through government spending. Cutting spending will always entail a negative multiplier in a multi-national recession, producing a drag on growth which will have a very limited effect on the total debt burden anyway. The scope of short-term fiscal stimulus leading to noticeably higher interest rate payments is doubted in this view, at least in the case of Britain with its monetary independence. Monetary policy is believed to have lost its traction in the case of a recession, meaning that fiscal policy is required to stimulate investment. The following analytical chapters highlight the prevalence of supply side thinking in the pre-crisis period, and again this was not radically altered through the crisis creating a greater discursive strength for the orthodox approach.

4.73 Economic Priorities

As such the two differ on the chief economic concerns plaguing the country in question. For the Orthodox school, the imminent danger is a loss of confidence in the ability of the country to finance its debts, with a sharp spiking in interest rates resulting from market concerns. This will hamper the more medium-term restructuring of the economy, and leave an over-burdened state which itself is dragging the economy down. No consistent growth can occur whilst the state delays the issue of signposting to the markets that reduction of the debt burden is its primary concern. Meanwhile the Keynesian position suggests that this reduction of the deficit cannot take place until solid growth is restored to the economy, and under-taking cuts in a depressed economy prevents this taking place. Business needs the certainty of government support and aggregate demand to persuade it to begin investing again and for economic growth to begin to take off again. Meanwhile the government has a duty to protect and create jobs in a time of depression, so that people do not suffer prolonged unemployment which will damage their skill-sets and have an adverse effect on future productivity. The concern over debt, and the danger of market forces on debt repayments, is hence seen in a very different light, at the same time a less pressing issue that jobs whilst also being better solved in the medium term by a solid growth strategy that comes from retaining investment during the crisis.

4.74 A Case of Contestability

The picture if therefore one of contestability; a solution could have been developed along the lines of either of these, or indeed somewhere in between, depending on a range of discursive factors. This study looks specifically at the discursive development in the public realm from 2007-10, analysing how these ideas were used, developed, understood and debated in order to justify the policy responses chosen, and hence how certain ideas gained primacy over others.

This contestability is demonstrated by the short-lived nature of some the academic work which the uncertainty of crisis produced. The study by Reinhart and Rogoff, cited above, was at the time influential in conservative circles in demonstrating the need to limit the level at which debt/GDP peaked. However, it emerged in April 2013 through the work of Herndon et al that the results on Reinhart and Rogoff came from a selective exclusion of data, but more importantly because of a simple coding error which skewed the results and that had gone unnoticed at the time. The result was that growth rates of highly indebted countries was on average estimated by Reinhart-Rogoff to be two percentage points lower than may actually the case. The question of reverse causation, i.e. whether it is slow growth that causes debt as opposed to vice versa, has also gone some way to discrediting their conclusions (Nersisyan and Wray, 2013).

The lack of consensus in the academic economic community therefore provides a palpable sense of the extent to which previously dominant paradigms were being questioned and how some of the most fundamental questions of macroeconomic policy were now becoming disputed. The lack of consensus in this epistemic community provided the potential for a more overtly public and political debate surrounding this central role of the state that had previously been the case, and allowed for new political coalitions to be built depending on how the issue was discursively narrated.

This chapter has therefore analysed the dominant economic paradigms of the New Labour era and outlined a hypothetical case of contestability to allow for the analysis chapters that follow to investigate whether the discursive playing field was as levelled by the uncertainty of crisis as the existing constructivist literature suggests.

4.8 Conclusions

This chapter has had two central aims. Firstly it has contextualised the Keynesian and Monetarist frames of economic understanding that are reflected in UK media discourse. Secondly, it has introduced key events of the pre-crisis economic context and the Global Financial Crisis itself. Both are referred back to in the commentary and analysis of the following empirical chapters. The purpose of introducing these two frames is also twofold. Firstly, it was from these frames that public narratives had to be woven, as will be seen in the following chapters. Secondly, however, it has sought to demonstrate that the two schools provide alternative but equally rational arguments for specific policy programs and priorities. It is on this basis that we can determine that economic facts alone do not necessitate a particular form of action, but it is through the ideas used to interpret, analyse, and weave these facts into popular discourses that a certain policy programme becomes appropriate and credible. The analysis chapters which follow take up this logic, in order to analyse the extent to which ideas changed over the course of the crisis, and therefore the extent to which popular pre-crisis discourses of the state came to determine post-crisis economic necessities.

Chapter 5: Charting the Pre-Crisis Economic Discourse

5.1 Introduction

In order for a crisis to be said to have precipitated a change in the ideational understanding of economic events in relation to the state, the frames through which key policy issues are understood, and the central foci of prudent macroeconomic management have to be shown to have shifted over time. As has been outlined above, this work intends to question the extent to which crises necessitate such sweeping change by studying the processes of explanation that accompanied the global financial crisis. It focuses especially on uncovering points of continuity and change in ideas regarding fiscal policy instruments: the role of government; fiscal capacity; the drivers of economic growth; and tax policy. By doing so, the thesis questions the extent to which crisis in one realm (financial stability and monetary policy) can pervade others (fiscal policy) to form more comprehensive ideational paradigm shifts. More generally, the analytical chapters highlight that the analysis of the financial crisis from the British press cannot be unwound from the wider understandings that pervaded the pre-crisis era on the success of New Labour economic philosophy and governance. Thus a considerable amount of 'ideational stickiness' can be observed through the crisis. The purpose of this chapter is to aid the answering of research questions 1.) and 2.) by highlighting the predominant narratives of state and economy in the pre-crisis press so that the reversion to such ideas in the aftermath of the crisis can be most clearly analysed. It analysed the common frames of economic debate in the immediate pre-crisis period, and following on the methodology outlined in chapter 3 discovered central themes of discussion whose development through the crisis is tested in the following two chapters.

The findings of the chapter can be separated into two separate categories. Firstly, in relation to the role of the state in the economy, the legacy of a decade of New Labour governments had created an environment in which the media were sceptical about the purpose and economic and social value of further public expenditure. Here we find common discourses of an oversized state sector and a weariness at the perception that Labour's instinct was to 'throw money' at social problems without any ability to gauge the success of such spending. Thus the belief in a bloated and increasingly inefficient public sector was becoming ubiquitous. Further to this, the lack of trust in government to spend money and account for it accurately had resulted from criticisms of the 'spin' attached to all policy announcements. The combination of a lack of trust in Gordon Brown's claims in relation to the likely success of his social expenditure, and the sense of an inefficient and over-bearing state sector swamped in 'red tape' led to a framing of reduced spending (and hence offering 'less' to the public) as being more honest, and thus more virtuous. Moreover, discourses of globalisation were used to highlight the relative weakness of the state in relation to external economic forces, suggesting that the role of government in relation to boosting economic growth was to increase incentives for investment on the supply-side, with little room for demand-side stimulation.

The second major category of findings relates to the extent to which crises can truly be considered 'shock' and 'unforeseen' events. A major discourse of the pre-crisis era, stemming from the above discourses of the oversized state, was one of the need for fiscal consolidation. In other words, the austerity discourse actually pre-dated the financial crisis in the British case. Whilst the depth of the crisis was not foreseen at this stage, throughout 2007 the sense of a likely downturn in the global economy led to a pre-diagnosis of the necessary British response from the broadsheet press. Given the belief that Brown had over-spent and made regulatory burdens too high on business, the result was a belief in the need for supply-side initiatives, a reduced tax burden and a cut in public expenditure.

The major empirical arguments of the thesis relate to the reversion to pre-crisis ideas in the post-crisis context. This chapter therefore demonstrates the above major discourses before returning to them in chapter seven to analyse their re-emergence. Whilst such pre-existing ideas need not necessarily have survived the crisis, the fact that it re-emerged with force once the height of the crisis had passed in 2009 suggests that the ability of crises to completely re-configure existing webs of understandings has to date been over-stated by the existing constructivist literature.

5.2 The Size and Role of the State

Political discourse on the role of the state in the national economy centred not only on the ability of government initiatives to produce positive social outcomes, but also on the more general theme of political trust. Here, the growing sense of political apathy and of a political process that was distant from most citizens, the product of which was historic low turnouts at general elections, was linked to the lack of trust people had in their politicians, partly because of the inability of politicians to be seen to speak truthfully on important issues. This lack of political trust was merged in the economic realm with the perception that politicians could not be trusted with public money, and furthermore could not be trusted to report back honestly on the success of their use of such money. This section highlights a prevailing trend of 'anti-statism' in the media's analysis of the state's involvement with the private sphere.

The first element of this discourse relates to the sense of deception that the media expressed as being central to any government announcement. Brown's reliance on people not claiming tax credits to balance the budget, and hence his ability to present a fiscally neutral budget without announcing tax rises on any social group, was seen as a wider signifier of his deceit and his having lost touch with voters through incessant 'spin' (Times, 2007f). Damian Reece in the *Telegraph* argued that 'The Tories are right to call Brown's latest mathematical myth a tax con not a tax cut' (Reece, 2007a). A dichotomy was drawn between the claim to be cutting taxes and the Budget as fiscally neutral. Thus the *Times* reported that 'the Chancellor robbed Peter to pay Paul, and then nicked it all back off Paul to compensate Peter. Peter and Paul are perplexed and their accountants are weeping over their calculators' (Times, 2007c).

The impact of the removal of the 10p tax band was relatively unnoticed, with the *Daily Mail*, *Daily Telegraph* and the *Times* actually complaining most forcefully of its regressive nature that would make one in five families worse off (Daily Mail, 2007c; Daily Telegraph, 2007c; Times, 2007d). The *FT* considered his final Budget fitting in that it 'displayed all the hallmarks of the past decade: a tendency to tinker, an assertion of Treasury power across government and headline initiatives that rely on sleight of hand in the small print' (FT, 2007f). The *Daily Mail* were even more blunt, calling the speech 'no better than a fib', but noting that the same could be said for David Cameron's response (Daily Mail, 2007d). Reece accused Brown of 'using his trademark fiscal fiddles and social engineering' (Reece, 2007a). An existing discourse of political distrust in relation to Brown's stewardship of the national finances was therefore present during this period, something which developed in the summer of 2007 when the media appraised the role of the fiscal rules more broadly as Brown's chancellorship came to an end.

The second major discourse related to an appraisal of Brown's chancellorship as a whole over the previous decade. The metrics of success chosen focused firstly on the lack of any major recession, for which he was deemed to have been successful (see Brummer, 2007a; Daily Mail, 2007e; Glover, 2007; Oborne, 2007), but secondly the overall social value of his increase in government spending, for which the outcome was much more mixed. A common caveat to the assessment of a relatively successful Chancellor was therefore that the net spending of the Brown years was becoming increasingly inefficient, that public services were therefore bloated and full of waste, and that cutting them back would be beneficial in allowing for lower taxes (Bootle, 2007; Brummer, 2007a; Daily Telegraph, 2007e; Johnston, 2008a). Edmund Conway in the *Telegraph* wrote that 'it has become increasingly clear that the public institutions have not been able effectively to absorb the massive influx of cash arriving in their accounts' (Conway, 2007a). Furthermore a moral element also exists here, in the sense that an overly-intrusive state, whilst being economically undesirable, also prevented individuals from having control over their own personal liberty. Extra investment in public services was no longer deemed to be producing beneficial outcomes, but was now being used as the cure to any negative social indicator (e.g. Conway, 2007a; Randall, 2007; Halligan, 2007a; Daily Telegraph, 2007a).

The *FT* continued to suggest that Brown's biggest failure was that he has never provided a convincing answer to the biggest question: has the additional spending been wisely used?' (FT, 2007g). The *Independent* used the example of youth unemployment to 'show how hard it had been to meet the laudable aims' set out in the 1997 Budget speech; 'spending state funds does not seem to help and for (Gordon Brown) who has an embedded belief that spending state money is the right way to tackle social problems, this must be a puzzle' (McRae, 2007b).

The corollary of such a discourse was therefore to question the extent to which government could micro-engineer positive social outcomes through spending increases, with the suggestion instead that better social outcomes could only result from a more individualist approach. The size of government was also directly linked to future economic potential because a rise in government spending was blamed for falling productivity, central to growth (Heffer, 2007; Daily Telegraph, 2007h, 2008a). Discussing Brown's record before the budget, Edmund Conway argued that spending too much was Brown's biggest flaw, with the danger of such spending not necessarily being a solvency issue, but one of 'excessive taxes and regulations' which had 'clogged up the arteries of commerce' (Conway, 2007a). From this flowed an assumption, then, that lower spending would actually produce greater medium term growth through a reduced tax burden on citizens and businesses.

The *Daily Mail* was similarly critical of the level of government spending that Brown had overseen, stating that it had 'exploded' in recent years (Daily Mail, 2007f). Again, at this stage the corollary of such spending was seen through problems of red tape for business and high taxation for individuals, rather than as an issue of national borrowing costs. The *Mail* complained on the eve of the 2007 Budget that 'his spending boom has pushed the tax burden to its highest level in two decades' (Daily Mail, 2007b). As such the perceived 'spin' of the 2007 Budget was reflected in Mail headlines reporting 'Brown's hidden £2bn tax grab' and 'forty new taxes hidden in Brown's budget' (Daily Mail, 2007g, 2007h respectively).

The growing expectation of a global economic slowdown over the coming year led to a third discourse emerging through the media, arguing that the state was powerless to counteract the forces of a global economic contraction, with activist policy therefore being deemed worthless. The sense of weakness in the face of an exogenous impact of globalisation and the impossibility of decoupling the British economy from problems in the American housing market meant that for the most part the media were pessimistic about the chances of any policy saving Britain from a recession. Whilst theoretically this evidence needn't have prevented a Keynesian stance from still being viewed as preferable, the agglomeration of helplessness and the analysis of Brown's fiscal legacy into a single frame which tended to be employed by the media meant that few policy alternatives were deemed worth the corollary of the extra debt they would entail. Thus we see here an important element of pre-diagnosis of the necessary response to crisis. Even in 2007, then, the media were outlining the acceptable responses to crisis based upon their existing normative assessments of Brown's economic policy. According to standard constructivist understandings, such beliefs would most likely not withstand the shift in understandings once a crisis became apparent. The extent to which this was the case will be analysed in the following chapters.

This frame seemed to transcend political preference. Few in the media considered Britain's record decade of uninterrupted economic growth as being caused by Gordon Brown's stewardship from the Treasury, with most calling him 'lucky' to have had such a favourable global economic climate during his tenure as Chancellor (Guardian, 2007c) and with the perception of more constrained economic conditions on the horizon, judged that he had 'got out in time' (Guardian, 2007b). The *Guardian* (2008h) reported that the Budget would be 'overshadowed by growing fears for the economy', suggesting a disunity between the two. Larry Elliott described the government finances as 'maxed out' and the deficit as 'far too high for comfort' (Elliott, 2008a).

Whilst the paper cautioned against sticking to the 40% debt/GDP limit (Guardian, 2008a), it did report a developing consensus view in early 2008 that the fear of recession 'cuts Darling's budget options', giving him 'little money to give away' (Guardian, 2008b). The budget was nick-named the 'Mother Hubbard' budget, given that the cupboard was deemed bare (Guardian, 2008c). The paper reduced the government's options in the medium term to a dichotomy between 'having to raise taxes or cut spending after the next election to address the weakness of the public finances', implicitly redacting the option of doing neither and allowing borrowing to rise (Guardian, 2008g). This wasn't a universal discourse however, with columnists such as William Keegan highlighting the economic logic behind the Augustinian motto of 'make me virtuous, but not yet' (Keegan, 2008a).

Hamish McRae in the *Independent* likewise demonstrated the limited capacity for discretionary fiscal action by stating that 'we have all become aware that the big things that affect our lifestyles are not footling changes to the tax system but the seismic shifts taking place in the world economy' (McRae, 2008a). Steve Richards followed this up by stating that Darling had to 'keep his fingers crossed that proclamations of stability are matched by a period of steadiness', suggesting that the scope of the Chancellor to force the latter to follow the former was limited (Richards, 2008a). The *Daily Mail* and the *Times* called the Budget a 'gamble' (Brummer 2008a; Times, 2008a), with little inclination that the growth figures were to be believed. The *Times* added that things 'could only get worse', and that 'voters believe that Britain's economic position is affected more by the condition of the global economy than by anything the Chancellor does' (Riddell, 2008). Kaletsky offered their most scathing attack, calling Darling 'brave' for presenting 'the British economy's extraordinary stability and resilience as an established fact', when perhaps he should have been 'predicting or forecasting or hoping or praying' instead (Kaletsky, 2008a). The *Telegraph* suggested that Darling's talk of stability had a 'profound air of unreality about it', and was 'out of kilter with reality' (Bootle, 2008c).

This cross-spectrum discourse of relative powerlessness suggested that there was little Britain could do to actively alter the impact of the credit crunch on its economy. This reduced the discursive scope for a radical approach to the downturn involving activist fiscal policy to counteract the forthcoming private-sector contraction. Whilst an acceptance that borrowing might need to go up did begin to emerge, this was seen more as a consequence of recession rather than a medium for conquering it. The capacity for the nation-state to actually ‘solve’ such an economic problem was therefore in doubt. Furthermore as the following section demonstrates, this developing sense of powerlessness was combined with a universal media discourse which argued that Britain’s budget deficit left it with ‘no room for manoeuvre’ in fiscal terms to use a stimulus to counteract a recession.

5.3 Fiscal Responsibility and State Capacity

The issue of what was considered responsible in fiscal terms, and of the state’s capacity in this realm, was discussed in some detail by the media in the aftermath of the 2007 budget, and again as Gordon Brown became Prime Minister in July, a *fin de siècle* moment that allowed the media to provide a full evaluation on his decade in the Treasury. What is striking in the analysis below is the consistency across the media spectrum of the sense that Britain was on the limits of being fiscally responsible because it was running budget deficits and getting close to breaking the second golden rule relating to government debt/GDP. This section therefore highlights a ‘no room for manoeuvre’ discourse which argued that fiscal deficits precluded the option of using fiscal stimulus to counter a recession.

In relation to the media coverage of Brown’s stewardship of the public finances over the past decade, here already can be seen the historical antecedents of the deficit discourse of 2009-10. Whilst the sense of urgency in relation to the budget deficit is missing during this period compared to the following two years, there was a general consensus across the political spectrum of the mainstream media that the national finances had been mismanaged over the past five years and that in the medium term a good deal of consolidatory repair work was needed so as to place the UK on a more stable plane. The uncertainty regarding the medium-term timeframe, particularly in relation to the demographics of an aging population, was already causing some tension for the newspapers.

The *Daily Telegraph* and the *Daily Mail* had unsurprisingly been the most vocal critics of Brown’s fiscal management during this period. They both worried that the increased size of the state was damaging for business and posed a threat in the case of a downturn. Liam Halligan criticised Brown’s record as ‘the biggest, most sustained increase in government expenditure in this country’s history’ (Halligan, 2007a), while Jeff Randall talked of the ‘pile up’ of public debt (Randall, 2007). The *Telegraph* columnists continued that ‘though he has raised taxes a 100 times, though low global interest rates have cut the cost of Britain’s national debt, though dearer oil has brought a North Sea tax windfall, revenues still cannot keep up with his spending’ (Evans-

Pritchard, 2007). Halligan, the *Telegraph*'s primary fiscal hawk, was the first to suggest that the government was 'approaching a fiscal crisis due, entirely, to the Chancellor's mismanagement', something Anatole Kaletsky of the *Times* later echoed, albeit as a less likely scenario (Halligan, 2007b; Kaletsky, 2007a). 'Nowhere is this more apparent than his hapless record on borrowing', Halligan (2007b) continued. The suggestion that the 2003-2007 period represented a bubble in tax receipts which still couldn't keep pace with the increase in expenditure led Halligan to conclude that 'the more I pore over the budget fine print, the more I feel that Brown is seriously damaging the nation's finances' (Halligan, 2007c). This view, initially at least, remained on the margins of mainstream debate, with even Halligan himself admitting that debating government debt as being dangerously high 'sounds obsessive' (Ibid.).

This highlights a further key discourse that permeated the media during this period, that of the limited scope for fiscal expansion in the face of a downturn. In this vein, the *FT* talked of the fiscally neutral budget as being forced by the 'tight state of the public finances' (FT, 2007b), and suggested that even optimists thought that his planned reductions in budgets over the next spending period was insufficient to repair the fiscal balance sheet (FT, 2007c). However, it was further noted that despite the arguing over minutiae that follows any Budget speech, the key point as far as business was concerned was 'the broad-brush picture of steady growth and unspectacular inflation' (Guthrie, 2007), and as such the national finances were far from being a priority of action for the government. Even here, however, we see evidence of a perception of the relative weakness of government interference to radically alter economic outcomes for its citizens, when compared to the forces of global business (Bootle, 2008b). The *FT* added that 'he faces no significant fiscal problem to darken his big day' (FT, 2007a), with only one of three economists questioned on the Budget raising the deficit as a worry (FT, 2007e). They concluded that he was a 'competent steward of the nation's finances', but complained that 'he has also been prone to excessive complexity, tireless interference and a plethora of gimmicks' (*FT*, 2007g). The *Times* suggested that Alistair Darling would have 'none of the ready fiscal firepower to respond to a downturn with the sort of spending boost that saw his predecessor through' (Duncan, 2007).

On the public finances, the *Times* likewise noted how 'badly stretched' they were despite the 'billions in extra taxes' (Times, 2007b). They continued that 'if the economy were to hit rockier times…it would not have the extra fuel from strong public spending growth that staved off threatened recession at the start of the decade. And with the fiscal rules already at breaking point, statistical accounting changes forcing the Treasury to put more of its concealed public debt on the books could make life harder still' (Ibid.). The *Daily Mail* concurred, calling the public finances 'out of control' and highlighting that strong economic growth was needed to prevent a 'dire' debt outcome (Daily Mail, 2008a).

The decision by Brown to reduce medium term departmental budgets below the rise in inflation was interpreted by the *Guardian* as highlighting that the 'public could expect a period of austerity over the coming years as Mr Brown sought to bring down public borrowing' (Guardian, 2007a).

Their Budget coverage also highlighted the criticisms of Brown over his failure to 'bring public finances under control' (Guardian, 2007d). The *Independent* took a similarly mixed line, calling the public finances 'a shambles' and highlighting that his successor 'will have to find a way of paying it all back' (Independent, 2007a), whilst also claiming that the economy was 'in a reasonably stable position' (Independent, 2007b). Economic commentator Hamish McRae argued that the state of the public finances meant that Brown's successor 'will not realistically be able to borrow much more' (McRae, 2007c), and thrice suggested that any leeway to fight a downturn had gone because of the size of the deficit (McRae, 2007a, 2007b, 2007e). A budget deficit of one per cent, McRae reasoned, would not hamper using fiscal means to counter a slowdown, but that a deficit of three per cent would (McRae, 2007b).

The change of Prime Minister in June 2007, and as such the change of guard in the Treasury, led to a further re-evaluation of the fiscal rules that Gordon Brown had used to guide the management of the public finances in the previous decade. This gives a powerful insight into the interpretations of fiscal policy on the behalf of the media, their sense of economic priorities and medium-term expectations. Again, existing norms of economic understanding which pervade public discourse during the stability period that preceded the crisis can be observed in such media coverage.

Generally, the broadsheets were all agreed that both fiscal rules had severe flaws as frameworks to govern macroeconomic policy. They were deemed 'past their sell-by date' after having been undermined by tweaking in their component parts by Gordon Brown since 1997 (FT, 2007n; also Stewart, 2007). The first fiscal rule was widely considered defunct after the dates of the beginning and end of the cycle was constantly altered by the Treasury for what was deemed to be political purposes (Brummer, 2007b). Thus the *FT*, *Times*, and Vince Cable writing in the *Telegraph*, regarded independent statistics as one of the priorities for Alistair Darling to adopt (Cable, 2007; *FT*, 2007m; Kaletsky, 2007c). Kaletsky added that a 'more sophisticated understanding of public borrowing was therefore needed', adding that in a knowledge economy, future economic returns are not always equivalent with physical investment (Kaletsky, 2007c).

The logic of the second Golden Rule was more widely supported, limiting government debt as it did. However, again, the problem of politicians' trust which arose from the manipulation of expenditure to meet the rule was seen as evidence of its weakness as a measure of credibility for the government (FT, 2007l; Kaletsky, 2007c; Stewart, 2007). Moreover, the inflexibility of the second golden rule risked preventing the country from undertaking expensive but high quality public investments. The *FT* noted the paradox that 'without a change, valuable public investment projects will be ditched and the incentive to pay for ever more exotic off-balance sheet financing will grow. But any change in the rule will lead to charges that the government is relaxing its grip on the public finances' (FT, 2007l; also Kaletsky, 2007c; Stewart, 2007).

Discussions regarding fiscal rules highlight the deeply constructed nature of governing credibility in relation to the public finances and debt. Historically, the 40% threshold for public debt set by Gordon Brown was relatively arbitrary, and yet the credibility of fiscal plans was still being measured against it, despite the recognition that it was fallible. Fiscal hawks in particular noted the use of PFI deals to shift a great deal of public debt outside the reach of this measure, thus producing fear that the public debt was at a much higher level than was being presented. Yet the legacy of the second golden rule still clearly framed the media's understanding of acceptable changes in fiscal policy. The suggestion of 'no room for manoeuvre' in fiscal terms was deeply tied to the 40% debt limit. It was the fact that public debt was so close to this figure that led the press to suggest that Darling could not use increased spending to counter-act potential recession in 2008. The lack of any clear economic historical evidence for the necessity of keeping public debt below 40% again demonstrates the significance of the metrics of credibility governments and the media generate for the measurement of economic policy in general. The decision of Brown to place public debt as one of these metrics during the early days of his chancellorship therefore helped to shape the media debate on the necessary response to crisis a decade later.

Furthermore the political trust discourse, with Brown regularly being attacked for 'deceit' in not being honest about public debt, also has significant traction here in terms of its economic implications. With reporting on debt being described as too 'political', the desire to remove further the political from the economic was becoming more tangible in the media's reporting. Again, then, 'honesty' was something attached to an acceptance of the poor state of the public finances and an acceptance of the need to deal with this as a political priority. With spending commitments being deemed too political, the depoliticisation discourse logically entailed fiscal consolidation.

In the aftermath of the 2007 Pre-Budget Report (PBR), the *Independent* in particular among the liberal press, and to a lesser extent the *Guardian*, hardened in their analysis of the fiscal deficit as precluding extended stimulus in the face of a downturn. Jeremy Warner, then of the *Independent*, supported the view put forward in the paper earlier in the year by Hamish McRae, argued that 'one of the reasons UK growth survived the last downturn in the world economy so successfully was because the government was able to spend its way out of recession. No such option exists this time around…there's nothing left in the fiscal cannon' (Warner, 2007) McRae continued this theme in two further articles in December (McRae, 2007d, 2007e). The paper also precluded a re-birth of Keynesianism by suggesting that 'the Treasury is in a tight spot – and this time it can't rely on Keynes' (Independent, 2007d).

They also suggested that an opening was being created by the developing economic situation for Cameron to offer a genuine challenge to Labour orthodoxy on the issue of tax and spend, which until now the media had generally assumed was Labour's territory and that the public would not stand for even relatively mild cuts in public services (Independent, 2007e). For a paper that has come to stand as one of the leading opponents of the austerity policy in post-2010 Britain, it is telling of the zeitgeist in late 2007 that it so consistently argued this position. Whilst Keynesianism was still inherently framed as the generic correct response to an economic downturn by most of the media, to offset contracting private demand, there is a silent assumption running throughout such articles that a state can only undertake such a stimulus if it has previously offset such deficits with surpluses at the top of the cycle. The danger that awaited if one failed to do so is left unstated.

The *Guardian* took a similar position, also noting the differences between the current context and that of the dot-com crash earlier in the decade which New Labour had been able to offset with a loosening of fiscal policy to prevent a recession (Guardian, 2007g). Likewise they argued that there was little room for ‘Treasury largesse’ (Ibid.). Darling’s maintenance of Brown’s plan to increase spending below inflation, in essence a real-terms cut, was called a return to ‘prudence’, the framing of budgetary discretion which would come to provide a heavy rhetorical inheritance for Labour during the recession (Ibid.).

The IFS began to play an important role in fiscal discussion during this period that would be maintained up until the 2010 election. Their report that Darling was in danger of breaching the 40% debt-to-GDP limit and that a £13bn gap was apparent in Labour’s spending plans was seized by the media as confirming the legacy of Brown of excess spending and the need to either increase taxes or cut spending to bring back balance. Whilst £13bn would soon become a calculation error in regards to the size of the budget deficit, after a decade of relatively stable budgets this was seen by the *Guardian* as a ‘black hole’ (Guardian, 2007i) and a ‘hefty extra allowance’ (Guardian, 2007h), while the *FT* quoted Robert Chote, the IFS’ then director, as calling the pre-Budget Report a net “unfunded spending increase” (*FT*, 2007o).

For the conservative-leaning press, the fiscal position and the credibility of Labour’s economic governance were the only major story of the 2007 PBR. The *Daily Mail* matched the themes of the *Guardian* and *Independent* in highlighting the importance of the projection of competence in Labour’s fiscal moderation over the past decade. Thus they argued that the ‘debt numbers in the pre-Budget Report stretch (Labour’s credibility) to the limit’ (Daily Mail, 2007l; also Brummer, 2007c). They argued that Labour’s fiscal plans were funded ‘on the never never’ (Daily Mail, 2007k) and that spending plans needed to be ‘slashed’ (Mail on Sunday, 2007). Already a narrative was forming that Brown had ‘borrowed recklessly’ in his time at the Treasury (Daily Mail, 2007j), and that efficiency savings were needed from the government (Daily Mail, 2007i). These were mirrored by the *Telegraph*, where Halligan suggested that Brown had ‘mortgaged our future in a vain bid to secure his own’, and that ‘the real story of the PBR…is borrowing’ (Halligan, 2007d). While the *Telegraph* acknowledged that the shaky nature of the British economy was also a function of private debt, the narrative that ‘you can’t fight debt with debt’ also began to formulate here (Reece, 2007b; Conway, 2007b). Moreover Conway associated the dangers of government debt to that developing in the housing sector, suggesting that ‘the longer (the government) carries on borrowing, the greater the risk that eventually it is not just the Pre-Budget Report but the entire economy which is sub-prime’ (Conway, 2007b).

The *Times* sarcastically sent a letter to Prudence on behalf of Gordon Brown, saying it was time for them to part: ‘I have instead asked your old rivals, Naked Opportunism and Sheer Expediency, to take over from here’ (Times, 2007g). Likewise they agreed that the Chancellor ‘has none of the ready fiscal firepower to respond to a downturn’, and that borrowing left little ‘wiggle room’ (Duncan, 2007; Times, 2007h respectively). Kaletsky noted that ‘political parties who want lower tax – and by implication smaller government no longer seem out of tune with the times’ (Kaletsky, 2007d), although the paper added that with the margins of ‘prudence’ already being deemed so tight that there would be no room for ‘pre-election sweeteners’ (Times, 2007i).

The discourse of ‘no room for manoeuvre’ was becoming increasingly ubiquitous by the spring of 2008 (FT, 2008a, 2008c, 2008d). The *Daily Mail* declared Britain’s public finances as ‘out of control’ (Daily Mail, 2008a; also Dale, 2008) and warned that a 3p rise in income tax might be needed to balance the budget after an election (Daily Mail, 2008b). The *Telegraph* lamented how ‘Gordon Brown failed to use years of strong growth to store up a Government surplus for the years of weaker growth now under way’ (Daily Telegraph, 2008a, 2008b) and described the ‘bones of a tight fiscal corset’ which were digging into Alistair Darling’s ribs (Reece, 2008a). Both the *Mail* and *Telegraph* framed the Budget as an opportunity to see if the government had learnt its lessons on the economy, with a suggestion that the waste created by ‘if you have a problem, throw money at it’, was the cause of our problems and that what the economy really needed was a boost to productivity that being set free from the burdensome state would allow (Daily Telegraph, 2008c; also Daley, 2008a; Oborne, 2008a). The combination of fiscal expansion and dishonesty was rolled into a single frame by the *Telegraph*, by arguing that the government had an ‘inability – or is it unwillingness? – to face up to the mess it has made with the taxpayers’ money’ (Daily Telegraph, 2008d). They concluded that ‘the focus must shift now to a small state’ after a ‘decade of waste’ (Daily Telegraph, 2008e; also FT, 2008b). Only Roger Bootle offered a more Keynesian position within the paper, suggesting that fiscal orthodoxy risks ‘catastrophe’ if used too early (Bootle, 2008a).

The lack of clear growth initiatives in the Budget was bemoaned (Times, 2008b; also Independent, 2008d), but with the explicit explanation that they were perhaps impossible because ‘Labour mismanaged the country’s finances through a decade or more of unusual global growth’ and that there was ‘little scope for giveaways’ (Reece, 2008b; FT, 2008d respectively). Furthermore, Alistair Darling was accused of ‘complacency’ in failing to prepare Britain for a downturn (Daily Telegraph, 2008e; also Daily Telegraph, 2008b), with the general mood being summed up in the phrase ‘you wouldn’t start from here’ (Walker, 2008). Even the liberal press partially supported this view, with the *Independent* stating that ‘there is no money in the pot’ and ‘no scope for either cutting taxes to any significant degree, or further increasing public spending’ to boost the economy (Independent, 2008b; Warner, 2008a respectively; also Daily Mail, 2008c; Independent, 2008c). Whilst some liberal support for a more Keynesian approach continued (Independent, 2008a, Mitchell, 2008).

The decision of the government in July to pave the way for breaking its self-imposed fiscal rules was deemed ‘symbolic of the collapse of the (New Labour) regime’ (Warner, 2008c). Warner continued that these were a ‘humiliating blow’ that placed Britain as among the most indebted in the G7 (Warner, 2008b). Kaletsky noted that whilst golden rules may be arbitrary, ‘erven arbitrary and illogical rules about public borrowing are better than no rules at all – and the danger of the rules being abandoned is that an open season for unlimited deficits and spending will be declared’

(Kaletsky, 2008b). Kaletsky continued that 'nobody can say for sure where the safe limit for government borrowing may be in today's Britain. But the precedents from the 1970s are fairly horrific' (Ibid.).

5.4 Drivers of Economic Growth

Implicit in much of the macro-economic reporting of 2007, then, was an internal contradiction which criticised the government for not saving money to spend in a recession, whilst at the same time suggesting that government spending was of relatively little significance against the scale of global economic forces. Regardless, such an inconsistency was not criticised or noticed, and this impacted the press' perceptions of the most suitable methods for stimulating growth. Accepting a frame that there was little room for manoeuvre in the national finances, alongside that of an over-bearing state, much of the suggestions for forward growth involved supply-side measures to free up businesses from tax and regulation. Whilst at this stage the cynicism towards government spending did not have a deep macroeconomic element to it, this scepticism of the ability of government to create socially desirable ends through spending projects was to be transliterated in the face of the financial crisis to cast doubt on the worth of stimulus spending. This section therefore demonstrates the existence of discourses relating to economic growth which argued that the size of the central government was suffocating business and that stimuli to growth should focus on supply-side measures.

The media coverage of the government's growth plans dealt largely with problems hitting the corporate sector. The importance of competitive tax rates and the reduction in the regulatory burden were the two most commonly discussed themes here. The Budget of 2007 created an opportunity to debate both, for whilst Brown simplified the tax regime, little was done to simplify regulations. Both of these two topics were most commonly discussed in terms of 'competitiveness'. The debate was universally grounded in the issue of international competition against trade rivals, and as such the importance of providing a strong business environment was paramount given the sense that Britain was slipping down the league tables of measures such as tax competitiveness. Whilst the right-wing press were naturally very pro-business in this regard, the left made little in the way of a case against cutting red-tape and taxes.

The business voice was somewhat harmonious about the required strategies to promote future growth during 2007. The focus was on the UK's falling productivity (Templeman, 2007), with the recurring conservative complaints about inflexible labour laws, red tape and tax burdens being the central foci of complaints. The 2007 Budget's intention to cut corporate tax was offset by increases in tax rates for small and medium-sized businesses, which the changes skewed in favour of financial services and against manufacturing (FT, 2007k). The macro impact of these measures on economic growth was therefore questionable, with benefits for multi-national companies potentially being cancelled out by reduced spending by small, domestically-based firms (Guardian, 2007e). Yet the media focused less on this issue, highlighting the more hidden tax rises on small businesses only to question Brown's personality and his dishonesty (Daily Telegraph, 2007d; 2007e).

A great deal more dialogue took place involving the promising signs this sent to business about the UK's desire to increase competitiveness, and the potential impact this would have on firms' desire to invest (e.g. FT, 2007j). Comparisons were drawn with Lawson's budget of 1984, where a large reduction in corporate tax rates led to a boom in investment (Independent, 2007c, Daily Telegraph, 2007g). The *FT* dwelled on the 'most important' impact on the UK's standing in international rankings of competitiveness (Guthrie, 2007), and dwelt on the successful impact of the concerted efforts by business to campaign for such changes (FT, 2007d). They cited business as being 'relieved' and 'delighted' by the changes, quoting several who voiced their praise in terms of competitiveness (FT, 2007i; 2007j respectively). But caution was noted about this being an end product, with the CBI calling for further cuts in rates in the future, to fund which the government would need "to get a grip on public spending" (cited in FT, 2007d). Likewise the *Times* noted that the tax change had not moved Britain out of the bottom third in the EU for tax 'competitiveness', and brushed aside the fact that Germany's and France's rates were higher still (Times, 2007e)

Whilst the *FT* supported the move to greater competitiveness, the *Daily Telegraph* was more explicit in highlighting potential causes of its apparent loss, dwelling in particular on the size of the public sector as an impediment to growth. A dichotomy between a productive private sector and an unproductive public sector was drawn, implying that true growth in the former had to come at the expense of the latter. Simon Heffer was most explicit here, stating that 'our economy is underperforming because of the bloating of the unproductive sectors at the expense of the productive' (Heffer, 2007). The paper referred to the key areas of taxation, infrastructure, workforce flexibility, regulatory simplicity, skill levels and the size of the state all as problems in which Britain had 'no room for complacency' (Daily Telegraph, 2007f). Trends revealed that 'Britain's poor showing in so many areas has coincided with a huge increase in the size of the state', they reported (Ibid.). Commerce was likewise deemed to have been 'clogged up…with unnecessary and excessive taxes and regulations' (Conway, 2007a). Liam Halligan argued that the state was now accounting for its largest share of national income since 1983, 'threatening UK competitiveness' (Halligan, 2007a). With business now apparently increasingly vocal about the size of the state (Ibid., also Times, 2007a), the *Telegraph* also referred to the increased challenge from China and India as a justification for the need to slim down the state (Daily Telegraph, 2007b).

The likelihood of a future slowdown in growth noted by the media during this period led to a renewed discussion of economic growth, often taken for granted in previous years. The burden of the state noted in above sections was particularly pertinent in relation to future business growth, with common suggestions for cutting regulatory burdens on business. As such, in the pre-crisis period, the necessity of supply-side measures over government-led stimulation dominated media discussion. Whilst this discourse was most notable amongst the right-wing and business-focused media, there was little counter-argument on the issue from the left-leaning press. As such the belief of an over-burdened business sector struggling through regulations and red tape from an overly bureaucratic government developed during this period.

5.5 The Tax Regime

The issue of tax was intractably bound to the above discussion on the relevant size of the state. The perception that the government was getting too big and stifling enterprise and personal wealth meant that very few were defending the current tax take, with only green taxes being seen on the left as avenues for acceptable tax rises. But the Budget of 2007 resembles somewhat of a watershed in the media analysis of tax in that Brown's set-piece reductions to personal income tax in the speech changed the political environment surrounding it as an electoral issue. The media's response to the cutting of income and corporation tax suggests they saw it as a political opening for tax cuts, which as they openly admitted, they had previously assumed the public not to be in favour of on the assumption that tax cuts meant cuts in public services. They also cited the lack of trust in politicians to actually decrease the tax burden, another impact of the trust discourse. But with Gordon Brown advocating tax cuts openly[10], it was assumed that he would no longer be able to spread fear of 'Tory cuts' at an upcoming election. The issue of the state of the public finances problematised this however, with tax cuts likely to increase the public debt. *This section therefore highlights the perception that the tax take was at its limit and that, whilst reductions in tax for business and individuals would be preferable, the fiscal deficit might prevent this from being possible*.

The *Daily Telegraph, FT, Independent, Observer* and *Times* all either explicitly or implicitly suggested that tax take was at its limit and that there was no room for future stimulus. The Daily *Telegraph* bemoaned the tax burden being due to rise over the 40 per cent threshold in the coming two fiscal years (Daily Telegraph, 2007c), and quoted Peter Spencer of the Ernst and Young Item Club who stated that "five years ago Brown had a big enough surplus to fight recession and a war at the same time. He can't do either now" (quoted in Evans-Pritchard, 2007). They suggested that Britain was 'taxed to the limits' (Daily Telegraph, 2007a). The *Financial Times*' Nicolas Timmins agreed, suggested that 'public spending has now reached the limits that the leading politicians of both major parties believe is permissible in Britain if a government hopes to be re-elected' (Timmins, 2007). The Observer agreed too; reviewing the economics of New Labour's decade in

[10] Again this demonstrates the particular significance of the realist constructivist position. The issue here, from a realist constructivist position, is not whether there was a genuine alignment of ideas behind cutting the gross national level of taxation and state spending, but of whether such ideas were politically feasible and supportable in the public arena. By publicly supporting the ideas of cutting personal levels of taxation, the frame that tax cuts meant dangerous spending cuts was rendered un-supportable.

power it suggested that 'Brown has probably pushed the tax burden to the maximum the electorate will accept' (Observer, 2007a)[11]. The *FT* was generally praiseworthy of the Chancellor's late attempts to simplify the tax regime in his final Budget (FT, 2007h). Kaletsky in the *Times* agreed, stating that he 'delivered exactly what most economists, tax experts and business lobbyists had long been demanding' in this regard (Kaletsky, 2007b).

In a time of economic stability, the logic of this discourse, as suggested above, was to legitimise tax cuts as opposed to deficit reduction, with the conservative-leaning media initially critical of the Conservative party's hesitation to publicly revoke their commitment to match Labour's spending plans (e.g. Daily Mail, 2007a). Miles Templeman, director of the Institute of Directors (IoD), writing in the *Mail*, said that in the 21st century 'we cannot afford a public sector of the magnitude that is to be seen in parts of this country' (Templeman, 2007; also Daily Telegraph, 2008f). On noting that academic research had suggested that higher social expenditure may be more attractive to businesses than low taxes, the *Mail* argued that such evidence didn't fit with the theory that 'lower tax rates are critical to encouraging both personal and corporate entrepreneurship' (Brummer, 2007b), and therefore dismissed it.

Conway argued that under Brown the UK had transformed from 'being a relatively low-tax economy to being a high-tax economy' (Conway, 2007a). The *FT* agreed that Brown's tinkering had meant that the voters had grown 'weary' of promises of new money for public services, and had ceased to believe that higher taxation would improve the quality of such services (FT, 2007f). Whilst the *Guardian* and *Observer* were not wedded to the importance of tax cuts as a social good in the same way that the conservative newspapers were, they largely reported the Budget's cut in income tax in 'political' rather than 'economic' terms in the sense that its importance was derived largely from the tactical quandary it put David Cameron in, dispelling as it did the idea that Labour were permanently set on increasing state capacity. As such the tax cut was welcomed by the papers, even if they did question the ability of Brown to be a true redistributionist without using tax as the major instrument to undertake this (Guardian, 2007f).

The political implications of the tax cut were debated more vociferously than the actual economic impact, the revenue-neutral element of which had led the media to assume that generally there would be relatively little of. The conservative media in particular jumped on Brown's volte-face as a tax cutter, suggesting that this had opened up political space for the Conservatives to make a more successful case for tax cuts and a reduction in the 'bloated' state sector. Norman Lamont, writing in the *Telegraph*, suggested that given that the Conservatives now spoke of economic stability ahead of tax cuts, they could square the circle by realising that a high-tax environment is destabilising and that there was now political space to 'make both the moral and economic case for tax cuts' (Lamont, 2007). The *Telegraph* also blamed the reduction of personal incomes and the increased private sector debt load as a symptom of this high-tax environment. They also began to suggest that

[11] The Conservatives' 'third fiscal rule' of spreading the proceeds of growth between spending increases and tax cuts, warned by Gordon Brown to require a £21bn spending cut at the 2007 Budget, was perhaps now more in line with media orthodoxy.

the current scale of public spending meant that 'it should not be too difficult' to afford tax cuts without harming public services (Daily Telegraph, 2007b). As such a wielding together of discourses of the state, taxation, and economic growth were quite solidified in the conservative press before the financial crisis, with complaints about the size of the state, the burden it was placing on business, and therefore the need to cut it back in order to allow business to grow sufficiently again. State-led growth was not considered an option.

5.6 Conclusions

This chapter has reviewed the major economic discourses of the pre-crisis period to highlight emerging trends in public debate over the role of the state and the economy. In the four separate sections above it has highlighted four central, and over-lapping discourses relating to economic affairs that were prominent a decade on from New Labour's rise to power. It is perhaps not surprising that in a period when, with the exception of Gordon Brown's premiership honeymoon, the Labour Party's approval ratings were steadily declining whilst the Conservatives' saw a revival, the major foci of economic and wider political discourse was increasingly critical of New Labour's economic philosophy and policies. As is demonstrated through the following chapter, these discourses provided the template on which future discursive trends after the arrival of the financial crisis were built.

The first of the four central discourses outlined above relates to a questioning of 'statism' in relation to the appropriate role of the state in the economy, added to a questioning of the size of the state that had developed under Gordon Brown's chancellorship. The media regularly suggested that the size of government bureaucracy and the centralising tendency of the Brown era had gone too far, and that this was providing unnecessary obstacles which stunted private business growth. In particular the desire to bureaucratically micro-manage any measurable problem was criticised. Brown's management of the Treasury and his capacity to report truthfully back to the people was widely questioned, and he was viewed as being underhand, each budget representing more of a political game than of an assessment of wider economic conditions. Whilst Labour were still working on the assumption that the electorate supported any extra government spending, the media now viewed extra initiatives as a budgetary burden and questioned the benefit of extra money on outcomes in relation to social policy.

Secondly, as a consequence of the increasing size of the state and the budget deficit by 2007, there was a universal discourse which questioned the government's 'room for manoeuvre' in the face of a downturn, with the self-imposed second golden rule preventing fiscal expansion. There was widespread criticism of Labour for having shed their 'prudent' management of the public finances and for having allowed extra spending to have developed beyond what was sustainable. Whilst this was by no means seen as the most pressing issue of the time, it does highlight how the media had begun to pre-diagnose several central national problems before the crisis hit, and as such it is telling how the deficit discourse of 2009 and 2010, analysed in the following chapters, was built upon this major pre-crisis political discourse. For the most part, at this stage, this building up of deficits was not argued to prevent future spending because of the impact it would have on the financial markets and the capacity of the British state to borrow, but merely presented as a normative objection to debt and the belief in the need for cyclical balance.

The beliefs from these more broad perceptions of government involvement and capacity filtered down to the more specific policy levels relating to supporting economic growth and tax. With little support, or scope, for statism, it followed thirdly that the future drivers of economic growth were seen to come from the freeing of private enterprise from the yoke of government interference and the reduction in ‘red tape’. Demand-side problems were not mentioned, and as such it was believed that the reduction in supply-side constraints which the over-sized British state was currently imposing was the route to better growth. Little at this stage was mentioned relating to the dependence of the wider economy on credit. Fourthly, regarding tax issues, the size of government was seen as having pushed the tax level to its limits. Here a more notable left-right divide existed than in the previous issues, with the right calling for tax cuts for both businesses and individuals, supported by reductions in government spending, whilst the left did not make such demands.

As such the period before the financial crisis is marked in the British case by an increasing questioning not only of the capacity of the state to generate or support economic growth through spending, but also of the very worth of such an approach in the first place. The British state was perceived to have become burdensome, taxing its citizens too highly and placing too high a regulatory burden on its businesses. Generally, therefore, the calls for reform were generally based in ideas of supply-side reform; free-marketism, competitiveness, reduced regulation and a low tax regime. The left lacked a meaningful critique of the status quo which also was able to posit a meaningful role and justification for government involvement, and indeed often shared the right’s view that the state was starting to interfere too far.

This is not to say, however, that the major financial shocks associated with the global financial crisis did not alter the economic beliefs, priorities and narratives of the media in late 2008 and beyond. The constructivist theory suggests that the existing structural constraints to change are removed by the kind of uncertainty that a crisis creates, and that new public understandings can become new political norms as the battle to diagnose the causes of crisis gives them an advantage over existing the existing orthodoxy. However, by demonstrating the reversion back to the discourses outlined in this chapter, the thesis is able to demonstrate a greater level of continuity, and thus greater strategic advantage, for ideas that placed a greater weight on slimming down the state by reducing public spending. The following chapter also demonstrates that the type of structural vacuum commonly utilised in constructivist institutionalist work does not necessarily create a generalised sense of crisis but rather that this can be limited to certain spheres of the economy. Thus the thesis is able to provide an explanation of political continuity that is still constructivist at heart.

Chapter 6: Political Economic Discourses of the Crisis Period: August 2008 – January 2009

6.1 Introduction

The existing literature leads us to see crisis moments as episodes of structural re-alignment and changing policy paradigms. The previous chapter highlighted the major existing discourses relating to the role of the state in the economy during the immediate pre-crisis period. The purpose of this chapter is to examine the extent to which the severity of the financial crisis shifted these. It finds that this is only partially the case, and has three major findings.

Firstly, during the time that the danger of systemic financial collapse hung over the City of London, extensive state intervention emerged as a politically acceptable course of action. The sense of Britain having 'no room for manoeuvre' in terms of fiscal policy was eroded by the greater threat of financial collapse. As such we can observe the capacity of a crisis to substantially alter the public discourse in relation to macroeconomic affairs. However, contrary to the expectations of the existing literature, this re-imaging of political possibilities remained relatively limited. Rather, the frame of acceptability of intervention always had a time-limited clause added to it, suggesting that whilst fiscal issues were no longer most pressing, they could only be ignored whilst the financial risk was high. Thus, whilst a shifting narrative of state intervention existed, the frame precluded a permanent change in the acceptability of state involvement in the economy.

Secondly, the analysis identifies a siloing of the blame for the crisis within the financial sector. This builds on the initial primary research findings of Pirie (2012: 342), who shows that matters relating to the real financial cause of crisis were increasingly sidelined compared to fiscal issues. Whilst media narrations suggested that the financial sector required new forms of regulation and intervention, views on the relationship between the state and the broader economy were un-altered by the crisis. The lack of diffusion of the concept of crisis from the financial to the corporate sector is therefore a significant finding in relation to how constructivist scholarship should think about crises in general, suggesting that whilst crises do lead to the questioning of existing ideas, this need not necessarily take place on a systemic level.

The third finding highlights that the crisis was deemed to be too large for the UK state to be able to solve by itself. Thus the discourse of the fragile state within a globalised economy remained intact from the pre-crisis period, and suggested that whilst fiscal policy could support the economy in the short-term, it was not capable of supporting the domestic economy until the world economy re-stabilised. Thus again there was a need for supply-side solutions which limited the burden on business and encourage their growth. This therefore demonstrates a considerable level of ideational continuity through the crisis, questioning the ability of major economic ruptures to provoke widespread upheaval in the way that economic governance is perceived.

In general, therefore, the chapter finds that the ability of the crisis to cause radical changes in the ideas governing the political economy was very partial. Whilst the perceived structural barriers to fiscal demand-side intervention were altered by the scale of the financial emergency, the understandings about the medium-term recovery strategy were still significantly influenced by pre-crisis narratives about the weakness of the state and the sense of the precarious nature of the British public finances. This helps to explain the discursive advantage held by the austerity school over the Keynesian school once the immediate danger of financial collapse had receded in 2009 and 2010, which will be highlighted in the following chapter.

The findings help to explain further some of the extensions to the constructivist institutionalist school suggested in chapter 3, and answer research question 2.) in particular. It suggests firstly that if we loosen our definitions of crisis away from that of a complete structural vacuum and more towards a partial and time-limited one, then political continuity may be expected and explained through a constructivist lens. The idea of crisis being 'siloed' within certain sections of the economy provides an important new way for constructivism to engage with crisis, and helps to explain the difference of outcomes to the 1930s and 70s. In these cases, a more universal sense of economic crisis prevailed, where here it was limited to the financial system.

The chapter begins by analysing the extent to which the whole western growth model was questioned by the media during the onset of the crisis. Here it is shown that whilst the crisis did provoke some questioning about the neoliberal economic model in general, this was limited and somewhat speculative. The following section supports this by covering the siloing of the crisis within the financial sector and the continuation of support for supply-side measures to provide assistance to corporate business. The ability of the crisis to shift the acceptability of fiscal stimulus and limit the significance of the 'no room for manoeuvre' thesis is shown in section 6.4. However, the limited capacity of the state in general is covered in section 6.5, demonstrating that whilst some ideational re-imagining took place during the crisis, this was only a very partial process. The chapter concludes by summarising again the three central findings and their relevance to the thesis as a whole.

6.2 A crisis of capitalism or a crisis of finance?

Whilst the central argument of this chapter is that even during the height of the crisis there was limited change in the ideational frameworks underpinning popular understandings of suitable economic governance, for a short period as the depth and outcomes of the crisis were unknown a discourse did emerge suggesting that the entire neoliberal governance agenda might be reconfigured afterwards. The perception of a crisis beyond that of the financial system, a diffusing of the failure towards the wider neo-liberal project, therefore gained a limited acceptability as the uncertainty increased. However, worth noting are the relative briefness of this ideational crisis moment, and the fact that such predictions remained largely speculative; a suggestion of where policy and public moods might shift as opposed to a critique of failures in the existing governance structure that necessitated a dramatic reconfiguration. Where the crisis was argued to highlight failures in the existing structure, these were related to the financial regulatory regime, and rarely to a wider critique of Western capitalism.

The explicit linking of banking failures to the wider neoliberal economic model remained somewhat limited, therefore. John Plender, writing in the *FT*, came closest to making this argument, suggesting that the 'triple mantra of privatisation, liberalisation and deregulation' were being questioned by the crisis, arguing that the neoliberal model of wider economic governance was a central cause of crisis (Plender, 2008). He continued that credit market problems 'cast a cloud over the strong market orientation of western policy' and as such that 'fiscal policy could revert to the more redistributive ways of the pre-Reagan/Thatcher era' (Ibid.). With government already becoming used to changing the limits of what it constituted acceptable interference in the private economy through liquidity injections, assurances of support and potential nationalisation for stricken banks, he pondered that it was becoming far more probable that politicians might expand its intervention 'outside the financial sector' and 'claw back power hitherto devolved to the private sector' (Ibid.). Even here, however, what is notable is that it never explicitly supports such a change of ideas, but notes that they may gain political tractability as the public seeks answers and blame for the turmoil. Indeed he concludes by suggesting that such a development of fiscal policy is unlikely, with a lack of a clear alternative brand of capitalism as there was in the 1930s, and the general unpopularity of the political elite and public managerialism preventing a discourse of the 'return of the state' capturing the public imagination (Ibid.).

Chakrabortty and Elliott, in the *Guardian*, produced similar analyses of the failure of capitalism. Chakrabortty described capitalism as a structure that 'lies in shambles', but critiquing the left for having 'gone AWOL' and having 'nothing to say' on the matter (Chakrabortty, 2008). As such, even those who linked the crisis to that of governing ideas failed to see an alternative vision for western capitalism. Larry Elliott continued this message in September, blaming 'deregulation, liberalisation and privatisation' for the crisis and the timidity of the state in the face of financial capital, but again blaming the left for not having the courage to 'seize the social democratic moment' (Elliott, 2008b).

Once the crisis began to go 'nuclear' (Elliott, 2008c) in September 2008, the suggestions of the need to re-think the entire edifice of financial capitalism continued, but ironically became less pressing because the need to maintain stability today took precedence over re-thinking the world of tomorrow. Will Hutton argued that the financial system needed 'reconfiguring', and that the 'dynamics of British capitalism' needed to be changed; but such talk was for 'later columns…today we must simply avoid financial calamity' (Hutton, 2008a). Even articles from the *Times* declared that the West may well end up 'ditching its faith in free markets and private enterprise' which would 'filter through the global economy' starting from America (Kaletsky, 2008e). The paper asked 'was the left right after all?' (Times, 2008d)

This suggestion that uncertainty would precipitate a change in attitudes towards the free-market economy was not supported by Kaletsky's other articles, however. Whilst he argued that the logic that market forces should be allowed to rectify financial instability was 'profoundly wrong', the notion that Darling's support of the banking system had avoided 'an unavoidable recession (becoming) a one-in-a-lifetime depression' (Kaletsky, 2008g) suggested that such a crisis would be contained within the financial economy and not spill over into the 'real' economy (Kaletsky, 2008c). This dichotomy between the two forms of economy undermined the previous notion that the free market would be universally critiqued and challenged. Crisis, both financial and ideational, was therefore being contained within the banking sector through such political action and discourse.

Slightly more surprisingly for a left-leaning newspaper, the *Independent* was more reticent about the impact of the financial crisis on the relationship between state and economy. Whilst it noted in several articles the likely reconfiguring of financial regulation in the post-crisis period, very few of these suggested the need for a wider re-evaluation of economic governance. In essence therefore, this was viewed as a banking crisis not dissimilar to ones in the past, and which despite necessarily leading to a re-think of banking regulation didn't pose broader questions of the role of finance in society, or the governing ideas relating to markets. Jeremy Warner wrote of the 'bonfire of the vanities' on Wall Street and suggested that 'bankers can in future expect a more tightly regulated environment' (Warner, 2008f). The notable perception here, then, was that the crisis legitimised a much more active role for the government in the financial system. As Alistair Darling declared economic conditions to be the "worst in 60 years", Jeremy Warner called this 'obviously untrue' (Warner, 2008d; also Independent, 2008f), and called 'the banking crisis' 'not so different to previous ones' (Warner, 2008e) hence questioning the extent to which the situation could be described as a wider economic 'crisis' (also FT, 2008f).

The paper accepted the role of the government as the most significant tool in ensuring financial stability (McRae, 2008b), and suggested that the contracting out of their own authority to technocrats needed to change, perhaps including the re-politicisation of monetary policy (Brown, 2008a). Arguing that 'there are things only the state can do', McRae continued that the impact of the crisis would be to 'redefine the relationship between government and finance in the years ahead' (McRae, 2008e). Only Richards provided a more systemic version of potential change, noting that 'untrammelled free markets got us into this mess', 'cannot get us out of it' and suggesting that 'an uncritical faith in the market and indiscriminate hostility to the state is broken' with government intervention and regulation now becoming 'acceptable – desirable even'(Richards, 2008c). Even here, however, it is not clear exactly to what extent this view of the return of the state is being referred to only in relation to the financial sector and to what extent to the wider economy.

Across a selection of broadsheet papers, then, at the height of the uncertainty surrounding the GFC speculation about the systemic sustainability of capitalism began to emerge. However, the right-leading newspapers provided no coverage questioning the future of British capitalism as a result of the ongoing crisis. With Barack Obama's election victory in the American presidential election leading to suggestions that global capitalism might be re-made and that electorates would now consider radically different policies to those deemed acceptable in the past, Daley warned in the *Telegraph* that the only lesson of the election was in fact that 'tax cuts win votes' (Daley, 2008b). As such he warned against reading the election as representing a realignment to the left and the perception that the state was the cure to current economic problems (Ibid.). The *Telegraph* reported with concern that the future looks 'profoundly and worryingly anti-capitalist' with failed institutions being taken over by others leading to less competition and less accountability (Bolchover, 2008). This was not only a result of the crisis, however, but a fundamental pre-requisite of it. The underlying cause of the crisis was 'insufficient capitalism' (Ibid.). The problem, in Bolchover's view, was that the cautious risk which made small business profitable was absent in financial investment banking and that hence the need to re-make capitalism should focus on re-establishing proper market discipline to the financial world. The 'massive' upsides for investment banks were no longer balanced by risk and accountability on the downside, meaning a 'complete imbalance of risk and return', which needed to be re-established (Ibid.). Again here, then, the crisis explicitly starts and finishes in the financial sector alone.

The *Daily Mail* was the first paper to place the blame largely on governments rather than market failures as the principal cause, and likewise took an early position that public spending was not an option for recovery. However at this stage it remained somewhat of an outlier in this regard compared to the other newspapers covered above. Hastings praised Cameron's increased focus on spending restraint as evidence that he had grown into a 'PM in waiting' (Hastings, 2008), whilst Oborne (2008c) noted that we were witnessing 'a fundamental change in the role of the state' where 'there will inevitably have to be major cuts to public expenditure'. Oborne echoed Bolchover's concern that the crisis was caused by 'the abolition of individual responsibility' (Oborne, 2008d), and criticised the 'political elite who run our lives' for continuing to 'adhere to these discredited statist ideas' (Ibid.). The paper argued against bank bailouts from a similar perspective, suggesting that the free market would correct itself if allowed and that politicians were simply encouraging reckless behaviour by involving itself in financial affairs (Brummer, 2008a; Oborne, 2008b, 2008c). On public spending, the paper equated the context not wit the 1930s but with the early 1980s, where ‘the official wisdom of the day held that billions of pounds of additional public spending was the only possible answer to the problem’ (Oborne, 2008f). The paper also began to foretell a major theme in the conservative coverage of 2009 by focusing on the class ‘envy’ and ‘spite’ in taxing the rich (Platell, 2008).

The attention paid by the press to the financial crisis therefore demonstrate that the shock of the collapse in the autumn of 2008, and at times during this period the fear that the entire system could still implode, led to a marked shift in the acceptability of state intrusion into the financial system and the questioning of free, self-regulating financial markets. However the blame for the crisis was rarely extended beyond the immediate financial system, meaning that corporate capitalism was not deemed in need of change. This highlights the extent to which blame, and even arguably uncertainty, was contained within the financial sector and did not extend to other areas of the economy. The capacity of the financial crisis to create major alternative discourses challenging the nature of neoliberalism was therefore relatively limited, even during the crux of the crisis. Below, the analysis of the press towards the issues of economic growth and corporate capitalism are covered, to highlight the extent of continuity from the pre-crisis period in this realm.

6.3 Corporate Capitalism in Crisis?

Much of the focus on economic growth revolved around helping small and medium sized enterprises (SMEs), and the ways in which this was debated replicated the existing discourses each paper employed in relation to the private sector and state involvement therein. Right-leaning papers discussed cutting taxes and removing barriers such as red tape and excessive regulations and planning restrictions, whilst left-leaning papers focused on the potential of green growth, manufacturing and the need for assistance to business not to come and the expense of the rights of those employed by them. Little weight was therefore given to fiscal stimulus from either side of the political spectrum.

The *Daily Telegraph* called for tax incentives for new and small businesses (Daily Telegraph, 2008h), and warned that a Labour approach of ‘soaking the rich’ was a ‘recipe for economic stagnation’ (Daily Telegraph, 2008j). The British Chambers of Commerce, referenced in the *FT*, explicitly suggested that ‘ministerial rhetoric in response to the financial crisis should be seen separately from the government’s relations with companies in other sectors of the economy’, i.e. that any criticism of capitalism and market failure relating to the world of finance should not pervade into a wider anti-free-market discourse (FT, 2008e). Camilla Cavendish of the *Times* suggested that ‘just because the Treasury forced banks to recapitalise does not make state intervention an unalloyed benefit’, suggesting that a ‘bonfire of regulation’ was needed to help small businesses, which would in turn limit the scale of the recession (Cavendish, 2008). Sister paper the *Sunday Times* called for more government involvement in supporting national industries against foreign competition, with France and Germany ‘more aggressive in supporting their own industries’ than Britain was (Sunday Times, 2008a).

The *Daily Mail* also focused on credit and regulation as the keys to recovery above that of fiscal policy. Frost (2008) called access to credit ‘the biggest problem facing businesses’, and the paper suggested that a VAT cut wouldn’t be sufficient to tempt consumers into spending more (Mail on Sunday, 2008). Where the government should focus fiscal policy was on tax cuts offset by public spending cuts, rather than increasing public debt, the paper continued (Daily Mail, 2008g)

The *Guardian*, meanwhile, criticised the increasing dependence of finance in the British economy, and suggested that with it the New Labour economic strategy had failed (Guardian, 2008f). The idea of a Green New Deal gained support through the articles of Larry Elliott, in which support for the private sector was aligned to produce a new political economy focused on green innovation and manufacturing (e.g. Elliott, 2008e). It reported the internal Labour debate over flexible working reforms, with Peter Mandelson planning to drop them to limit new costs and regulations for business, and Yvette Cooper warning that business assistance should not come at the expense of their employees (Guardian, 2008g). Will Hutton called for the need to ‘convince business and consumer alike that there is a road map for a prosperous future’, but that this was not necessarily ‘a call for a new statism’ (Hutton, 2008b; also Guardian, 2008d). The *Independent* declared that a priority should be not adding ‘to the regulatory burden’ on small business (Independent, 2008h; also Lawson, 2008).

Press focus on economic recovery did not therefore differ greatly from pre-crisis discourses on the role of the state in the economy. For the right, reduced regulatory and tax burdens on business were the correct stimuli to apply, whilst for the left and some on the right there was support for more active industrial policy without any major support for a new statism (Times, 2009l). Government spending was not seen as a universal benefit, but rather that support should be targeted to key growth industries. For both sides of the spectrum, then, providing support for the economy was best achieved through incentives for private industry, even if the first-order ideas about which were best to apply differed slightly.

6.4 ‘No room for manoeuvre’ and orthodoxy v stimulus

Discourses about the capacity of the state to respond sufficiently to the financial crisis were mixed during the autumn of 2008. In many respects the media maintained the frame which stated that there was no room for manoeuvre and that Labour could not afford to spend their way out of a recession. However the depth of the banking crisis led even conservative papers to argue that the state must do whatever it took, and more importantly whatever it cost, to prevent bankruptcies among major financial institutions, with few still arguing for immediate cuts in government spending. As such a frame of 'deferred conditionality' became commonplace, with the press accepting the need for government deficits to rise in the short term, but only on the condition that measures were put in place to restore parity and balance in the medium term. We therefore observe that the danger created by the financial crisis was sufficient to shift perceptions about necessities and limits in relation to fiscal policy to some degree. Importantly, however, these pre-crisis discourses were not eradicated by the crisis, but largely put on hold until stability returned. Thus, even during such a crisis, the British media perceived that the central problems it outlined with government policy during the pre-crisis period would have to be returned to once the more pressing financial problems had been ironed out.

In this context of questioning the impact and possibility of government spending in a crisis, the debate about the benefits and pitfalls of Keynesianism became prominent. These debates to a major extent reflect the respective newspapers' opinions on the issue of the capacity of the state in the crisis period. The *FT's* pages reflected some ambivalence about the logic of such a stimulative approach. On the one hand they argued that the 'problems Keynes faced in the 1930s, such as the ineffectiveness of monetary policy and banking failures triggered by falling asset prices, again seem the most pressing' (FT, 2008g). It added that the criticisms relating to stimulus' impact on budget deficits 'are still heard but are increasingly seen as irrelevant' (Ibid.). Three days later, however, the paper suggested that 'it is not yet time for a boost' and that anyway the 'weak public finances means it may not be able to handle it', adding that 'worries will inevitably emerge about fiscal sustainability' (FT, 2008h). The *FT* suggested that automatic stabilisers might be sufficient and that the government, 'a victim of its past excess', 'has left itself little room to do much more' (Ibid.).

The *FT*'s Samuel Brittan defined the debate as between two sides, where the former 'still think in terms of a conventional business cycle' and who believe that 'it is important to worry about the size of the current budget deficit, re-establishing fiscal guidelines in the medium term and the maintenance of an arm's length relationship between governments and central banks' (Brittan, 2008). The second grouping believed 'that a successful demand stimulus can influence the future output trend' and that the usual logic of proceeding cautiously with change has been over-ridden by the uncertainty of the depth of the recession; 'if you are too hidebound to countenance this move you deserve to run the risk of a severe slump' (Ibid.). Despite some level of concern about 'risky' stimulus and deficits (FT, 2008m), the *FT* still called fiscal policy 'our most potent instrument' and argued that sharp cuts in interest rates from the Bank of England were 'scary, justified, and irrelevant' given that monetary channels were clogged (FT, 2008j; also FT, 2008l). 'Fiscal policy, more than monetary policy, will determine how and when this crisis will be resolved', the paper continued, although it sounded caution about the likelihood of a stimulus give the world's 'fiscal collective action problem (Ibid.). Nonetheless is called Darling's £20bn stimulus 'the correct call' (FT, 2008o).

The *Financial Times* therefore largely, but not completely, rejected the notion that government deficits were partly to blame for deteriorating conditions, and that they limited its fiscal options. Giles noted that Brown would likely get the blame for a crisis which was not truly his fault, but that whilst tighter fiscal policy in the pre-crisis years would have been preferable, it would not have prevented the current problems and did not influence the scope of the necessary crisis response (Giles, 2008). Martin Wolf in particular wrote of the need for an increase in spending to tackle the downturn; 'the UK should be able to run large deficits for a while' (Wolf, 2008). Whilst he accepted the rhetoric of prudence, he argued that in unique circumstances of the crisis period 'sometimes boldness is prudent' (Ibid.). The general tone of the autumn reporting of the *FT*, however, was that Britain risked the wrath of foreign investors and that regardless of questions of short-term necessity, there would need to be a period of austerity in the medium term to pay for the increase in sovereign debt (FT, 2008k). The power of the economic circumstances to shorten time-frames and focus minds on how to deal with current problems regardless of their future implications was not therefore complete; even whilst short-term boosts were accepted despite the sense of limited fiscal capacity, the paper maintained a level of concern for the medium-term economic picture should such an approach be enacted.

The *Guardian* threw its support behind the shift to Keynesian thinking most explicitly, but even this left-leaning paper posted a mixture of articles supporting stimulus and worrying about the constraining factor of large budget deficits. Whilst Larry Elliott did suggest that new fiscal rules would need to be drawn up to avoid governments over-extending during the boom times (Elliott, 2008d), the paper generally focused on the need to provide a narrative of the necessity of the active state as a social good (Elliott, 2008a, 2008e; Toynbee, 2008a, 2008b). The Conservatives' talk of "we wouldn't start from here" was deemed 'no answer to the only question that matters – what would you do now?' (Toynbee, 2008b). However even Larry Elliott criticised the notion that the 'way to solve a crisis caused by too much private-sector debt is to boost public-sector debt' (Elliott, 2008f). The paper warned that the 'chasm of debt' could become 'unbridgeable unless economic growth resumes in 2011 at the optimistic 3% rate' (Guardian, 2008k) The *Observer* called the PBR stimulus 'an unprecedented bid to use government cash to kick-start economic recovery' (Observer, 2008).

The *Independent*, meanwhile, was considerably more concerned by fiscal capacity in the early period of the crisis, maintaining in late August that the government had 'no room for manoeuvre' and that scrapping the fiscal rules was not 'a responsible course of action' (Independent, 2008e). Steven Richards argued in early September that the government 'hasn't the resources to reverse the overwhelming tide of a global credit crunch' (Richards, 2008b). However as the crisis entered October and with conditions deteriorating, McRae compared the national debt figures to those at the end of World War Two to suggest that the government could afford to more greatly expand its borrowing without pushing debt levels to unprecedented or dangerous levels (McRae, 2008c). He followed this up by suggesting that the lessons of the Great Depression had been learnt and as such that 'budget deficits will be allowed to rise' (McRae, 2008d).

Even Jeremy Warner described the government's response to the crisis as 'broadly right' and disagreed with the 'doomsters' who argued that governments were running out of ammunition to deal with the crisis (Warner, 2008g). He suggested that 'governments may need to resort to classic, Keynesian-style, reflationary tactics to escape economic calamity' (Warner, 2008h) and suggested that he had 'no problem with the application of Keynesian reflationary thinking' (Warner, 2008k) as long as it was focused on capital spending. Whilst he maintained that some countries had more scope that others in this regard, 'even in Britain' something 'can, and now must, be done' (Ibid.). 'Worrying about the cost is something than can be left to another day', he concluded (Ibid.). The paper suggested that 'no one is advocating Hooverish austerity now' in relation to the American election and likely policy response to the crisis, in so doing implying that the same could be said in Britain (Independent, 2008j).

The *Independent* maintained the diversity of opinion on its pages throughout the crisis, however, with different articles and different commentators appearing to put their support behind mutually exclusive ideas, analyses and responses. Whilst the article above suggest that the paper had shifted its opinion on the state of the public finances and its implications for fiscal policy, its response to the Pre-Budget Report still tended to reflect heavily on the borrowing of the Treasury, and the scope to continue this into the medium-term. Jeremy Warner suggested in early November, *contra* his previous articles, that Gordon Brown had 'got virtually no money to play with and limited scope for borrowing it either', and that a plan to cut VAT to 12.5% at a cost of £24bn would be too much for the markets to handle (Warner, 2008i). But despite this, he accepted that there could be no net reflationary effect from the Conservatives' fiscally neutral plans (Ibid.).

Indeed the paper attacked all parties for suggesting that 'there is a pain-free way of getting us out of recession' and expected the voters to be bribed by 'the prospect of short-term tax cuts and resorting to the national credit card' (Brown, 2008b). Brown continued that the PBR was 'the most irresponsible budget I have ever heard' and called it an attempt to 'bribe the public with their own money' (Brown, 2008c). He attacked the theoretical logic that government borrowing could help end the recovery sooner and in a less painful way (Ibid.). Anderson summed up the paper's general tone by suggesting that whilst an argument could be made for a Keynesian stimulus, 'can we be certain that investors will buy gilts if a further depreciation seems inevitable?' (Anderson, 2008; also Independent, 2008m). Uncertainty still reigned in this period, with the paper admitting that it was still unclear whether the measures announced in the PBR 'will boost the economy or whether it is, ultimately, just huge sums of public money down the drain' (Independent, 2008l). Likewise it suggested that the battle of 'Labour waste' versus 'Tory cuts' was undecided and 'it is impossible to say, at this stage, which argument will be received with more sympathy. Everything hinges on whether this fiscal package is judged to have achieved its aim' (Ibid.).

The *Telegraph* likewise saw itself challenged by the logic of stimulus. On the one hand it maintained its concern about government debt and deficits, but on the other it also wanted to see tax cuts. It tried to reconcile these positions by suggesting that tax cuts could increase revenues as per the Laffer curve, but declined to comment on whether such tax cuts would therefore fund themselves and be fiscally neutral (Daily Telegraph, 2008j). Liam Halligan maintained his focus on fiscal deficits as a potentially destabilising variable, suggesting that Britain was heading in the direction of America, where 'public liabilities are now so huge (that) the nation's entire economic stability is threatened' (Halligan, 2008a). He called the PBR a 'borrowing binge' which was 'reckless' and threatened the 'UK's credit rating and status as an "advanced economy"' (Halligan, 2008b). Jeff Randall agreed, arguing that 'everyone except the government knows we're spending too much' and suggested incoherence in trying to cure a problem caused by too much debt with further borrowing (Randall, 2008a). This discourse gained popular traction throughout the crisis, with the Archbishop of Canterbury Rowan Williams also calling the government's response akin to "the addict returning to the drug" (Independent, 2008n; also Oborne, 2008e).

Randall continued by linking the government's response to the wider conservative discourse opposing the 'something-for-nothing culture' which represented 'a disgraceful conspiracy of shameless layabouts and gutless politicians (Randall, 2008b). The intended 'spending spree' of the government was of little potential benefit because investment would take too long to get through to the real economy and could cause inflation (Daily Telegraph, 2008f). As with earlier in the year, Roger Bootle provided the only Keynesian position analysis on the paper's pages, suggesting that 'we now face Keynesian conditions' in that lower interest rates are unlikely to work and that as a result the nation shouldn't 'be shy about allowing huge increases in government borrowing to stave off depression' (Bootle, 2008d; also Bootle, 2008e). He presented limits to this however, suggesting that the Keynesian framework is 'both valid and truly radical only in depression conditions', providing the grounds for the framework's rejection based on a re-evaluation of the definition of present economic conditions (Ibid.). As such 'if you can do without a major fiscal stimulus you should. Public borrowing can squeeze out borrowing by the private sector' (Bootle, 2008e).

Even the *Daily Mail* in places accepted the maxim that reduced private sector spending should normally call for the public sector to 'take up the slack' (Brummer, 2008b). And whilst Brummer noted that Britain's 'ration of debt to national wealth is relatively low, irrespective of bank rescues', the problem was not so much one of capacity but one of trust: 'in Britain's case the public sector has become so bloated under Labour…that on one really trusts the government to spend taxpayers (sic) money well' (Ibid.). The paper, like others, called the PBR a 'gamble' in relation to the perception that it involved attempting to spend one's way out of crisis (Daily Mail, 2008e). Oborne suggested that the PBR represented a large fiscal boost which, because of the state of the finances, could not be repeated (Oborne, 2008g).

The *Times* began the autumn sceptical of the suggestions of a crisis of capitalism. Kaletsky argued that only Brown and Darling believed the stalling of GDP to be temporary, but noted that 'we should not be too worried' given that US economic and housing statistics showed signs of stabilisation (Kaletsky, 2008c). He suggested that the current trading of bank shares were an exaggeration of their true worth, with their current valuations 'implying that they are almost insolvent' despite the fact that they 'face no conceivable funding problems in any plausible economic scenario' (Ibid.). He suggested Darling had got his figures 'wrong' in suggesting that economic conditions were the worst for sixty years (Kaletsky, 2008d), calling financial conditions 'relatively benign' despite the headlines. By mid-September, however, Kaletsky was calling the situation an 'amazing crisis' and suggested that 'the only question is how to avoid a catastrophe in the next few weeks' (Kaletsky, 2008f).

The paper was similarly mixed in its approach to the stimulus versus austerity debate, suggesting that 'experts are more divided than ever' by the question (Times, 2008e). The paper questioned the logic of tax cuts on the Ricardian basis that they might foretell future tax rises which undermine their impact (Times, 2008f), and adopted a more Keynesian position in suggesting that monetary policy might be insufficient to cure the crisis (Times, 2008h). In October it maintained that the room for manoeuvre was 'all but non-existent', however (Times, 2008c). Like other papers, it called the PBR a 'gamble' whose outcome would depend on how much confidence was influenced by the depth of 'red ink' and 'whether the Chancellor can convince the markets that his plans are affordable' (Times, 2008g). The electoral chances of the both Labour and Conservative parties depended on whether they could convince the voters of the truth of their respective discourses of cutting too hard and fiscal recklessness on behalf of their opponents (Times, 2008i; Smith, 2008b).

Its own opinion on the issue was as mixed as the other newspapers, suggesting that given that this wasn't a 'normal' downturn 'reinforces the case for turning to the weapons of fiscal policy' (Times, 2009k) but noting the risk that 'by easing fiscal policy further, the Government may merely undermine confidence' (Times, 2008j). It suggested that America's fiscal plans represented 'going for broke', but that the relative modesty of the UK's plans by comparison may mean that 'they are just not large enough to deal with the threat' (Times, 2008k). Kaletsky's response to the PBR was to call the plans 'good economics' and downplay the threat of national bankruptcy (Kaletsky, 2008h). He presented a classic Keynesian argument of demand deficiency to support the general point. However whilst its articles generally supported stimulus, the *Sunday Times* questioned whether Darling's plan was the best one in terms of stimulating activity, and gave most 'bang for the buck' (Sunday Times, 2008b).

Jonathan Guthrie, in the *FT*, wrote that a stimulus 'must balance the need for boldness against the risk of lumbering the UK with an incapacitating legacy of higher taxes', but added that business was currently in favour of stimulus regardless of its impact on future taxation or sterling (Guthrie, 2008). The *Independent* showed a similar uncertainty, calling for tax cuts and suggesting that 'worrying about the cost is something that can be left to another day' in October (Warner, 2008g), but then suggesting that a VAT cut costing £24bn would be 'too much for the markets to handle' less than a month later (Warner, 2008i). Several papers saw a Ricardian danger of tax cuts, arguing that temporary tax cuts would be ineffective 'if consumers believe that tax cuts now mean tax increases later' and that they would therefore not do much 'to save the UK economy from recession' (Guardian, 2008h; Independent, 2008k; Times, 2008f). Given the general support of the idea of fiscal stimulus, Gordon Brown took over Conservative territory by again voicing support for tax cuts, no longer at economic odds with increased government involvement, and sought to portray the Conservatives as the only people opposing such an approach (Guardian, 2008i). The *Guardian* worried that whilst Brown was correct to borrow more during this period, he ‘must not fritter away cash on cynical tax cuts and wasteful spending’ (Guardian, 2008j), matching David Cameron’s frame of questioning tax cuts by referring to the lack of trust in the government (Cameron, 2008). The *Telegraph* again cited the Laffer curve to suggest that tax cuts and fiscal prudence weren’t incompatible objectives, suggesting that tax revenues would actually increase as a result (Daily Telegraph, 2008j).

The onset of a crisis and the call for more fiscal action to help support a weak economy generally over-powered existing beliefs in the danger of a high tax burden. There remained a small element however who warned of the risk that the stimulus would have on medium-term tax rates in Ricardian terms, suggesting that any extra spending now would necessitate tax rises after the next general election. Most of the stimulus debate of the autumn of 2008 took place without regard for this issue however, highlighting how the perception of tax constraints was over-ridden by the immediacy of the economic trouble at hand. Again then, in the short-term of a major economic crisis we see a public shift in the limits of acceptable discretionary fiscal action by the state.

6.5 Medium term decisions

The above sections have highlighted at most a partial re-framing of the belief in the acceptability of fiscal stimulus and greater state involvement in the economy to avoid a deep recession generated by the crisis. To what extent had the crisis allowed for genuinely new ideas to flourish in this regard, however? The contention of this chapter, and the following one, is that these were actually far fewer than the existing literature prepares us for. The press in general had supported the value of greater state borrowing and spending, at the very least through automatic stabilisers, whilst the crisis was at its worst. However, within this shift in belief was a notable time-limitation; when conditions improved, the extent of government intervention should roll-back. Indeed, from late November suggestions began to emerge that the nature of the government’s response would necessitate a subsequent period of austerity. These seeds of the post-crisis austerity discourse are reviewed below. Again, this demonstrates the extent to which existing pre-crisis discourses of the state were more resistant to change than would generally be expected.

In this context, the opponents of stimulus feared the scale of future tax rises and an over-bearing presence of the government in the economy. Whilst the *Independent* noted the inevitability of an increase in government borrowing in the short term, it added to this with some caution of the ‘the lamentable history of economies in which governments have played an over-active role in allocating resources' (Independent, 2008i). It argued that 'there will have to be a reckoning at some point' for the short-term increasing of the deficit (Independent, 2008g), and warned that it would require tax rises and possibly lead to an erosion of confidence in sterling (Independent, 2008i; also Brummer, 2008c; Oborne, 2008g). The Telegraph followed a similar logic, printing a letter from 16 economists who warned that Alistair Darling's plans to spend his way out of a recession would put the state in such a "dominant position" that it would "stunt the private sector's recovery once recession is past" (Daily Telegraph, 2008g). For the *Times*, the benefit of stimulus as a crisis response had to be off-set by the inevitability of medium term tax increases (Times, 2008g). The *FT* suggested that the pre-crisis output level and its corresponding tax take was artificially high, and as such future output and taxes would likely be lower, requiring lower future spending to balance the budget. 'Austerity' would be the watchword in Whitehall, it predicted (FT, 2008n).

Thus an explicit separation was erected between the worth of fiscal policy in the crisis itself, and its worth in the aftermath. Whilst the use of fiscal policy during this period of uncertainty was therefore generally accepted as a necessary evil across the political spectrum, such action was explicitly delineated as time-specific and thus a fuller ideational shift had already essentially been ruled out before the crisis had even passed. Hence, the dominant ideas of the pre-crisis period, a sense of fiscal precariousness, an opposition to an over-sized state, and a belief in supply-side assistance to business to boost economic growth, were still maintained throughout the crisis but were considered suspended for this brief period due to the danger of wider financial events.

Even at the epicentre of the crisis, therefore, there was a general acceptance in the British broadsheet press that the capacity of the state to undertake hitherto unacceptably interfering actions to stabilise the economy was a temporary necessary evil. Whilst in constructivist terms we could therefore conclude that the crisis did shift the parameters of acceptability, it does not suggest that it eradicated such existing ideational structures; rather it merely rendered them temporarily insolvent. The medium-term future, as characterised by the media, was therefore believed to entail a continuation of the central ideas of the pre-crisis period. For those with a pre-crisis concern about government spending, such a development merely increased the priority given to spending cuts in a post-crisis world, whilst even on the left there was no rhetorical appetite for a statist post-crisis world in which the state played a renewed central role in the ordering of the economy.

6.6 Cures beyond fiscal policy

Whilst we can see some ideational change in the opening up of a debate about the worth of looser fiscal policy during the crisis despite the existence of a 'no room for manoeuvre' discourse in the pre-crisis period, one element of the discussion over the worth of fiscal policy continued to use the pre-crisis ideational backdrop to inform it. Namely, this was the argument that fiscal policy was not sufficient to solve the crisis alone, and that Britain therefore needed to be sceptical about spending large amounts of money when it was the wider forces of global capital that would ultimately dictate the nature of the recovery. Such an analysis stemmed directly from two of the central pre-crisis discourses identified in the previous chapter: firstly, the existing lack of trust in Labour's fiscal honesty; and secondly, the power ascribed to globalisation as a dictator of economic success over that of domestic policy.

The lack of political trust in the reporting of the success of government programs led to a belief that giving the government a license to spend more would not lead to money being spent in a sensible way, but that it wold provide the government with an opportunity to undertake political bribes by targeting spending at core voter groups. Here then, the lack of confidence in the ability of political class to target policy towards the areas where it was most 'objectively' needed fed into a wider lack of confidence in fiscal policy more generally. The depth of the crisis also solidified, rather than undermined, the pre-crisis belief in the precarious nature of the state in relation to global forces, suggesting that it was important for Britain to maintain its 'pro-business' appeal firstly in order to help ensure recovery.

Fiscal policy alone, therefore, was not deemed sufficient to restore the economy to health; and indeed a relatively weak tool compared to the much larger forces of global capital. Behind this argument lay the assumption that the state was relatively powerless to stimulate the economy, and that only the health of private business and the ability to attract investment was sufficient to return the economy to normality.

This sense of powerlessness served to undermine the worth of stimulative fiscal policy, on the basis that it risked bankrupting the nation without providing any clear benefits. To make a real difference to GDP, Elliott argued, Darling would have to implement a stimulus worth 1% of GDP, something he called 'out of the question given the state of the public finances' (Ibid.). The *Guardian* only partially followed this discourse during this period, however, and the general tone of the paper remained in support of some level of government spending to aid the economy, pointing out that growth 'would be even weaker without the boost provided' (Guardian, 2008m) and with William Keegan suggesting that there is 'no other way' to expansionary fiscal policy, even if it not sufficient to ensure recovery alone (Keegan, 2008b).

At the height of the crisis, the focus of the media on rescue efforts related mainly to the unblocking of credit channels. David Smith in the *Times* noted that Ben Bernanke was well placed as head of the Federal Reserve to lead such rescue efforts, given that he was a scholar of the Wall Street Crash and Great Depression and therefore knew 'that what caused the problem in the early 1930s was the fact that the normal credit channels closed down' (Smith, 2008a). The focus on credit-easing rather than fiscal policy was replicated in several papers, with the *FT* also calling returning lending levels back to pre-crisis levels 'more pressing than discretionary fiscal action (FT, 2008i). Like other papers, the *FT* supported 'additional direct lending programmes, asset purchases and government guarantees' to maintain liquidity (Magnus, 2008). The *Guardian* also called a resumption of normal lending 'the important element of the recovery' above the level of government spending (Guardian, 2008l).

The *Times* agreed, calling the PBR 'miserably irrelevant' without any major action of credit lines to businesses (Times, 2008l), which it called the 'fundamental problem throttling the life out of the economy' (Times, 2008m). Warner wrote that the ideas being suggested regarding direct government interference in business funding and credit creation 'would have been thought bonkers, and certainly too interventionist to be remotely worth considering' a few months previously, but not 'nothing is off limits in the search for solutions (Warner, 2008j).

The *Telegraph* voiced open support for Vince Cable's plans for more direct government lending to counter-balance the drop in lending from banks (Daily Telegraph, 2008i). The paper also praised Cable for suggesting that mild cuts or stimulus were not the central determinants of the medium-term economic picture (Daily Telegraph, 2008i). Rather, it was the cutback in direct bank lending that was central, making fiscal stimulus "chicken-feed by comparison" (Ibid.). In doing so, the paper suggested that the impact of the crisis on questions of government involvement in the economy were limited to re-establishing credit and financing. The paper also openly discussed the option of nationalising the banks, marking how far the limits of acceptable action had changed over the course of the year (Corrigan, 2008).

Whilst the PBR produced debates about fiscal policy over and above those relating to credit, the intervention of Mervyn King in December to suggest that "the single most pressing challenge to domestic economic policy is to get the banking system lending in any normal sense" was openly supported by the *Telegraph* as 'rapidly becoming the consensus' (Daily Telegraph, 2008k). The *Daily Mail* agreed, suggesting that it would 'take a powerful global rebound to pull the UK out of its economic funk; (Daily Mail, 2008f), demonstrating the relative weakness of the government to use fiscal policy to improve economic growth. It suggested the VAT cut in the PBR was too meek to have any real effect in enticing customers to spend more (Mail on Sunday, 2008) As with the other papers, it called credit 'the biggest problem currently facing businesses' (Frost, 2008).

Because it was deemed too 'difficult to calibrate the extent to which this crisis will hold back economic growth' in the autumn of 2008 (King, 2008), a greater focus was placed to returning to stability and freeing up the blocked credit markets than on medium or long-term economic re-structuring. The *Independent* suggested that 'unblocking the credit markets should come before capital spending' and that large spending projects should not be rolled out quickly before being thought out, for 'when governments take big and costly decisions in a hurry, those decisions often turn out badly' (Independent, 2008h).

Following on from section 6.5 above, this section has highlighted that based on the perception of the limited scope for government spending, and also on wider ideas of the importance of global capital in shaping economic possibilities, the idea of a demand-side stimulus having the capacity to return the economy to growth was at best a marginally supported idea, and that as such support for more government initiatives in returning the economy to growth lay in the monetary and credit spheres, which as outlined in section 6.2 were more open to ideational change than the fiscal sphere. These ideas remain partially based in the anti-statism and 'no room for manoeuvre' discourses of the pre-crisis period highlighted in the previous chapter, again demonstrating the extent to which the crisis was unable to completely remove the pre-crisis ideational framework upon which much fiscal policy analysis took place. Thus, again, we can note that whilst the crisis opened a political space for new ideas within the financial sector of the economy, a generalised crisis of ideas is still not fully evident even during the period of greatest economic turmoil and uncertainty. Rather, there is a significant drawing on pre-crisis discourses of the fragile state in the global economy, the incapacity of politicians to spend money with integrity, and a sense that pre-crisis developments limit the scope for major fiscal stimulus and government intervention in corporate capitalism.

6.7 Conclusions

This chapter has demonstrated that the financial crisis did produce some forms of uncertainty in the economic thinking of the broadsheet press, but that this uncertainty did not entirely erode much of the dominant economic thinking of the pre-crisis period. Whilst in certain sectors the norms of what was to be considered politically acceptable were transformed very rapidly, particularly in relation to nationalisation, strict supervision of vulnerable financial institutions and the potential to artificially loosen up credit channels, in others there was a more broadly consistent pattern of analysis with the preceding period.

The analysis that this was a major crisis moment for Western financial capitalism was certainly pronounced and commonly held. Thus the dominant underpinning ideas of the pre-crisis period, of relaxed regulation and the belief that financial markets were fully efficient were rapidly reconfigured in the autumn of 2008. The general lack of sympathy with the banks for their plight cemented this acceptability of discourses of change in financial regulation.

The potential for epistemic uncertainty to allow for new economic ideas to flourish, a central tenet of existing constructivist scholarship, is certainly evident to some degree through this period. Particularly in relation to Labour's planned fiscal stimulus in the 2008 PBR, the necessity of all possible means being used to support the fragile economy meant that existing concerns about fiscal prudence became over-ridden through necessity. As such, no clear growth model pre-dominated with acceptability and credibility being passed to anything deemed likely to promote economic stability. In that uncertainty was evident over the likely successes of different growth models, the situation could be described as conforming to the constructivist model of a structural vacuum allowing for re-configurations of patterns of existing beliefs.

However this chapter has also suggested that this uncertainty was not as deeply rooted as Constructivist scholarship would suggest occurs in the case of a generalised economic crisis. There was uncertainty about how the economy would react to stimulus, and what the nation's scope for wider public borrowing was, but this uncertainty did not permeate into all aspects of political economy, and was indeed largely contained within the financial sector. Here there was a very real separation discursively between financial capitalism and corporate capitalism, with the blame and uncertainty resting primarily in the former, minimising any diffusion of the third order uncertainty into the understanding of other sectors of the economy.

We see in this period a continuation of three of the major discourses of the pre-crisis period in relation to the roles of the state and the economy. The first element of stability related to the fear that government involvement might burden businesses through expensive regulation and red tape was maintained, limiting the scope for alternative discourses arguing in favour of the necessity of state involvement to support businesses. The second element related to the lack of belief in the capacity of the state to efficiently alter economic outcomes; the consequence of this being that the future of the economy was positioned as being dependent on the return to health of the banks and the credit supply, and not any fiscal demand-management on behalf of the state. Thirdly, the lack of trust in Labour's economic management continued to underlie much of the concern about a renewed role for the state in the demand side of the economy, for it was assumed that any attempt that Gordon Brown made to boost spending to support the economy would only be done for narrowly political objectives and not therefore have a wider beneficial economic impact.

The lack of more cross-cutting ideational uncertainty in the wake of the crisis meant that much of the blame for failure, and the search for new ideas to govern the economy into the future, therefore fell on monetary policy and financial regulation. Blame fell both on banks, for having been greedy and too eager to place risk ahead of discretion, and on politicians for failing to regulate them properly. Thus we fail to observe a more systemic crisis in economic ideas during this period, even as uncertainty dominated the short-term economic situation. In the next chapter, as the immediate risk of financial collapse abated through 2009, we will analyse the extent to which the ideas of recovery continued to rest on the ideational underpinnings of the pre-crisis period.

The implications of this for constructivist institutionalist research on crises is that the 'structural vacuum' argued for by Blyth is rarely absolute. The chapter has answered research question 2.) by showing that whilst the crisis did create a shock in which new approaches gained short-lived attention, this was never completely removed from its pre-crisis context, and indeed forecasting in particular remained focused on the same set of objectives as had dominated beforehand. Adopting a looser approach to epistemic uncertainty and the structural vacuum need not go against constructivist principles, and therefore provides a valuable addition, rather than a critique, to this school of thought. The following chapter will continue this theoretical addition to the school by highlighting ideational reversion in the post-crisis context, suggesting again a greater stickiness of ideas than perhaps to date had been recognised. The continuation of these ideas of the pre-crisis context gave a greater social acceptability to the policy programme that became known as 'austerity', whilst providing a harder-to-justify context for Keynesian stimulative principles.

Chapter 7: Ideational Reversion: January 2009 – May 2010

7.1 Introduction

The previous two chapters have respectively highlighted the dominant political economic narratives of the pre-crisis period in British politics, and the partial shift in the acceptability of state involvement in the economy in the crisis period of 2008. Significantly, however, it was noted in the previous chapter that the press' acceptance of greater state borrowing and spending in the autumn of 2008 involved a time-limited clause, which suggested that once the danger of financial collapse had been avoided expensive state assistance must be wound down. Whilst the crisis caused immediate questioning of the role of financial regulation and the practices of the banking sector, the blame for the crisis was effectively siloed within this segment of the economy, leaving the dominant ideas governing other sectors un-touched.

This chapter answers research question 1.) by highlighting a return to pre-crisis discourses in the aftermath of the crisis, and as such demonstrating how these discourses came to shape the acceptability of a programme of austerity over that of a Keynesian stimulus. The chapter is able to answer research question 3.) by using a constructivist logic to argue that the austerity narrative had a greater social source of legitimacy stemming from its closer alignment to pre-crisis ideas, allowing for it to be adopted in a way that a more Keynesian approach did not. This therefore allows us to arrive at the second major empirical conclusion of the thesis; that a process of 'ideational reversion' can be noted in the post-crisis discourse, whereby the ideas of the pre-crisis period also came to shape the acceptability of governance practices in the post-crisis context.

The victory of the orthodox paradigm was neither complete nor universal; disputes and competing ideas continued to feature across broadsheet coverage. However, the fragmentation of support was not evenly split, with a far greater proportion of the economic writing on the crisis highlighted the need for budget restraint than supported spending, with even those who supported demand-side support suggesting that crisis-resolution was not possible through this route alone, undermining its significance. Moreover, as the dispute on the academic level between Keynesians and the orthodox school rumbled on, so its significance was belittled in the eyes of the media, under the logic that if expert economists couldn't agree on the issue, what chance could the general public have in deciding between competing frames when deciding upon their political preferences? Thus the absence of economic consensus, often taken in the existing constructivist literature to be a key step in the rise of new paradigms, actually favoured continuity in that political analysis tended to fall back on existing frames of understanding in order to distinguish between the political parties.

This chapter will begin by demonstrating the development of the budget deficit as the primary focus of economic reporting in early 2009, replacing the uncertainty of the financial system which had pre-dominated the previous autumn. It will chart the increasingly central discourse of ‘no room for manoeuvre’ within such discussions, highlighting the ideational continuity from the pre-crisis period. Whilst a Keynesian counter-narrative did exist in this period, it remained less prominent.

The strategically selective advantage that the ‘austerity’ discourse appears to have held here is two-fold. Firstly, the discourse was advantaged by being able to tie itself more closely to the politics of the pre-crisis context that its Keynesian alternative. The issues of ‘no room for manoeuvre’, an over-regulated economy, an over-bearing state sector, the powerlessness of the state in a globalised world, and the lack of ability for politicians to spend money effectively all fit into the justificatory frame of austerity, whilst they ran counter to the intentions and beliefs of the stimulative approach. Secondly, the ‘technical’ social scientific question over which policy approach would benefit the economy the greatest amount in the short-term actually receded in importance closer to the election as the lack of agreement between economists on the issue – a structural vacuum in constructivist terms – increased the public perception that the importance matters at the up-coming election were actually the more medium-term ideas of the parties about the role of the state in the economy. In this regard, there was greater appeal for the orthodox approach in that it gave discursive primacy to the role of private business and supply-side measures in returning the economy to growth, whilst the Keynesian approach foresaw a greater role for the state in boosting the conditions for growth through spending and the ‘picking of winners’. Again, we see a great deal of continuity in crisis here as the orthodox approach maintained its greater appeal than the Keynesian one.

In developing this overall insight, the first section of the chapter highlights the increasing ubiquity of discourses of ‘no room for manoeuvre’ in the immediate post-crisis period. As such the reversion to pre-crisis ideas to explain and generate policy proposals for dealing with the crisis is demonstrated, highlighting the failure to the crisis to reconfigure existing ideas of the role of the state in society, or of the variables through which economic credibility and feasibility were measured. The second half of the chapter further explores this ideational reversion by comparing evolving discourse in the 2009-10 period with the analysis of pre-crisis discourse presented in Chapter 5. Mirroring the thematic structure of Chapter 5, debates surrounding the need to cut bloated public services to achieve growth are first reviewed. Following on from this, the link between rhetorics of political trust and spending cuts are reviewed. Finally, the chapter focuses on the discourses of globalisation and the weakness of the state. These foci will allow the chapter to conclude that a process of 'ideational reversion' took place in the post-crisis period.

Following from this empirical analysis, two conceptual conclusions are also advanced. The first conceptual insight is that the epistemic uncertainty generated in a time of crisis does not necessarily lead to a paradigmatic shift in existing ideational framework. The second insight is that the successful siloing of the perceived blame for the crisis within the financial and political landscape may have aided this process by limiting the generalised sense of a policy failure within the existing governance structure.

7.2 'No room for manoeuvre' and its critics

As we saw in the previous chapter, the danger of systemic financial collapse in the autumn of 2008 temporarily suspended the view that the state had no fiscal scope to react to economic events. Alistair Darling's 2008 PBR, which provided a small stimulative fiscal boost, saw the media withhold judgement until its full effects were shown. In other words, the existing ideological or ideational commitments of the media were suspended because of the uncertainty that had arisen. However, as the immediate danger of financial collapse receded in early 2009, and as thoughts began to turn to the route back out of recession and indeed towards the necessity of any medium-term realignment of the British economy as a result of the crisis, the discourse of 'no room for manoeuvre' returned.

Rather than having been eroded by the crisis, the existing discursive beliefs were strengthened by it. The belief that cuts would have to be made to state spending became universal, although debates over the timing and structure of these cuts existed. However the depth of the 'budget crisis' that was largely accepted to exist during this period meant that even those of a Keynesian disposition largely limited themselves to opposing immediate cuts, as opposed to calling for a fuller stimulative fiscal expansion. Whilst a social scientific debate existed in the media throughout this period, with Keynesians and monetarists reaching different conclusions about the role of fiscal policy in the crisis based on different perceptions of risk, this debate began to grow stale closer to the election as it became clear that even economists could not agree on the issue. Thus the debate about the worth of state spending fell back on largely normative criteria, which invariably linked to pre-crisis discourses of the value of state spending and the proper size of the state. The most pressing concerns surrounding the state of British governance in the pre-crisis period therefore continued to shape the response of the media to the crisis, rather than having been reconfigured by them. In the paragraphs below, I review the manifestations of these dynamics across broadsheet media.

7.21 'No room for manoeuvre' and the 2009 Budget

The run-up to the 2009 Budget was characterised by discussion in the media about the scope for fiscal policy in helping to support the economy. As the scale of the budget deficit became clearer, the general consensus was that there was now no scope for any further fiscal stimulus despite the severity of the private-sector slump. Thus, rather than having been altered by the financial crisis, the discourse of 'no room for manoeuvre' was strengthened by it. New empirical developments, such as the lack of certainty on the capacity of international credit markets to fund the British deficit, were analysed using the same frame of reference, highlighting the durability of such discourses through the crisis period. Significantly, the breaking of Labour's golden rules was significant in shaping many of the perceptions of the scope for expansionary fiscal policy.

For the *Times*, the lack of room for manoeuvre now meant that there was a danger of international investors 'balk(ing)' at the creditworthiness of the UK's sovereign debt (Times, 2009c), with even the more Keynesian commentators on the paper such as Anatole Kaletsky now 'rejecting the case for tax and spending measures in the Budget' (Times, 2009g). There was now a 'clear danger', the paper argued, 'that spiralling borrowing as revenue wilts will trigger panic in the markets over whether Britain can make ends meet' (Times, 2009p). The paper framed the principal role of the Budget as being 'to convince investors who buy British government debt that the ship will be bailed out eventually' and to 'chart a course back to longer-term national solvency' (Times, 2009m; 2009r respectively), and therefore presented deficit reduction as the principal economic imperative to be tackled, as opposed to economic growth, financial stability or any other criteria. Matthew Parris described the task for the Tories as one of 'how to bring down state spending before it destroys national solvency' (Parris, 2009a), suggesting that the question was no longer one of whether to cut, but of when (Parris, 2009b). It now described the relatively modest fiscal expansion of the 2008 PBR as 'going for broke, allowing Treasury finances to plummet into the red on an almost unprecedented scale' (Times, 2009p).

As with the *Times*, the *Telegraph* gave itself the voice of investors by claiming that 'the international investment community will refuse to fund (Darling's) plans by buying gilts' (Ibid.), and raised the danger of a 'gilt strike' leading to the IMF having to be called in to provide assistance (Daily Telegraph, 2009i). Such a discursive claim was of course particularly poignant in the British case given the need for the previous Labour government to call on the IMF in 1976, something the *Telegraph* made an explicit comparison to (Daily Telegraph, 2009j). The paper continued that the 'markets will punish (Darling) mercilessly' if severe spending cuts were not made (Ibid.), and warned that a ratings downgrade 'would be devastating for the economy' (Daily Telegraph, 2009n; also Conway, 2009a).

The *Daily Mail* similarly focused on the 'mess', 'basket case' and 'wreck' of the national finances (Daily Mail, 2009c, 2009b, 2009g respectively) and the need to send a clear message to the markets that spending would be cut back. Similarly to the *Telegraph*, it suggested that the primary focus had to be on providing a roadmap to fiscal sustainability (Daily Mail, 2009a), warning that debt would be 'more dangerous to add to' than before (Daily Mail, 2009b). The 'efficiency savings' Darling outlined were deemed insufficient and lacking in credibility given Labour's spending record; rather what was needed was a more 'radical plan' that took 'an axe to the public sector' (Brummer, 2009b). Again, the paper chose historical comparisons of fiscal conservatism to support this. The combination of fiscal consolidation and political trust returns here tangibly, and will be returned to below. The paper argued that austerity was not a 'terrible new age' but 'necessary medicine for an economy that has overdosed on the state' (Daily Mail, 2009e). Brummer noted that 2008's PBR had already represented 'a massive fiscal stimulus', limiting the scope for another one in 2009/10 (Brummer, 2009a).

Whilst the *Financial Times* was not quite as apocalyptic as either the *Daily Mail*, *Times* or *Telegraph* in early 2009, the paper maintained some of the same foci of discussion and likewise made the deficit and public spending a central concern. The paper called the deterioration in the public finances 'alarming' and highlighted the risk of the UK slipping 'back to its 1970s and 1980s pariah-status in government bond markets' (FT, 2009b, also 2009f). The paper reported 'the British government's biggest challenge is to avoid a funding crisis', and suggested that 'markets will not let (Alistair Darling) boost government spending' (FT, 2009j). Niall Ferguson reported that the bond market was 'quailing' in the face of huge deficits for what was a relatively 'small' recession (Ferguson, 2009). The *FT* reported that business' view of the Budget was 'largely hostile…concern that the chancellor was taking risk with the public finances – and fear of tax rises – outweighed qualified enthusiasm for specific measures' (FT, 2009g). Goldman Sachs was quoted as saying that 'the public finances have been blown out of the water', and the fiscal thinktank IFS also focused only on the debt as the major issue of the Budget (FT, 2009i). Thus the extent to which external 'experts' were likewise being included in newspapers' narratives about the deficit, and the increasing size of the discursive focus on this, served to reinforce the image of this issue as the primary one of importance.

Even Martin Wolf, generally supportive of looser fiscal policy in the autumn of 2008, was now questioning the capacity of the markets of take on extra government debt. Whether Labour's policies were realistic, he suggested, was now a question for markets, and suggested that whilst the 'markets have been forgiving' it was not certain that they would continue to do so; 'markets tend to behave – until they cease to do so' (Wolf, 2009c). Buiter too, suggested that discretionary fiscal stimulus only made sense if it could 'avoid spooking the markets' (Buiter, 2009a). Thus the uncertainty of the previous autumn in relation to the stability of banks had been replaced by an uncertainty about the length of time that investors would continue to buy government debt. 'There is a chance investors will run scared if they can see only red ink stretching into the future', the *FT* concluded (FT, 2009j). This uncertainty legitimised the call to either cut now, or at least set out a credible timetable for cutting soon, and undermined the acceptability of stimulative policies in the eyes of the media. The emergence of need for greater medium-term clarity of spending plans as a major discursive theme of this period is expanded upon in 7.5 below. It also demonstrates the primary voice given by the media to the international credit markets as the agents influencing the state's economic policy autonomy.

The *Guardian*, the main anti-austerity voice during this period, was even caught up in the belief that there was little room for manoeuvre for Alistair Darling in the run-up to the Budget. 'There is little doubt' it reported, that Darling 'has very little room for more fiscal stimulus packages in his…budget' (Guardian, 2009a). The level of the deficit was 'start(ing) to become unsustainable because financial markets would lose confidence and refuse to buy any more government debt except at very high rates of interest', it reported (Ibid.). The call from city experts to avoid further stimulus was seen as ending the capacity of Brown to undertake such action (Guardian, 2009b; also Times, 2009f), and Jackie Ashley declared Darling to be 'more realistic' in being cautious about the scope for extra stimulus (Ashley, 2009).

The paper also summed up the budget as signalling a return of bankers as the masters of the universe, with government having little option but to follow their demands for no further stimulus (Roberts, 2009). Larry Elliott, like reporters from the more conservative papers, expressed fear that lack of sustainability 'of the public finances would lead to higher long-term interest rates, choking off recovery', and that the lack of attention being paid to this danger by the government risked 'the wrath of the credit-rating agencies' (Elliott, 2009a). He called the risk of gilt yield increases pushing up interest rates on mortgages and bank loans 'the facts of fiscal life' that 'would risk pushing the economy back into recession' (Elliott, 2009c). The difference to the more conservative press, however, was that Elliott accepted that 'the still fragile state of the economy means there is a case for delaying fiscal stringency until the risks of a double-dip recession have faded' (Ibid.). Regardless, the differences between the papers remained limited to the issue of the timing of cuts, not of their inherent necessity, nor the importance of engendering growth to cut the gap between spending and tax intake.

Thus the medium-term timeframe of a reduced role for the state was developing in ubiquity across the journalistic spectrum. The near universal assumption that budget deficits would lead to large increases in interest rates making public debt unsustainable is also notable in its consistency across the spectrum. The certainty that bond markets would punish 'irresponsible' governments is particularly surprising given the shifting sands of the global economic landscape in the previous year. Again, uncertainty about whether the existing norms of the Great Moderation period still applied in this changed landscape is relatively muted, again displaying ideational continuity through the crisis.

Alongside the significance of international credit markets, the issue of state spending in the pre-crisis period was also a significant shaper of post-crisis discourse. The scope for Keynesian expansion was often precluded on the basis that it could only be done when sufficient saving has been done in the boom years (Times, 2009a; 2009u), much as several papers had argued before the recession. The *Times* characterised the public attitude as being one 'no longer willing to tolerate government spending that spirals out of control' (Sylvester, 2009a), suggesting implicitly that this is what Gordon Brown's government had allowed to happen. Several papers called the post-Budget era a 'new age of austerity' (Independent, 2009f; Elliott, 2009c; FT, 2009b; Times, 2009u), which was often unquestioningly accepted as a necessity.

Likewise the *Independent's* pre-budget coverage focused primarily on the lack of room for manoeuvre that Alistair Darling had to stimulate the economy (e.g. Independent, 2009a). What had happened to the public finances was not within past experience, argued McRae (McRae, 2009a). Meanwhile Warner highlighted that the 'recession is already self-evidently much more severe than forecast in the pre-Budget report', but argued that this highlighted primarily the weakness in the public finances as opposed to a signal that more support was needed to aid the economy (Warner, 2009a; also McRae, 2009e). The *Independent* now described 'how to limit state spending' as 'the main event in politics' (Independent, 2009g), and like other papers accepted that 'Britain's public finances are out of control' (Independent, 2009j; Independent, 2009k). It also accepted the notion that Britain had spent too much during the boom to be able to afford Keynesian stimulus in the bust (Independent, 2009k). The state of the public finances 'threaten recovery', it argued (Independent, 2009o). Even whilst noting that Labour remained ahead in the polls on economic leadership, the paper called Gordon Brown 'unrepentant' in failing to change his approach (Independent, 2009h).

Asking economists what they would do in the budget, two thirds in the *Telegraph* said there was no room for fiscal expansion (Daily Telegraph, 2009e), and the paper utilised the intervention of Mervyn King, who publicly argued against stimulus, to suggest that such an approach had therefore become untenable (Daily Telegraph, 2009f; also Daily Telegraph, 2009c). The paper regularly employed dramatic metaphor and cataclysmic language to frame the issue of the deficit, describing the nation as 'drowning in government debt' (Daily Telegraph, 2009f) which was an 'underlying cancer' (Sunday Telegraph, 2009c), and equating the application of stimulus as 'analogous to trying to cure alcoholism by going binge drinking' (Daily Telegraph, 2009h). Reece declared that the 'fiscal lifeboat has been holed. It can't be launched, so it won't be launched' (Reece, 2009a). Randall declared in the aftermath of the Budget that 'a ball and chain of spirit-sapping debt has been clamped to the nation's future. We are all serfs now' (Randall, 2009b). As with the pre-crisis opinion of the paper, Reece declared that Keynesianism was only allowed when the government had saved up in the boom time to help pay for stimulus in the bust (Ibid.; also Sunday Telegraph, 2009b, 2009e). As such the central economic problem of the time was already framed as being too much government spending and debt by the conservative media.

By framing existing policy as an ongoing Keynesian experiment, and a rather large one at that, the *Times* set the metrics of success as a 'gamble on growth' (Times, 2009p). In doing so, the previous autumn's growing budget deficit, rather than being seen as an inevitable response to an equal-and-opposite private sector contraction, was constructed as a positive-sum Keynesian expansion that would have to produce a strong economic growth to be gauged a success. Moreover the framing of the central problem as one of the budget deficit meant that the solution had to come from deep cuts; 'efficiency savings will not nearly be enough to bridge the gap' (Times, 2009r). 'The Chancellor's further options look restricted in the extreme', the *Independent* commented, noting that fiscal stimulus had already been attempted and in doing so implied that this was not a trick that could be repeated (Independent, 2009c).

The discourse that developed in the *Daily Telegraph* through this time also reflected core elements of the *Times*' analysis. In particular, by presenting post-crisis economic policy as a binary choice between cutting spending or increasing taxes, the paper offered a zero-sum analysis in which the latter would risk 'choking off the recovery' (Daily Telegraph, 2009k). The paper therefore began to argue in places that the size of the budget deficit, rather than helping to prevent a further drop in GDP growth, was now a future threat to the recovery because of the likely rise in future taxes to cover it (Times, 2009i). The *Independent* likewise suggested that 'by increasing government debts, we have increased the tax burden on future generations' (Independent, 2009n).

Whilst much of the political debate was internal, the utilisation of external sources to generate credibility for given discourses was also significant. Sometimes these came from external sources of authority like the IMF, at other times the structures of rectitude developed by the New Labour administration were used against them to justify a more limited role for state spending. For instance, the failure of the G20 to agree a global stimulus in early 2009 was implied by the *Telegraph* to mean that it was opposed and that there could not be such an approach in Britain (Daily Telegraph, 2009b). The paper continued to use Gordon Brown's measure of 40% debt/GDP as a gauge of what was 'sustainable', therefore concluding that it would take until 2032 until 'debt freedom day' was reached under Labour's plans (Daily Telegraph, 2009o). This is significant, for it demonstrates that the boundaries of credibility which were drawn by politicians in the Great Moderation era, setting out a variety of indicators to define such credibility, were still taken as the limits of acceptable action despite the changed circumstances and economic conditions to those in which they originated.

7.22 The alternative discourse; maintaining the need for stimulus

During the spring of 2009, there maintained a reasonable opposition discourse to that of 'no room for manoeuvre', which argued that the economic circumstances were still dire enough for the government to take all necessary action to keep the economy afloat, or that the economic logic of cutting was weak anyway. Whilst often not being supportive of government policy in general, it did at least back the economic logic of using government stimulus to aid demand and fear that reducing government spending now would actually damage confidence by removing such demand from the economy. It was most present in the left-leaning *Guardian*, but the more liberal economists of other papers warned against the economics of fiscal consolidation too, as did the *Financial Times* in general.

Seamus Milne, in the *Guardian*, told readers to 'ignore the Tories. You can't cut your way out of a slump' (Milne, 2009a), calling the deficit hysteria a 'brilliant diversion' from more serious matters (Milne, 2009b; also Hari, 2009). Seager wrote that immediate fiscal tightening 'would be a terrible mistake – the last thing you do in a downturn' (Seager, 2009; also Hutton, 2009a, 2009d). The paper tried alternative ways of framing the economic problem, with Danny Blanchflower, formerly of the BoE writing of a 'jobs crisis' (Blanchflower, 2009a; also Independent, 2009b) and warning that Cameron's alternative risked a 'death spiral of decline' (Blanchflower, 2009b). Will Hutton, in the *Observer*, was particularly prominent in this Keynesian push, warning that cutting now would turn a recession into a depression (Hutton, 2009b, 2009c), although even he accepted the need for cuts at some point in the future (Hutton, 2009c). Likewise Larry Elliott, whilst noting that 'austerity comes after a recovery' still accepted the inevitability of some cuts and put the main divide as being the 'when', rather than the 'if' question (Elliott, 2009b). American economist Robert Reich asked 'why the deficit hysteria?', arguing that 'large deficits this year and next, and even the year after that' might be needed to get the economy back on the growth path (Reich, 2009).

Jonathan Freedland argued that on fiscal policy the conservatives were 'wrong and deserve to lose' the election based on a Keynesian argument (Freedland, 2009; also Elliott, 2009d). Toynbee warned that 'just as the economy is fluttering to life, the Conservatives' one great priority will be to put it all at risk with immediate deep cuts' (Toynbee, 2009a). Even she, however, admitted that Labour's ability to shift the argument towards acceptance of the need for government support for the economy was dependent on 'anyone listening', an implication of the significance of the lost political credibility that Labour had suffered, and the impact of this on their ability to generate credibility for a recovery strategy (Toynbee, 2009b). William Keegan, like Hutton, presented classically Keynesian arguments to maintain support for government stimulus, asking readers 'who do you think is right, Osborne or Keynes? No prizes' (Keegan, 2009a, also 2009b). Again, however, he bemoaned that such a presentation 'does not seem to have penetrated far into the public consciousness' (Keegan, 2009a).

This call for a delay to cuts on a Keynesian basis was most pronounced from the *Guardian* and *Observer* in the autumn as the electoral battle-lines became clearer and economic policy looked likely to play its most important role in several elections. The paper sought external validity for this argument by quoting the IMF as saying that "one of the key lessons from the experiences of similar crises is that withdrawing policy stimulus too early can be very costly" (Guardian, 2009i), and interviewing four economists on the economy's green shoots all of whom called for maintained fiscal support (Guardian, 2009h). They noted that the cost of servicing the national debt had actually decreased in the last year, and that it was better 'to live with horrible risks that the certainty of a crushed economy' (Guardian, 2009j). Keegan maintained that 1930s-style deflation remained the major threat to be tackled, for which stimulus was the obvious answer (Keegan, 2009c), whilst even Larry Elliott called Cameron's approach 'dangerous and economically illiterate' (Elliott, 2009g). To 'slash spending now would be madness' the headline commented, calling instead for patience whilst the stabilisers took effect (Ibid.).

The paper also harked back to 1937 as a previous episode when fiscal support was withdrawn too early resulting in a lapse back into recession (Guardian, 2009k). The paper also wrote that 'it is hard to find any economists…who believe that the fiscal tightening need be as rapid or as severe as the Conservatives say' (Ibid.). Keegan called the deficit 'an integral part of the solution', as opposed to the problem itself (Keegan, 2009d).

Discussion of the rising yields on government debt was also not universally understood to highlight marked worries about the size of budget deficits. Several noted that rising yields actually represented the more positive phenomenon or investors re-gaining their appetite for private-sector risk and thus reducing the demand for government debt, which increased its yields (Warner, 2009e; also Wolf, 2009d). It was thus a function of improved economic confidence, rather than reduced confidence in national solvency. With fear of the ratings agencies developing through 2009, Warner asked 'what the point' of them was, given that they are merely 'lemmings' who follow trends, and cast doubt on the validity of their figures (Warner, 2009d). He also reported that the 'long-term prognosis for the public finances may not be as bad as widely assumed' because the taxpayer was now due to lose a lot less on bank bailouts than had initially been expected (Warner, 2009f). Even Warner, generally a fiscal conservative, warned that 'deep cuts….might make the economic malaise and therefore (the) state of the public finances even worse' (Ibid.). The real 'long-term fix' needed was 'a sustained economic recovery' which would increase tax revenues (Ibid.).

The paper criticised Cameron's attempt to seek external validity for fiscal consolidation by looking to Canada's previous example (Independent, 2009m) whilst Richards noted that his approach 'leaps over a range of economists on the right as well as the left who fear that big spending cuts imposed too quickly will damage the economy' (Richards, 2009b). Significantly, again though, even those calling for a more Keynesian approach were still obliged to highlight that cuts would still be necessary, and that this was merely an issue of timing (e.g. McRae, 2009g, 2009h; Richards, 2009a) , with Richards stating that 'there is not a single economist who does not believe that substantial cuts are required, but there is an important debate about timing and scale' (Richards, 2009b). The paper also expressed that private sector debt was the primary reason holding back growth, and thus the natural response should be to 'drink in the pure milk of Keynesian orthodoxy here… the Government had to take up the slack' (Independent, 2009q). However, reflecting centre-left concerns, Richards repeated the belief that 'away from the economic pages there is a consensus in the British media that unprecedented spending cuts are required and the sooner the better' (Richards, 2009b).

Calls for a more Keynesian approach were not completely absent amongst the more business-focused and right-wing papers either, however, although they were generally limited to one or two correspondents. In the *Times*, as was stated in section 7.21 above, Anatole Kaletsky was starting to shift his position on the value of extra spending, but had still not come to accept immediate cuts (e.g. Kaletsky, 2009f, 2009g). Describing the Budget speech as 'a good impression of Mr Bean', he nonetheless said that such an achievement on behalf of Darling was 'matched only by David Cameron, who managed in just 15 minutes to prove that Britain under the Tories would fare even worse' (Kaletsky, 2009b). Nonetheless Kaletsky moved from highlighting fiscal policy primarily, to focusing on business confidence by criticising Darling for announcing future tax rises whilst trying to increase investment and confidence and attacking the cyclically most important industry, finance (Ibid.; also Independent, 2009i). He went on to state that given that 'no one can say whether the benign scenario of rapid recovery or malign one of long recession will play out…the best economic policy scenario is simply to wait and see' instead of making drastic cuts (Kaletsky, 2009c). This provides a rare example of the kind of uncertainty posited in 2009 that was used to justify government action during the crisis period of 2008. Kaletsky called large budget deficits the consequence, not the cause, of the nation's economic problems, and warned against cutting spending until adequate growth rates returned (Kaletsky, 2009e). Even in December, he maintained that the 'morally righteous' fiscal hawks were hypocritical in showing faux concern over leaving debt to future generations whilst at the same time being willing to leave the costs of climate change to the same cohorts (Kaletsky, 2009i).

Even in the *Telegraph*, Bootle provided a single more Keynesian voice, arguing that logic demands we 'spend our way out of it' (Bootle, 2009a, also 2009c). Whilst he agreed that government spending in general was too high, in the current context it was no longer relevant given the shortfall of private spending (Bootle, 2009a). He was not consistent in this argument however, suggesting elsewhere that increasing confidence was the only thing the government could do to help the economy (Bootle, 2009b, 2009d, 2009e). Wadhwani criticised Mervyn King's intervention on fiscal policy and argued that it plays an 'important role' in balance sheet recessions of this kind (Wadhwani, 2009). Jeremy Warner, upon moving to the *Telegraph*, also wrote that 'a longer application of fiscal stimulus than would traditionally be thought wise' might be needed in this context, given the importance of growth to avoid a debt trap (Warner, 2009h, 2009g respectively). Skidelsky also criticised Osborne for offering prescriptions that whilst 'right and sensible in conditions of full employment', were 'wrong and wrong-headed when there is heavy and persisting unemployment' (Skidelsky, 2009). Even the paper's editorial once admitted in October 2009 that 'slamming the fiscal brakes on too hard before the economic recovery has become fully established could push us back into recession' (Daily Telegraph, 2009s), something that was reported as also steadily becoming public opinion (Conway, 2009c; Warner, 2009j).

In the *FT*, Martin Wolf provided a more consistently Keynesian position on the issue of the deficit and spending cuts, too. 'The government is surely right to borrow its way through the crisis', he wrote in February (Wolf, 2009b). Whilst he noted that the 'Conservatives are right to criticise the government's record as manager of the public sector…they are wrong to take so pre-Keynesian a view of public finances' (Ibid.). The paper also suggested that the zero lower bound of monetary policy was limiting its traction and the 'little difficulty' the government was having in funding its deficits meant that fiscal policy could and should be left loose for longer (FT, 2009d). Wolf agreed, talking of the ‘sustainability of stimulus’ whilst the repairing of balance sheets takes place (Wolf, 2009e). As the *Guardian* had done, Clarke invoked 1937 and warned that it ‘it is dangerous, as well as tempting, to forget how bad things looked only a short time ago’ (Clarke, 2009; also Brittan, 2009a). Thus he highlighted the extent to which the perception had taken hold that the financial crisis was over, and with it the reduced limits of discretionary governmental action. Brittan called the budget crisis ‘largely imaginary’ (Brittan, 2009a; also Stephens, 2009c). Wolf criticised both the ‘Ricardian equivalence’ and ‘crowding out’ theses of the dangers of government deficits, and called deficits the natural ‘result of the cutback in the private sector’s spending, not a cause of it’ (Wolf, 2009f). By the autumn, even Wolf was discussing the dangers of the bond markets but maintained his position that removing stimulus too early was more dangerous (Wolf, 2009g).

Whilst it is therefore important to note that a period of discursive contestation undoubtedly took place during this period, with very different ideas of economic theory being utilised to support different policy approaches, key differences in the framing of problems and different connections with existing political narratives existed between the two approaches. Notable from the above collection of pro-Keynesian media advocacy is the technical nature of the language; the credibility of the approach is derived purely from economic theory, and not from other normative criteria as was the case with the orthodox approach.[12] Significantly, the Keynesian school even partially accepted the frame of public spending as a problem in the medium-term timeframe. As such a distinctive separate Keynesian narrative did not emerge as a popularly accepted paradigm.

The significance of the strategic nature of the political process is also worth noting here briefly. One could suggest that in order to contest fiscal consolidation more concretely, the political left should have opposed the frame of the necessity of medium-term cuts also. However, given the Labour Party’s concern with regaining the economic credibility it lost with the banking collapse, such an approach would have been politically unfeasible and risked cementing the charge of being spendthrift that they were trying to avoid. In the following phase of the 2009-10 period, we observe a further consolidation of this ideational reversion as the ubiquity of the orthodox discourse increased and developed both an economic but also a moral nature, whilst the Keynesian alternative lacked this latter element.

[12] Interestingly, in the American media, both sides presented their arguments in very technical form relating to economic theory – normative discourses from the fiscal right about the oppressive size of the public sector were much less evident in the post-crisis period. In this different discursive context, a classically Keynesian boost to public spending in the form of President Obama’s ARRA was widely supported, and only later did a counter-narrative from the right start to question the basis of the ARRA and hence the wider value of public spending in a recession.

7.3 The Late 2009 – May 2010 period

Whilst there was a developing discourse of ‘no room for manoeuvre’ in early 2009 based on the high borrowing figures of the 2009 Budget and uncertainties over the bond markets, this was still not completely universal during that period. However it became much more so in late 2009 and early 2010 as the economy began to emerge from recession and the justification of waiting for the recovery therefore became weakened. Commentators who had been willing to give the government the benefit of the doubt began to accept the need for greater action on spending cuts, and the battle of ideas began to be won discursively by those of an orthodox persuasion who highlighted deficit problems as the central problem unconnected to other economic issues. In the paragraphs below, I review these shifting narratives of post-crisis economic management.

The *Times* provides a prominent example of a paper which in early 2009 had provided a mixture of opinions on the issue of spending cuts, but by early 2010 had swung almost entirely over to the side of calling for immediate cuts. It warned of default in the run-up to the 2009 PBR (Times, 2009y), with even Kaletsky lamenting the lack of credibility of the spending and borrowing targets and the undermining of good work on looking for efficiency savings by increasing pension expenditure (Kaletsky, 2009h). In the new year, the paper described a ‘most urgent need’ to plan cuts in expenditure (Times, 2010a). Whilst Kaletsky accepted that Keynesian policies ‘are now almost universally acknowledged to have contributed to economic recovery…higher borrowing and spending that made sense a year ago may no longer be relevant today and (is) almost certain to be dangerously misleading a year from now’ (Kaletsky, 2010a).[13] Indeed the paper had gone beyond questioning fiscal consolidation and begun to discuss its makeup. ‘The ability of government to support demand with fiscal policy is not there any more’, it argued, and turned to focus on the need for fiscal consolidation to entail large cuts in public spending as opposed to an increase in taxation which would ‘choke off the prospect of recovery’ (Times, 2010b).

The paper now saw evidence in history than consolidation ‘does not preclude recovery’ (Times, 2010c), and suggested that cuts were inevitable whichever party won the election (Times, 2010d; Kaletsky, 2010c). Whilst timing had often been a central dividing point on the issue of cuts, the paper now also claimed that Britain had ‘less room for manoeuvre than other advanced economies’ on this issue also (Times, 2010e). The lack of clarity from the political parties in the run-up to the election was also criticised, with spending cuts needing to ‘be spelt out to save stumbling sterling’ (Times, 2010f; also Sunday Times, 2010a). The paper also explicitly linked the poor control of public spending in the pre-crisis period as the cause of the need to cut the deficit, despite its necessary role in limiting the depth of the recession (Times, 2010g).

[13] Kaletksy still did not accept the danger of an attack from the bond markets, however, writing that Britain’s borrowing is not ‘remotely as serious as Pimco’ suggested by claiming that Britain debt was resting on a bed of nitroglycerine (Kaletsky, 2010b; Pimco, 2010).

The *Sunday Times* argued before the Budget that the ‘parallel that should truly scare us is not with America in 1937, but Greece in 2010’ (Sunday Times, 2010b). Again, the uncertainty about when a sovereign debt crisis might erupt was sufficient to make cuts necessary (Ibid.). Kaletsky called for ‘greater clarity’ in how cuts will be enacted, rather than issues of timing, to give the markets certainty (Kaletsky, 2010e). The markets were asking, the paper reported, whether the Budget would be Gordon Brown’s (i.e. profligate), or Alistair Darling’s (i.e. prudent) (Times, 2010h). The danger of a sovereign debt or fiscal crisis was still debated, with Kaletsky calling these ‘dire prophecies’ wrong (Kaletsky, 2010d) and maintaining that there was ‘no reason to panic’ (Kaletsky, 2010e). Richard Lambert of the CBI, however, still argued that the speech had ‘two audiences to aim at’; voters and the bond market (Lambert, 2010).

However as the election neared, the *Times* became increasingly critical of the apocalyptic messages from the Conservative party about the danger of the national debt, reflecting the belief that other questions now dominated such as the future of the role of the state (this theme is expanded upon in section 7.4 below). The paper called the parties ‘as bad as each other’ in their arguments on the issue of the deficit, suggested that Conservative warnings about the dangers of a ratings downgrade were ‘not credible’ and said that Cameron’s claims that the national debt could double were ‘not true’ (Times, 2010o). They began to suggest that immediate cuts from a Conservative government could threaten the recovery (Times, 2010p), although the inconsistency of their position was highlighted by articles in both the daily and Sunday versions expressing continued support for immediate spending cuts (Sunday Times, 2010d; Times, 2010q, 2010r, 2010s).

The *Independent* continued to provide a mixture of both generally orthodox and Keynesian opinions on the need to cut spending. On the one hand it agreed that the fear of bond markets was ‘overdone’ and secondary to the ‘risks of slamming on the fiscal brakes too early (Independent, 2010b; also 2010k), noting that even an advisor to the Conservative party was now warning about cutting spending too early (Independent, 2010d; also 2010h). It also suggested that whilst Brown was right about the support being provided by stimulus, the corollary of the importance of such support was that deeper than envisaged spending cuts would have to be made given that there was less underlying growth than previously thought in the private economy (Independent, 2010i). However, this was disputed by McRae (2010f) who noticed that government output was actually falling, undermining the argument that it was behind the recovery. The ‘self-healing mechanisms of the private sector are already at work’, he suggested, following that the economy didn’t therefore need the government to spend in to help it recover (Ibid.). He suggested that there was ‘no alternative’ to austerity and as elsewhere cited Sweden and Canada as examples of successful expansionary fiscal consolidations (McRae, 2010g).

The *FT* likewise straddled the divide with a belief in the inevitability of austerity in the medium term and the need to take cuts seriously supported by a concern about cutting support for the private sector too soon. Martin Wolf maintained his Keynesian stance that to believe in expansionary contractions was ‘to believe in magic’ (Wolf, 2010), and that ‘there is a huge risk – in my view, a certainty, that (fiscal consolidation) would tip much of the world back into recession' (Ibid.). But whilst 'the government is right not to cut too much too fast', this was deemed 'no excuse not to plan' future cuts, with the paper noting that spending cuts 'must do the brunt of the work, not tax rises (FT, 2010a). The paper on the one hand framed the Budget as an opportunity to display Labour's longer term attitude to the role of the state (FT, 2010b), but on the other criticised Darling for not covering measures to reduce the deficit enough in it (FT, 2010c, 2010d, 2010e, 2010f, 2010g).

The *Telegraph*, maintained that the 'case for swifter and more aggressive action on the deficit is pretty much unarguable' (Warner, 2010b), and suggested that markets, not politicians would decide how much debt was too much (Warner, 2010a). Generally, the *Telegraph* maintained its focus on the danger of a sovereign debt crisis, warning that the developing crisis in Greece could be matched in the UK if markets lost confidence in the path the government was taking (Conway, 2010a; Halligan 2010a; Warner, 2010c). Austerity was no longer viewed as an option but as something the markets would impose inevitably, whether the government of the day liked it or not (Warner, 2010c; also Daily Telegraph, 2010b). The agency of governments to decide upon such a decision was therefore not only questioned, but actively undermined (Warner, 2010d). Evans-Pritchard called for looser monetary policy to offset the impact of cutting spending, but that there was no alternative to cuts because of the risk of a gilts strike (Evans-Pritchard, 2010).

Much of the paper's framing of the 2010 Budget was done in relation to its impact on investors and the dangers of a gilt strike. Its front-page lead the day after the Budget called 'the verdict in the city' as being 'swift and damning' (Daily Telegraph, 2010c). It declared the statement a 'seminal point: the moment at which investors signalled that they had lost faith in Labour' (Ibid.). It suggested that 'bond vigilantes and rating agencies gave a frosty reception to the Budget' (Daily Telegraph, 2010e; also Sunday Telegraph, 2010a), alongside the business community which issued a 'damning verdict' in which less than half of those polled actually believed it would damage the economy (Daily Telegraph, 2010g). Halligan gave faint praise to the Chancellor for not offering a spending boost which 'would have caused a sovereign debt downgrade and an instant run on the pound', but maintained his assertion that the 'UK is close to bankrupt', calling Gordon Brown a 'fiscal vandal' (Halligan, 2010a).

The *Daily Mail* similarly continued the theme of British public spending 'testing the limits of the market's confidence' (Daily Mail, 2009i), declaring that 'we're all cutters now' (Daily Mail, 2009l). The paper took external credibility for these positions from the IMF, the EU (somewhat ironically), and think-tanks such as Policy Exchange (Daily Mail, 2009i, 2009n, 2009o respectively). The apparent success of austerity in Ireland was also sold as further justification of this policy (Daily Mail, 2009r). In relation to the PBR, it increased its cataclysmic language, warning of 'financial armageddon' and a 'ticking time bomb' of sovereign debt (Daily Mail, 2009p; Brummer, 2009c respectively). Darling was playing 'a dangerous game with the country's finances', Fleming concluded (Fleming, 2009b).

Whilst for many of the other papers the intricate economic arguments over the timing of deficit reduction and spending cuts was starting to lose its importance in favour of the issue of the vision of the major parties over the role of the state, for the *Guardian* public spending was still the central dividing line. It maintained that this was the 'most important conflict' in the upcoming election (Guardian, 2010f, also 2010d), and continued to maintain a wariness of cutting too much and too soon into a recovery. It developed this argument using both a validity and normative approach.

From the validity perspective it attacked the economic logic of such an approach and sought to quote a variety of sources calling for a slower approach to public spending cuts. Firstly it highlighted that the Liberal Democrats were siding with Labour's argument over this side of the debate (Guardian, 2010b, 2010c), and quoted Treasury sources as denying that any firm evidence existed that 'the markets would demand an increase in interest rates to service government debt if there were no cuts in spending in 2010-11' (Guardian, 2010e). It also quoted Conservative doubts about its own fiscal strategy, reporting some back-tracking on the initial pledge to start cutting as soon as a new government was formed (Ibid.; Elliott, 2010a). Elliott also noted that the IMF's reports were essentially an endorsement of Labour's position (Elliott, 2010b; also Guardian, 2010x). The paper reported high profile economists and businessmen who criticised such an expansive fiscal approach (Guardian, 2010g, 2010h, 2010n), but criticised them in an editorial by stressing that 'the public deficit is essential' in a time of economic weakness (Guardian, 2010i; also Guardian, 2010j). Davies noted the 'great rift' that had opened in the economics profession by the topic, but unlike other papers, the *Guardian* didn't draw the conclusion that it wasn't necessarily therefore the most important issue (Davies, 2010). It praised the economists opposing immediate spending cuts for their 'more intellectual modesty, and that the danger of high unemployment favours their approach' (Guardian, 2010k). Hutton (2010b) accused those calling for spending cuts for favouring a 'debt morality' over 'good economics'.

Despite this, however, there was also an occasional moral side to the *Guardian*'s argument. Firstly it criticised the rights of the credit rating agencies to be an arbiter of the nation's finances when they were so badly wrong on the finances of major banks before the crisis, and suggested that their lack of impartiality or accountability meant they should have no say on 'how and when the debt is repaid' (Guardian, 2010a). Hutton agreed, noting that 'the fate of millions should not be determined by the not very good economic analysts at the credit-rating agencies' (Hutton, 2010a, also 2010b, 2010c). Keegan added that 'in many cases these advocates of austerity for others are the same people who brought the economy to its knees', and that they had therefore lost credibility to have a voice (Keegan, 2010a).

However, this demonstrates a rather limited re-framing of the significance of institutional financial voices in economic policy credibility from the pre-crisis era. Whilst many of the articles above demonstrate that perceptions of who held economic authority had not been greatly altered by the crisis, those arguing here for a shift in such authority are much more limited. Thus the great majority of the pre-crisis economist elite were to maintain a public perception of authority despite failings in the pre-crisis epistemic communities which held shared beliefs on the economy. It is noteworthy that the ratings agencies, those closest to the perceived failure of gauging the risk of debt, were the only ones to be tarred by the crisis, whilst others who held similar economic beliefs maintained their perceived authority. Again this demonstrates the limited diffusion of blame, which in turn helps to explain the limited diffusion of crisis and a more radical re-shaping of perceived authority to speak on economic affairs. The wider neo-liberal edifice was therefore not toppled because only certain elements of its structure were discredited through the crisis.

The chancellors' pre-election debate was also used by the paper to highlight the economic logic of Labour's argument by the paper. Talk of dealing with the problem sooner rather than later 'is economic nonsense', it warned (Guardian, 2010s), whilst Toynbee claimed that the Tories' policies got 'an embarrassing raspberry from the world's economists at Davos', and suggested that Labour was now scoring well on the economy 'because it is right: to cut now is dangerous' (Toynbee, 2010a). It focused on the IFS's questioning of making efficiency savings too early, and debate over the 'risk' of Osborne's National Insurance plan (Guardian, 2010t, 2010u, 2010v, 2010w).

However, for the most part the call for a delay to spending cuts stayed largely in the realm of a technical economic analysis of the situation, and only rarely entered into a more moral or normative pitch to the public. Whilst the two sides of this debate held mutually exclusive opinions on the economic priorities of the time there was therefore relatively little room for rapprochement between them. Whilst the austerity discourse was more prevalent in the media than the Keynesian one, there was a sufficient element of each to largely cancel each other out. However whilst the austerity discourse was tied in to other existing normative beliefs within political and economic discourse, this could not be said to the same extent for the Keynesian approach. This argument is expanded upon in the sections below.

We can therefore observe in this time period a notable reversion to the important pre-crisis discourse of 'no room for manoeuvre', demonstrating the lack of ability on the crisis' behalf to radically alter perceptions of economic imperatives. The lack of immediacy for action once the worst of the crisis has passed also removed the window of opportunity for a shift in the role of the state. The beginnings of a shift to more medium-term timeframes also supported the strength of the orthodox discourse, which was able to align with existing preferences for a smaller state and lower taxes better than Keynesianism. Whilst this was by no means a complete process, the blend of economic and normative ideas behind austerity certainly outweighed the more singularly economic arguments of Keynesianism; whilst austerity was able to target both hearts and minds, Keynesianism was only aiming at one.

7.4 Public sector cuts and deficit reduction as a pre-requisite for economic growth

The first way in which austerity was able to tie itself to existing discursive strands was in its link to the sense that the British state had grown too burdensome, and that cutting the size of the state may therefore increase economic growth because of the lower future taxes that would arise from this. This was therefore an explicitly Ricardian narrative; the idea that a fiscal contraction could actually lead to economic growth by improving the medium term tax and interest expectations of investors and hence driving investment and production to increase, counteracting the negative demand-effect of a reduction in state spending. Whilst this argument was debated academically between economists for several years, and is arguably still on-going, its presentation in the media was rarely purely statistical and econometric, but often also a normative judgement on the type of state that was wanted for the future.

Firstly the level of spending was presented as a burden not only to the current taxpayer, but to future generations also. The construction that developed was that without cutting there would be left for future generations a burden of higher taxes. This legitimised austerity by creating a dualism whereby to oppose cutting was to be in favour of leaving such a burden. Randall presented it in exactly these terms, declaring the 2008 budget a ‘profusion of unaffordable spending…not just for this generation, but for the next and the one after that’. Likewise the *Independent* claimed that increasing government debts ‘increased the tax burden on future generations’ (Independent, 2009n). Warner explicitly linked the government’s strategy of ‘fighting debt with debt’ as something that would ‘undoubtedly…burden future generations’ (Warner, 2010f).

McRae questioned whether constitutional change was needed to prevent a present government creating a debt burden that future generations will ‘have to work to pay off’ (McRae, 2009f). The *Independent* also linked the issue of burdening future generations with that of re-thinking public services. The need to find efficiencies in what were deemed overly bureaucratic and managerial public services was the only alternative to allowing them to continuously take up an ever greater share of the national income (Independent, 2009p). Again, here, the rhetoric of New Labour’s economic governance strategy came back to limit their discursive space for more explicitly Keynesian action. The significance placed by Gordon Brown on not leaving a burden on future generations in his first golden rule clearly still normatively influenced the broadsheet press’ understanding of the public finances, and worked to create an innocent victim, future children, to the decision to spend.

A Keynesian counter-argument, prevalent later in the American media through the writings of Paul Krugman, was largely absent in Britain, leaving this claim unchallenged. Such an argument questions the debt burden on future generations, noting that debt/GDP ratios fall over time even with a balanced budget due to inflation. As such, Krugman argued that the western world should pursue a higher inflation medium term strategy than the 2% limit that was currently the target of many countries, with such a moderate monetising of debt unlikely to impact on the financial credibility of governments (Krugman, 2012).

Secondly, stagnant economic growth and the rise in state spending were used to argue that the medium term development of the British economy was dependent on a reduction in the size of the state. Moreover, stimulus spending was rolled into a single frame with the belief in the development of a larger state *in general*, as opposed to a time-limited stimulus which doesn't necessarily imply such a permanent increase in the size of the state at all. The clear links between such arguments and those of the pre-crisis period are particularly tangible. Randall proclaimed Labour's vision to be 'the triumph of a suffocating state over personal responsibility, self-sufficiency and wealth-creating enterprise' (Randall, 2009b). Halligan declared that 'the mess we're in was largely caused by too much state intervention' (Halligan, 2009a), whilst the *Sunday Telegraph* argued that 'the best way to restore our credibility and our finances is to cut back the size and activities of the state' (Sunday Telegraph, 2009d; also Randall, 2009c).

The *Sunday Telegraph* continued that a 'sufficiently rigorous shake-up of Labour's bloated client state could well obviate the need for higher taxation' (Ibid.). Reece agreed with the general tone, arguing that what was needed was the 'liberating of the rest of society from the impoverishing effects of an over-bearing and over-funded and wasteful state sector' (Reece, 2009d). Public spending, he therefore argued, 'will serve only to suffocate sustainable, long-term output growth driven by private enterprise' (Ibid.). Warner, by October 2009 a writer for the *Telegraph*, agreed, stating that 'the public sector has reached an unaffordable and stiflingly large size' (Warner, 2009k).

Likewise in the autumn, the *Telegraph* wrote that 'reducing the deficit is essential if Britain is to thrive in the coming years' (Daily Telegraph, 2009w), and stated that 'a bigger state is not the route to recovery' (Daily Telegraph, 2009z; also Conway, 2009e). Whilst they criticised Brown for only selling 'corporatism' to the CBI, they claimed that David Cameron 'clearly grasps the fundamentals of economic recovery' by highlighting that cutting spending is essential for growth, not damaging to it (Ibid.; also Daily Telegraph, 2009u, 2009x, 2009y). Keynesianism was therefore explicitly being sold as a permanent increase in the power of the state sector over the economy, something incompatible with the discursive norms of the pre-crisis period.

The need to cut back the state in order for private sector growth to flourish therefore partially drew on the discourses of the need to assist corporate capitalism through the usual supply-side measures of the previous autumn. The lack of a crisis of the corporate sector meant that the usual methods were necessary to stimulate them, and that the reduction in state interference was clearly one of the principal measures here. Popular distaste for 'red tape', 'bureaucracy and 'regulation', despite the role of a lack of regulation in the financial crisis, tied in with the potential for fiscal consolidations to increase growth. Again the desire to cut regulation highlights how crisis and the failure of ideas in one sphere of governance does not necessitate that such an idea remains a failure in all other spheres, thus highlighting again the lack of diffusion of ideational turbulence in the financial system. Given that increased government spending was in itself deemed a form of interference, the necessity of cutting spending to stimulate economic growth was created.

The *Times* suggested that 'an essential part of the (economic) strategy must be a resurgence in economic growth' (Times, 2009z). The best hope for this, it believed, was in exports and business investment. The one area of state spending which should be maintained, they argued, was capital spending, the decision of which to cut in the 2009 Budget would have 'damaging long-term consequences' (Ibid.). Warner presented '10 ways to help restore growth' by promoting largely supply-side measures focused on easing the path for business investment, cutting taxes and red tape (Warner, 2009l). Warner also warned that any planned increase in National Insurance 'threatens to knock the stuffing out of any private sector recovery' (Warner, 2009n). Simon Heffer complained that the 'tax rises on the so-called rich show that Labour has no regard for the creation of wealth, and an understanding that its creation is what makes everybody more prosperous' (Heffer, 2009). Moreover, however, the paper also argued that 'piecemeal restrictions on departmental budgets' would be insufficient to achieve sustainability for the state in the medium term, with major cuts to entire programmes and departments required instead (Times, 2009aa).

The *Telegraph* created an interesting zero-sum dualism by complaining that 'the private sector is taking the full force of the recession, while public services actually grew' (Daily Telegraph, 2009p). Implicit within this is the 'crowding out' assumption that if public services were cut, this would create an equal and opposite positive reaction in the private sector. Halligan called 'Keynesian nonsense – disproved again and again throughout history' the idea that lower spending would 'choke' the recovery (Halligan, 2009g; also Daily Telegraph, 2009q), whilst Warner complemented it by suggesting that 'the Chancellor's economic justification for (delaying fiscal consolidation), that it will support growth, also looks questionable' (Warner, 2009n). Conway jumped on the presentation of evidence of successful expansionary contractions to argue that 'in previous episodes of fiscal consolidation, the deficit cuts promoted rather than hindered the recovery' (Conway, 2009d). Even Roger Bootle, who declared himself 'unconvinced by the applicability' of the relevance of this argument to the current context, maintained that deficit reduction, if done carefully, could still 'aid recovery prospects' by 'increasing the confidence of businesses and households' (Bootle, 2009f).

Finally, for many the route to economic recovery was dependent on the confidence of investors in the British economy, which in turn was dependent on the government showing commitment to deficit reduction. The *Times* reported that 'Alistair Darling is considering fierce public sector spending curbs and deferred tax rises to convince markets that Britain will emerge eventually from its massive debt' (Times, 2009h). The paper also believed that 'any stimulus package is unlikely to have any effect other than to strain an already over-stretched balance sheet' (Times, 2009j). The paper also framed the key task of the 2009 PBR as firstly putting 'the UK's public finances on a pathway to stability over the medium term' (Times, 2009z). They also fell on the side of a fiscal 'correction geared to spending cuts rather than tax increases', something that 'history shows…is more likely to deliver debt reduction (Ibid.).

Likewise for the *Sunday Telegraph*, 'the most important task facing the next government is to maintain investors' confidence in Britain's public finances and restore those finances to order', and concluded that 'there will be no hope of pulling out of recession, or indeed of avoiding a deep and lasting depression, if foreign investors decide they will lend to us only at extortionate rates' (Sunday Telegraph, 2009d). Reece agreed, arguing that 'the state's liabilities are so big and potentially destabilising that they now seriously endanger any nascent recovery' (Reece, 2009d). He described New Labour as 'having gorged on debt to turn us into the world's most financially obese nation' (Reece, 2009d). Warner likewise stated that 'we risk an equally unpalatable world of higher interest rates and ever more ruinous public debt', which he described as the 'most immediate' problem (Warner, 2009i) leading to 'a real chance of a fiscal crisis' (Warner, 2009l).

Thus in the right-wing press a strong discourse was emerging during this period linking the importance of deficit reduction, the danger of the financial markets shunning government debt, the need to reduce the size of the state and the need to ease conditions for corporate businesses to produce again. It is worth stressing that these discourses were most prevalent in the conservative-leaning papers, particularly the *Daily Telegraph,* but nonetheless it highlights the extent to which a uniform picture was developing across this section of the media of the principle problems of the financial crisis for the British state and the necessary solutions to solve them. The analysis of the factors influencing the future growth of the economy bore all the hallmarks of the pre-crisis arguments about the bloating of the public sector and the sapping impact of regulation and red tape on business, and therefore saw a supply-side and small-state solution as necessary. Another of these discourses which re-emerged during this period was that of political trust, which was increasing as an issue of valence due to the 'MPs' expenses scandal'. As is shown in section 7.4 below, the lack of trust in New Labour and with it their approach to governance was drawn into the issue of spending cuts during this period.

7.5 Stimulus, spending cuts and political trust

As was stated above, stimulus spending was often discursively linked to political trust, with questions about Gordon Brown's ability to spend money 'objectively' as opposed to 'politically' being used to question the wider benefit of spending regardless of the recession context. The issue of political trust itself also became more prominent through 2009 with the MPs' expenses scandal dominating non-economic news and the growing sense that there was no clear answer to the austerity versus stimulus debate, which in itself drew other topics back into the analysis for the press when choosing between the merits of the major parties. Thus the increasing lack trust in

Gordon Brown individually, the Labour government in general, and the need for spending cuts coalesced to provide legitimacy for retrenchment.

The growing resentment in the media of the perceived 'spin' from the Blair and Brown governments on all policy announcements led to a common call for 'honesty' in the face of economic crisis. This demand from the media generally included being up-front about the 'true cost' and 'damage' to the public finances, and the need to set out a clear timetable for getting them back under control. Thus whilst commentators continued to critique the government for failing to meet this constructed imperative, the issue of the economic logic behind the government's decisions was downgraded in importance. The frame of the need for more political 'honesty' was transferred over to the issue of justifying spending cuts more than was the case for justifying expansion. The term 'honesty' was equated with being up-front with the public about the true damage to the public finances, and thus also being 'honest' about the scale of the spending cuts necessary to rectify this. Thus a fiscally orthodox position was required in order for a politician to meet this frame, with no alternative in place discursively for 'honesty' to require that politicians spell out the scale of the necessary fiscal expansion in order to counter-act a private-sector downturn. This section will seek to demonstrate the existence of this frame and its prevalence in the media coverage during this time period.

The first element of this discourse was the usage of the pre-crisis discourse of Gordon Brown as an exceptionally 'political' chancellor to critique the use of government spending as a solution for crisis. In its coverage of the 2009 Budget, the *Times* argued that a large scale fiscal boost would just allow sectional interests to take government money for purposes of little public interest (Times, 2009b), thus critiquing the corporatism of Brown's economic management and supporting the notion of the client state posited by the *Sunday Telegraph* (Sunday Telegraph, 2009d). The growth projections used to justify Darling's figures in the 2009 budget were widely questioned as optimistic (Times, 2009q), with the *Times* therefore criticising the lack of honesty about the scale of the problem from the government (Times, 2009s). It claimed that 'New Labour is not credible after this Budget' (Times, 2009t).

Important within this was the claim that the Budget represented class-warfare with an 'old Labour' approach to society. 'Gordon Brown has not been able to detach himself from the tribal prejudices of his party', the paper continued (Ibid.), whilst Simon Heffer in the *Telegraph* opted for a more blunt approach, labelling 'the idiocy, bigotry, tribalism and sheer class hatred of the Budget' (Heffer, 2009). Even Kaletsky, a self-declared supporter of Brown's economic reasoning, recalled the socialism of Labour's 1983 election manifesto in calling his approach to the crisis 'the longest assisted suicide in history', (Kaletsky, 2009d). It was his 'political misjudgements, not his economic decisions (that) lie at the heart of his personal tragedy', he claimed (Ibid.). Instead of honestly outlining the situation with the public and calling for patience whilst the fiscal stabilisers took effect, he tried to set political traps for the Conservatives which simply 'blew up in his face' (Ibid.).

This fitted into a developing theme of the period, expanded upon below in section 7.5, that the economic plans for recovery of the two major parties in this period were not the defining electoral clash that would influence the vote, but rather that other issues would be the central defining topics in the election. As such, whilst many suggested that Labour had taken broadly the right strategy since the beginning of the crisis, this was in itself insufficient to allow the papers to support them in the election, with several therefore falling back on their central complaints of the Brown era from the pre-crisis period in shaping such support. Moreover it demonstrates the significance of the received wisdom that Labour's electoral success stemmed from a shift to a more centrist position under Tony Blair, and thus that Brown's 'class warfare' approach was thus a switch back to the unelectable left-wing pre-1994 Labour Party. Again this serves to highlight the continuation of major political discourses throughout the crisis period, and thus the ideational blockade preventing a wider re-imagining of the political-economic contours of the country post-2008.

Labour's attempt to 'apolitically' run the public finances was also critiqued. Darling's attempt to impose a rule making deficit reduction legally binding was quickly analysed by the *Times* as having 'no economic merit but a transparent political rationale: to win for the Government a credibility in fiscal management that it has lost' (Times, 2009ak). It noted that both of Labour's last golden rules proved 'irrelevant' in the current economic crisis, and that a new one would prove equally so in future crises (Ibid.; also Stephens, 2009b).

The *Sunday Times* critiqued the 2009 PBR for offering 'no credible plan' on getting borrowing down, despite it being at 'levels that led to Greece being downgraded last week' (Sunday Times, 2009a; also Sunday Telegraph, 2009a; Times, 2009x). It called the PBR 'Labour's jumbo deficit deception' (Sunday Times, 2009b, also Sunday Telegraph, 2009f), and quoted economists calling Brown "irresponsible" for failing to set out "even the rudiments" of a consolidation plan (Sunday Times, 2009c). Stephens, writing in the *FT*, was the bluntest about Labour's woes. 'In other circumstances', he wrote, 'Brown's suggestion that the financial crisis has boosted progressive parties and highlighted the need for renewed state activism might be right' (Stephens, 2009a). However, he continued that 'the media has pretty much stopped listening to the government' (Ibid.). This sums up most clearly the lack of trust in government reporting that pervaded media analysis during the period, and highlights the impact of the loss of such political capital on the media analysis of government policy.

The *Telegraph* took a similar view of the honesty of spending projections. It claimed that Darling's reputation was in tatters at the failure of the Budget to offer an honest assessment of growth forecasts (Daily Telegraph, 2009d; also Independent, 2009e). It provided the dualistic options for him at the Budget as being to 'confront the scale of the crisis facing the country honestly and implement the inevitably painful measures needed to prevent a decade or more of stagnation…or he can evade his duty' (Daily Telegraph, 2009j).[14] It similarly provided a class warfare narrative to the Budget, calling it 'shabby cynicism' (Daily Telegraph, 2009m) and

[14] A frame of austerity being the more patriotic option can therefore also be noted, here.

accusing Labour of a sectarian streak in its handling of the Budget (Brogan, 2009a, 2009b). The paper made a connection between the nation's current woes and Brown's lack of connection with Middle England (Martin, 2009). Vince Cable joined the attack by writing an op-ed piece accusing the government of symbolism over solutions (Cable, 2009). Tregfarne wrote that it was only the more honest approach of Osborne, who the markets were already expecting to be the next chancellor, which was keeping the gilt markets from erupting (Tregfarne, 2009). Halligan went even further, calling the danger of deflation a myth dreamed up by the government to allow it to 'pursue wildly expansionary fiscal and monetary policy and perpetuated by the vested interests benefiting from such largesse' (Halligan, 2009b). George Osborne pounced on this perception of the lack of trust in Labour's economic reporting by arguing that Labour's 'electioneering is putting confidence in Britain's economy at risk' (Osborne, 2009). The *FT* took a similar approach, criticising government policy for 'focusing on headline-grabbing initiatives' rather than 'addressing the most important issue in British politics: the fiscal crisis' (FT, 2009m).

Even the *Guardian* had an element of criticism for the focus of government policy, with Simon Jenkins (2009) noting in relation to the extra spending on projects such as the Olympics and Trident, which would far outweigh the efficiency savings promised in the Budget, that 'any fool can raise a tax. But it takes a gutless one to splurge it on this stuff'. Whilst the focus of complaint was more on the power of lobbying than the trust of the government, it produced the same discursive complaint that the focus of government was wrongly aimed at prestige over prudence, and that there was room for cutting unnecessary spending.

Whilst the paper generally supported the government's fiscal logic over the Conservatives' at the time, even they noted that Brown's approach 'looks like a ragbag of ideas designed to score political points' (Elliott, 2009f). Even the *Observer* (2009f) accused the PBR of representing a 'new class warfare' aimed at bolstering Labour's base before the election. Andrew Rawnsley maintained the theme of criticising the political nature of Brown's and Darling's economic statements by noting in the paper that to complain that the PBR was 'political is as futile as deploring bears for defecating in the woods' (Rawnsley, 2009). He described the key audience for the statement as the bond markets, for which it 'so badly failed the credibility test' (Ibid.). The *Independent* took a similar line, calling the speech 'more shaped by politics than economics' (Independent, 2009s). Both papers noted that whilst they supported Darling's argument over the timing of cuts, the credibility of the government had still failed because they had failed to present a medium term timeframe of deficit reduction to reassure the bond markets that fiscal consolidation would take place at some point.

The *Telegraph* also criticised Keynesianism on the basis that it assumed the government knows best on the economy (Daily Telegraph, 2009r), with Halligan also countering the use of Keynes to justify expansion by arguing that 'Keynes' work is being used…for short-term political ends to which, in my humble opinion, the man himself would object; because Keynes wasn't, in fact, a "Keynesian"' (Halligan, 2009e). The *Sunday Telegraph* added an interview with the University of

Chicago's Gary Becker who argued that the crisis had 'been overstated to advance a sweeping collectivist agenda' (Sunday Telegraph, 2009f).

The analysis of the 2009 PBR was largely undertaken in the same vein, with Randall accusing Darling of choosing 'electoral expediency over fiscal integrity' (Randall, 2009d) and Halligan suggesting that the PBR was purely electoral, not economic. He accused Labour of 'dishonesty' which was 'leading us down the road to sovereign default' (Halligan, 2009h). 'Brown's prolonged Keynesian boost has exacerbated the long-term fiscal damage', he argued (Ibid.). D'Ancona followed a similar tone, accusing Labour of being 'not a government, just a clunking electoral machine' (D'Ancona, 2009), with the *Telegraph* again referring back to the 1970s, calling Brown's cabinet 'class warriors' (Daily Telegraph, 2009ac).

The *Daily Mail*, whilst relatively quiet on the topic of fiscal consolidation as an engine for growth, focused in particular on the issue of political trust, framing spending cuts as an integral part of a politicians' honesty (Daily Mail, 2009k). Likewise, leaving the issue for the following parliament, or future generations, was a dereliction of public duty (Daily Mail, 2009q. The decision to delay cuts was taken not as an economic decision based on the recovery but as an electioneering stunt by Labour to win votes whilst hoping that 'fantasy' economic growth would do much of the work for them (Fleming, 2009a; also Daily Mail, 2009f). The MPs expenses scandal was rolled further into the political trust frame, with the *Mail* arguing that if 'we can't trust MPs with their expenses, we can't trust them with public spending' (Daily Mail, 2009h). The paper argued that the 2009 PBR was aimed at 'shamelessly' rousing the 'party faithful rather than acknowledging the sorry truth about our national predicament' (Hastings, 2009). Likewise Cameron's rising poll numbers was taken as a reflection on his 'candour about spending cuts (Daily Mail, 2009m). The theme was continued at the 2010 budget, which the paper called a 'naked appeal for Labour votes' (Daily Mail, 2010a; also Daily Mail, 2010c) and joked that the 'fraud squad would have been called in' if Darling's financial statements had been given by a business (Daily Mail, 2010b).

A particular theme developed was to compare to previous Labour governments who had cut spending to legitimise doing again now. Sandbrook highlighted Snowden as a man who had 'put the national interest ahead of party advantage' and whose fiscal consolidation 'did the trick', with 'Britain recover(ing) from the Depression faster than any other major nation' (Sandbrook, 2009). Continuing this theme in 2010, Sandbrook also noted Attlee as a Labour leader who 'put economic discipline ahead of spin and spending', and 'long-term recovery ahead of short-term popularity' (Sandbrook, 2010).

The Conservative Party wasn't immune to criticisms over honesty either, but this criticism tended to re-enforce the existing frame as opposed to countering it. With their poll lead reducing in the face of the discussions of deep cuts to public services, the party avoided presenting their plans as being simply to cut. Thus they too were criticised for dishonesty, with the *Telegraph* suggesting that 'none of our politicians appears to realise what a mess we're in' and adding they 'have to understand not just that they have to cut spending, but that they have to cut it by far more than they imagine' (Daily Telegraph, 2009v). Likewise Halligan suggested that the Tories were 'wilting in (the) face of economic honesty' (Halligan, 2009f). However, for the media, this lack of honesty didn't alter the fundamental importance of the deficit, merely it represented evidence that the British people were not sufficiently prepared for the likely effects of austerity at this stage. It did not therefore alter the framing of economic importance that the media was employing, but actually re-enforced the suggestion that politicians must be more upfront about the spending cuts to come, which in turn reduced the discursive scope to question this underlying assumption that they were inevitable.

Moving into 2010, the idea of political trust was argued by Kaletsky to be more important than economic arguments. 'What most voters focus on is not economic theory', he argued, 'but broader issues of trust, judgement, character and ideology' (Kaletsky, 2010a). If they did, he suggested, Brown might have a decent chance of winning the election, but realistically this was not the case. Indeed the *Times'* coverage of the 2010 Labour Budget focused almost exclusively on trust, and framed credibility in this regard as not offering a 'political' Budget. It framed Darling's credibility as depending on spending cuts, and criticised the government for avoiding 'a grown-up debate about what government is for' (Times, 2010i). The paper warned him against choosing 'petty politics' within his Budget measures (Ibid.). Ultimately, the speech was deemed to have failed to have met these conditions, with it being called 'nakedly' and 'breathtakingly' political (Times, 2010j; 2010k respectively). The *Sunday Times* called it a 'blatant exercise in dishonesty' (Sunday Times, 2010c). Likewise the *Telegraph* attacked the Budget for putting party political interests ahead of its perception of the needs of the country at large. Calling it an exercise in 'audacious conceit and ruthless political calculation', it noted that only Roy Jenkins of modern Labour chancellors has put the country before the party, and 'nobody would have expected either Mr Darling or Gordon Brown to act so nobly' (Daily Telegraph, 2010d). The paper called it 'short on policy…made up for by an overload of politics' (Daily Telegraph, 2010f).

There was therefore an explicit link drawn between the need for political honesty and the need to produce evidence of planned spending cuts by the media in the pre-election period. With political honesty having been a major theme in the pre-crisis period, and this having become more so in the face of the MPs' expenses scandal, 'confronting the scale of the problem' became a common frame of reference in relation to the financial crisis and the impact of government budget deficits. Those who provided most detail about what would be cut, where and when, were rewarded with the tag of honesty, and those who avoided talking about the issue in an attempt to turn attention to other topics of political debate were tarred with being 'political'. The developing 'anti-politics' theme tied into such a frame neatly; the scale of the economic crisis called for politicians to put the country over personal political gain, and as such those who acted 'apolitically', or 'objectively' in their acceptance of the stringent effect of the budget deficit were deemed most honest, and implicitly even patriotic. Meanwhile those who refused to be straight with the public about the scale of the problem and the necessity of spending cuts were re-enforced as the dishonest politician whom the public was represented as growing increasingly weary of. Thus, fiscal consolidation was tied in discursively to the issue of political trust, for which there was no alternative for the alternative economic approach. The policy choice therefore developed an external validity through such an approach that stimulus could not. Moreover, the increasingly prevalence of this discourse in late 2009 and early 2010 increased the dominance of the austerity discourse in the media.

7.6 Non-state foundations of economic growth

One of the developing discourses of the crisis period the previous autumn had been that fiscal policy alone could not solve the problems of the British economy, which served to undermine using it at all. Whilst this was still emergent in late 2008, and had not become so ubiquitous as to make the majority of the press criticise the 2008 PBR's moderate fiscal loosening, by 2009 the discourse of 'no room for manoeuvre' which had accompanied the end of the crisis period for the financial system tied in with it to develop it into a wider lack of belief in the worth of taking what was now considered a 'fiscal risk' by increasing spending with the financial markets apparently so jittery about the prospect. Such a discourse built on common perceptions of globalisation as limiting the capacity of fiscal policy to play a major role in directing and stimulating growth, and as a consequence the belief that the most successful method of state-stimulated growth was by 'creating the conditions for investment' which tended to utilise more supply-side functions. The focus of the problem as one of deficits rather than growth has already been highlighted in the literature (Hay, 2013). This section again demonstrates the significance of the pre-crisis perception of the relative weakness of the state to influence growth rates through fiscal policy as the key explanation for this.

Much of this was based, as has been broached in the sections above, with the central economic need beyond fiscal policy being to satisfy financial markets to avoid increased interest rates on national debt. The centrality of financial markets to the economic debate of 2009, and the uncertainty about how they would act in the face of high budget deficits, justified the discursive importance of cutting spending. Again it is worth noting that there was very little social scientific evidence supporting the notion that financial markets were likely to stop buying British government debt and that there was any specific limit beyond which spending and stimulus could go, but the constructed centrality of the financial markets to the economic debate meant that policy which best pleased them was deemed most credible, and this invariably involved deficit reduction, even if it was delayed until after the recovery had taken hold.

This need to satisfy the markets applied across the spectrum, with Hamish McRae in the *Independent*, describing himself as having been 'critical of the surge in public borrowing' but accepting of its role in 'restricting the scale of the decline' stating that the following summer, as growth returned, 'a clear path will have to be set out for fiscal consolidation' (McRae, 2009b; also

McRae, 2009c). Two of the four economists interviewed by the paper before the Budget about what they would do if they were the chancellor cited the importance of satisfying markets by reducing deficits, with a further one highlighting the need to cut spending without mentioning markets specifically (Independent, 2009d). Only Adam Lent of the TUC called for further stimulus (Ibid.). Jeremy Warner, whilst still with the paper, said that 'bolstering confidence must be the Chancellor's Budget priority' (Warner, 2009b). For the *FT,* Buiter wrote of the tough balancing act between tightening 'too soon and the economy risks stalling again, or you tighten too late and you provoke a sovereign debt and sterling crisis' (Buiter, 2009b). The paper elsewhere talking of the 'tightrope' that Darling was walking, needing to 'reassure investors that the government has a credible plan to restore the public finances' (FT, 2009n).

The concept of 'credibility' in terms of future plans was tied up inextricably with cutting spending, for the other way to close the deficit, high levels of economic growth, had already been rejected as unlikely and out of the government's control by the commentariat. For Buiter, then, the government needed to 'inflict political pain on itself today, as a signal of its long-term commitment to fiscal tightening' (Buiter, 2009b). John Gieve, a former member of the BoE's Monetary Policy Committee also wrote in the paper of the need for markets to know what 'further measures' the government will take 'to get the deficit back to the published path' (Gieve, 2009). The FT highlighted the increased yield on credit default swaps on British government debt, up by 77 basis points by the time of the Budget from summer 2008, as evidence that as long as investors 'continue to fear in a general way that UK debt levels – and bail-out packages – are set to grow…they will remain nervous about the credibility of gilts' (FT, 2009h).

Again, this section ties in most notably with those in the earlier section about the importance of global credit markets in the press' thinking. What we therefore see is a continuation in the fear of the role of global credit markets and an assumption that national economies are dependent on these. Thus there developed a belief that the markets must receive whatever they wish to help them get the economy lending again, and what they required was a cut in the size of the state, because the size of the debt was deemed to be becoming unsustainable and the future growth path of the economy uncertain whilst the size of the state remained so large. The only logical policy given this framing of the impact of globalisation on the state is to set out a clear path to fiscal consolidation to appease the perceived market concerns. The main point of interest then is that such a bowing to the desires of the market is so central in much economic thinking in this time despite the clear failures of the capacity of foresight in the credit markets in the pre-crisis period.

For several papers, the factors influencing any return to growth still focused on the return to normality of the financial sector and credit channels, a continuation from the crisis period itself. 'Without that, any amount of fiscal pumping is unlikely to have much impact', the *Times* reported (Times, 2009d; also Kaletsky, 2009a). It argued that the 'speed at which the (economic) position improves depends on factors outside (the government's) control' (Times, 2009n), and suggested that without increased bank lending, 'Mr Darling's budget measures to boost recovery are likely to fall flat' (Times, 2009o). The indebtedness of the household sector was highlighted as a central ‘drag on recovery’, with the government unable to ‘take up the slack’ because of its own debt levels (Times, 2009w). The *Telegraph* agreed that bank lending was the problem, and hence criticised America’s own fiscal expansion on the basis that it wouldn’t tackle the root cause of the problem, but merely add an extra debt burden (Daily Telegraph, 2009l).

Likewise the *FT* called the reduced availability of credit to businesses ‘the greatest threat to recovery’ (FT, 2009a, also 2009c). It also pointed to an increase in world trade as the main hope for a recovery; again something that was out of the government’s control (FT, 2009e). The *Independent*, too, warned of the lack of lending holding back recovery (Independent, 2009l; also Anderson, 2009a). Even the *Guardian* was largely sceptical of the government’s growth figures on the basis that pre-crisis growth came from the city, high house prices and high public spending, all of which were now disappearing and of which only public spending was within the government’s control. ‘That economic lop-sidedness is Labour’s real crime’, it noted (Guardian, 2009c).

As such, the ‘zombie economy’ of loose monetary and fiscal policy had ‘arrested the economy’s decline’ but had failed to offer any real re-balancing (Elliott, 2009e), something several others papers noted and which a reduction in the public spending element of GDP growth chimed in better with than stimulus (Daley, 2009; Rachman, 2009; Reece, 2009e; Taleb and Spitznagel, 2009; Wolf, 2009a). Even government attempts to stimulate the economy through industrial policy were merely creating bubbles which could deflate violently rather than creating last growth, Warner (2009m; also Reece, 2009b) argued. As with the previous autumn, such understandings solidified the role of supply-side assistance to the private sector as the most suitable vector to recovery, as opposed to any stimulus spending.

As was mentioned above, a more limited discourse, the equal and opposite of that highlighted here, suggested that because fiscal policy was not enough to secure recovery, austerity wasn’t any more the solution than Keynesianism. Kaletsky called for a ‘wait and see’ economic policy given that the nature of the recovery was still unknown (Kaletsky, 2009c), whilst Killick called the ‘age of austerity’ a ‘stupid idea’, arguing instead that Britain’s recovery was dependent on deciding what Britain’s selling points were in the global economy (Killick, 2009a). Whilst the *Times* noted a link between reducing deficits and economic growth, it also maintained that exports and business investment were a central factor not to be ignored (Times, 2009z). In the *FT*, Samuel Brittan also highlighted the relative importance of growth over ‘deficit hysteria’ (Brittan, 2009a). ‘If we have a normal recovery the red ink will diminish remarkably quickly’, he wrote (Ibid.). And if that didn’t occur, the red ink wouldn’t diminish but wouldn’t need to, given its role in propping up the private sector (Ibid.).

Whilst a technical debate about fiscal policy had existed since early 2009 about the merits of Keynesian-style stimulus versus Ricardian-style retrenchment, several articles tried to downplay the importance of this versus a more general argument about the purposes of the state and the political trust of the major parties. Noting that both major parties had situated themselves to an extent between these two economic theories, the *Times* tried to shift the argument away from the merits of stimulus by suggesting that 'there is little difference between the parties on the need to restore the public finances' (Times, 2010l). By accepting the need for some cuts, however, it suggested that Darling has legitimised tough action to reduce the deficit, playing into the Conservatives' hands (Times, 2009ab). Moreover it ridiculed the suggestion that the 'difference between recovery and stagnation is how quickly spending cuts start and how wide they are' (Ibid.). It accused Labour of 'misread(ing) the question that the public are asking. It is not "How are we going to get there?" but "Where are we going?" Messrs Brown and Darling seem to want this election to be about the method of government. The people want it to be about the purpose of government' (Times, 2010k; also Times, 2010n). The *Daily Mail* agreed, arguing that all three major parties would 'cut more than Maggie (Thatcher)' if elected (Daily Mail, 2010d), and accused all three of dodging the issue of cuts in the pre-election chancellors' debate (Daily Mail, 2010e).

The *Independent* likewise agreed that the 'three political parties have now moved closer together with regard to the timing of Britain's fiscal consolidation' (Independent, 2010a; also Independent, 2010c), suggesting that 'the rhetorical differences are far greater than the real ones' (Independent, 2010e). McRae suggested that the nature of the recovery would anyway be dictated by global savers, and America's economic success, which the government would have no say in (McRae, 2010a, 2010b, 2010c, 2010d, 2010e). As such there was therefore very little fiscal policy could now do to alter the shape of the recovery; McRae called the 'heated political debate…utterly irrelevant' (McRae, 2010d; also 2010c). 'We tend to overstate the significance of politics in determining economic outcomes', he continued (McRae, 2010f). The paper, like the *Times*, declared the electoral dividing ground as being one of 'the role of government' (Independent, 2010f). Asking the voters to take a decision on fiscal policy which 'even the supposed experts cannot resolve seems almost farcical', the paper commented (Independent, 2010g; also Independent, 2010j). Calling the debate about the timing of cuts 'sterile', it suggested that 'we are all facing a future of austerity' regardless of who gets elected (Independent, 2010k).

The *FT*, by the time of the budget, was also wary of the argument that 'the heroic efforts of the Labour government are all that stand now between the British economy and oblivion' (FT, 2010h). Thus more important than fiscal policy decisions were the long-term development of the British state, with 'the case against micro-management' needing a key voice in the paper's opinion (Ibid.). The *Telegraph* agreed that the differences between cutting now and cutting later were now less important than giving markets confidence and certainty by outlining how exactly they would go about cutting (Warner, 2010e, 2010g; also Daily Telegraph, 2010a; Sinclair, 2010).

With how to foster growth now being deemed a key issue, Reece in the *Telegraph* suggested that 'we're not going to spend our way to growth', and that the private sector had to be nurtured in order for a genuine recovery to be made (Reece, 2010). Warner noted that the recovery had 'encouraged all three of the main parties to soften their positions on deficit reduction', suggesting that the differences between the issue from the parties was also reducing (Warner, 2010g). As with several other commentators, he therefore framed the election as 'a clear choice between a conservative vision of small government and low taxation, and a Labour one attached to big government and free-market intervention' (Ibid.). He also drew a direct parallel between Canada's 'economic renaissance' and 'the brutal fiscal consolidation it undertook' in the 1990s (Ibid.). As with the previous autumn, therefore, much of the economic focus centred on how to help British businesses start growing again, with supply-side measures generally favoured as the most optimal policy tools.

Whilst the *Guardian* continued to call the spending debate the central issue of the election, it warned against 'fire-fighting and fiscal stimulus' as being the only pillars of Labour's economic manifesto (Guardian, 2010l). Like other papers it questioned the true gap between the major parties on such issues, and suggested that Darling should 'pitch his budget on ground that Labour has barely touched: rebuilding the economy after the crash' (Guardian, 2010m). It noted that the lower borrowing figures than anticipated might allow for an extra targeted giveaway to help the economy, suggesting targeting industry (Kettle, 2010; also Guardian, 2010n, 2010o). It suggested that reforming the City and helping the housing market should be the two central priorities, and calling for investment in the productive capacity and long-term future of the economy (Guardian, 2010p). Milne maintained that only 'public intervention' could continue to rebuild the damaged economy (Milne, 2010). Noting that the budget was a largely responsible, prudent one which failed to spook the City as feared, Keegan even worried that Darling was 'almost being too "responsible"' given the scale of the financial crisis (Keegan, 2010b; also Guardian, 2010q, 2010r). Like other papers, the *Observer* highlighted that the election was 'not just about cuts', but instead of framing it as between a large and small state vision as other did, framed it as about 'values' (Observer, 2010). This alternative framing of the 'role of the state' discourse was much more limited in its utilisation by the media, however.

The extent to which the strategic electoral pressures came to shape their response and likewise the media discussion about such responses can continue to be observed in this period. With splits in opinion over the value of cuts and stimulus, both political parties, and to an extent the media also, came to develop a hybrid-type approach which mixed a fear of the over-burdening state in the medium term with some level of caution about starting cutting too early. Whilst some commentators from the *Guardian* and *Telegraph* in particular fell outside this spectrum, the majority of the press clearly lay within it. This in turn worked to minimise it as an issue of major electoral importance, with the modesty of the proposals from both sides leading to the suggestion that ultimately it should not be termed the defining electoral issue. With this switch back to more normative and ideological discussions about the role of the state, political credibility and encouraging business and investment, the weariness of a majority of the press with the New Labour approach favoured a switch in government. Indeed, given the greater priority of medium-term timeframes over immediate ones in regards fiscal policy decisions, the preferences of the media tied in more notably with the Conservatives than the Labour Party as the election neared. Thus the strategic constraints of the context in which the crisis occurred in Britain appear to have in many ways favoured austerity discursively.

7.7 Spending cuts and public services

Building on the discourse of the pre-crisis period which blamed Labour for having allowed the public services to become bloated and wasteful, a developing discourse in the immediate post-crisis period, seeking to tackle the fear that spending cuts generally imbued in the populace, was that such cuts could be undertaken without harming front-line services, and that there was sufficient ‘fat’ in the public sector for cuts to take place without influencing the ‘muscle’ upon which their operation was dependent. Of note here is that these discourses ran throughout the political spectrum of the press, with even the more left-leaning *Independent* and *Guardian* as critical of statism and the perceived poor value for money gained from the increase in public funding over the Brown period as the more right-leaning newspapers.

The *Times* declared that there were two public sectors in Britain today: the “front line” that had jobs the public understand, often for low to middling wages, and the “back room”, ‘that is firmly on the gravy train’ (Times, 2009e). The argument held that the ‘back room’ public servant could easily be cut without damaging such services. The paper also noted that public sector productivity had fallen over ten years of Labour governments, with a 38% increase in funding only leading to a 33.6% increase in services (Times, 2009ad). With ‘austerity’ rapidly becoming deemed inevitable by mid-2009, they called for a ‘progressive’ version, suggesting that the party that can best cut back the state without damaging the most needy will stand to gain at the next election (Times, 2009v; also FT, 2009l). Randall, in the *Telegraph*, bemoaned the amount of waste, but added that ‘we can’t seem to achieve’ a reduction in it (Randall, 2009a).

The paper targeted measures which could easily be cut, such as TV licences for wealthy pensioners, child benefit to wealthy couples and reducing the pay of senior doctors, to suggest that such cutting needn’t necessarily be challenging (Daily Telegraph, 2009g). Reece suggested that the government’s method of throwing money at social problems wasn’t working anyway, so a reduction in it wouldn’t necessarily decrease results (Reece, 2009c), and the paper bluntly assessed that ‘the public sector cannot continue at its present bloated size’ without financial markets punishing Britain ‘mercilessly’ (Daily Telegraph, 2009aa). ‘Trimming’ spending was not deemed enough, rather the issue required ‘responsible surgery’ (Elliott, M., 2009). At times, however, even the *Telegraph* admitted that cuts to frontline staff might be required, although this wasn’t deemed to reduce the need to pare ‘back the public sector significantly’ (Daily Telegraph, 2009ab).

Interviewing businesses, the *FT* reported that they saw public spending cuts as an ‘opportunity’ to deliver “more efficient and effective public services” (FT, 2009k). A reduction of “20 to 30 per cent” in costs was possible, it reported (Ibid.). The *Guardian* reported that the ‘rise of the state under New Labour is over’ (Guardian, 2009d), with the paper almost accepting of the inevitability of sharp public spending cuts given that even Labour envisaged some reduction in its size over the next parliament (Guardian, 2009e). It quoted the CBI as saying that a drop in spending did not necessarily mean an equivalent drop in service quality (Guardian, 2009f), whilst an Observer poll of businesses found that 91% wanted the size of central government cut and 81% thought increased public spending had not increased efficiency (Observer, 2009). Even commentators in the *Observer* supported the notion that reducing funding wouldn't necessarily mean reduced quality, with Bundred writing that even a cut of £50bn would only take us back to the spending level of 2003/04, 'when services were not noticeably worse than they are now' (Bundred, 2009). 'Don't believe the shroud wavers who tell you grannies will die and children starve if spending is cut', he continued, 'they won't (Ibid.). 'Cuts are inevitable, and perfectly manageable', he concluded (Ibid.).

Deborah Orr, in the *Independent*, likewise saw the recession as a structural adjustment in which the economy 'has shrunk and the state must shrink in proportion', (Orr, 2009). Warner agreed, noting that 'the only realistic solution to a fiscal crisis is to shrink the size of the public sector', and again invoked the power of financial markets saying that 'the taps of international credit can be turned off at the flick of a switch', making it impossible to have a big public sector without a 'thriving private and financial sector' (Warner, 2009c). Even Labour minister Alan Milburn, writing in the *Independent*, warned that there are 'limits to the role of centralised states' and that economic assistance had to take place 'without heralding a new era of economic protectionism and state interventionism' (Milburn, 2009). Anderson provided the stark alternatives between squeezing 'waste and eliminating unnecessary expenditure' in the public sector' or facing 'a sterling crisis, a gilt strike and enforced cuts on the orders of the IMF' (Anderson, 2009b; also Halligan, 2009c, 2009d). The paper argued that 'efficiencies' wouldn't be sufficient and that whole programmes would have to be eliminated, suggesting that 'unless the government puts more flesh on these plans in its November Pre-Budget report it will lack credibility and the potentially destabilising fears of government bond investors will continue to grow' (Independent, 2009r).

One element of the talk of cuts was a much more normative version, with austerity gaining a certain fashion credibility and offering the potential to re-make the state in a better way, with this meaning different things to different commentators. McRae, in the *Independent*, spoke of the 'opportunity to do things better' by changing the managerial set-up of public spending (McRae, 2009d). Top-down directives are 'corrupting', he argued, because 'it makes managers focus on what they have been told to do, rather than what the customer would like them to do' (Ibid.). Meanwhile Dejevsky co-opted Barack Obama's popular election cry of 'yes we can' to offer a can-do attitude to tackling the deficit that made it seem like a popular challenge of thinking rather than a damaging problem for people's future quality of life (Dejevsky, 2009). It was possible to cut spending without causing social damage, he argued, suggesting that 'once you begin to look, the cuts just start rolling in', and calling fiscal consolidation a 'recipe (that) is so well tried and tested' (Ibid.).

For others, however, austerity was less an opportunity than a darkening approaching cloud. Papers on both sides of the political divide warned that austerity would not come easily and that it would be hard to achieve it pleasantly. The *Independent* noted that previous government 'efficiency drives' had actually increased costs (Independent, 2009t). The *Times* argued that whether people set out to cut 'nasty' or 'nice', 'there will be blood' (Times, 2009ae), while Fraser Nelson stated that ‘herds of sacred cows will have to be led to the slaughterhouse’ and that ‘brutal cuts’ will be needed to satisfy the ratings agencies (Nelson, 2009). Conway called the likely spending cuts ‘savage’ (Conway, 2009b), whilst Sir Howard Davies was quoted in the *Telegraph* as saying that the British “were ignorant of the scale of the crisis” (Daily Telegraph, 2009t). The *Guardian* framed Osborne’s explicit call for cuts as a case of finding out whether ‘voters are ready to take their medicine’, suggesting that honesty about the scale of cuts to come might backfire because of their sheer scale (Wintour, 2009). They called this honesty their ‘biggest gamble in a generation’ (Guardian, 2009g). Despite this more cataclysmic framing of the cuts to come – note again here the inevitability of this assumption – few of those predicting the worst actually saw it as a sufficient reason to hold back from it. As such it was presented as an unfortunate and unpleasant inevitability, rather than an optional drastic measure. Given that the ratings agencies ‘demanded’ such action, in the words of Nelson (2009), the British state was no longer deemed to have any agency over the issue.

7.8 Conclusions

Overall, we can identify in the media reporting of the pre-election period a notable return to many of the key themes of the pre-crisis period, notably those of ‘no room for manoeuvre’, political trust and the over-sized nature of the British state. The fact that austerity offered a connection to a number of these existing discourses increased its validity against that of the Keynesian alternative, which called for policy measures which went against many of these beliefs. The ideational competition amongst economists about the correct course of action created no clear consensus, demonstrating to some extent the capacity of crisis to cause epistemic uncertainty in policy ideas and discourses. However, whilst constructivist thought to date has utilised such a concept of uncertainty as a key feature in allowing for policy change, the conclusions from this chapter challenge the strength of the relationship between uncertainty and change.

Through the analysis presented above, we see that the narratives which had dominated the pre-crisis period in fact re-emerged through the post-crisis period. In the absence of a new economic policy consensus, past criticisms of the sustainability and effectiveness of state spending returned at the heart of narratives of economic policy. The continued significance granted to financial markets and the belief that globalisation necessitated moderation of public finances further highlights, moreover, the existence of additional pillars that were returned to through this time of ideational reversion.

The first strand of ideational reversion emerged in relation to the discourse of ‘no room for manoeuvre’. This narrative strand, which had temporarily reduced in its visibility the previous autumn, became increasingly prominent in early 2009 as the impact of the financial crisis on the public finances became clear. Most commentators fell back on previous perceptions of the boundaries of acceptable deficit levels, presenting deficit reduction as the core task to be addressed through economic policy. External constraints, in terms of a perceived high likelihood of Britain falling foul of international investors and the ratings agencies, also featured in these evolving discourses. Whilst this narrative was contested by segments of the left-leaning media which applied Keynesian demand-side arguments, this was from the beginning outweighed by those questioning further fiscal expansion. As such the Keynesian side focused more on the need to prevent immediate cuts than on the need to increase stimulus.

The second strand of ideational reversion related to the continued belief that recovery must come from the private sector and that there was little the government could do to stimulate such a recovery. The need to ensure a return of normal levels of lending to business called for stimuli in the financial sector, but the lack of confidence in the multiplier effect of government fiscal spending meant that a central discourse continued to see the state as impediment rather than a central aid to future economic growth. The major role the government could play in terms of stimulating the financial sector, related to the belief in the danger of large deficits, was therefore to provide it with the confidence that it would tackle its debts in the medium term. This entailed providing a clear timeline of planned deficit reduction, which in turn necessitated spending cuts because of the Ricardian fear of tax increases.

The failure of the government to provide these assurances was tied into a complaint about the honesty of the economic reporting of politicians. Thus, subtly, advocating spending cuts became the ‘honest’ approach to the situation, whilst the press regularly denounced Labour for its failure to provide an honest assessment of the true state of the national finances and what cuts would need to be made. The pragmatist solution of waiting to gauge the permanent drop in tax revenues and thus the cyclically-adjusted budget deficit was therefore deemed to be a failure to be honest with the electorate and an attempt to turn attention away from the most pressing issue; the deficit. Aided to smaller discourses advocating the role of deficit reduction in future economic growth, and the developing belief in 2010 that the election should be chosen not only on the macroeconomic debate about the demand-side impact on spending cuts versus stimulus, and a discursive patchwork was created in which austerity and its vision of the state provided a much more acceptable policy response to the perceived central economic situation than stimulus did.

Together, the analysis presented through the above sections and the previous two chapters have demonstrated that, overall, the global financial crisis was followed by process of ideational reversion in media narration on the role of the state in economic management. While the immediate post-crisis period was followed by narratives of exceptionality, in which the usual standards of effective economic management were temporarily relaxed, very soon key tropes from the status quo ante were re-adopted. Prominent strands of discourse surrounding private sector growth, the size of the public sector, and political trust served to support the rise to dominance of orthodox ideas through this time. In the final chapter of the thesis, the overarching insights that are developed off the back of this analysis are elaborated.

This chapter has therefore brought all three research questions together to advance the debate on crisis, change, and constructivist institutionalism. It has shown that a full structural vacuum did not occur during the crisis, and that this meant that much of the blame was kept within discussions of the financial sector rather than the wider economy. This allowed the ideas of the pre-crisis period to continue to play a major role in framing post-crisis discourse, and as such provided a selective advantage for the austerity discourse over that of its Keynesian alternative. Moreover, by applying a augmented constructivist institutionalist approach to this issue, I have shown the value of widening definitions of crisis in a way that captures instances of political continuity as well as instances of political change.

Chapter 8: Conclusions

8.1 Introduction

> 'We revel in every new excuse to label our times revolutionary; ours is the atomic/ permissive/electronic/affluent/space age. Attention centres on the glittering pageant and dramatic incident, rather than on the elusive processes that evoke the incidents. Revolutions must be visible, palpable, and immediate, although it is the annual change of only one percent that can produce some of the greatest transformations. Paradoxically, a glib preoccupation with the 'revolutionary' has tended to reduce our sensitivity to change itself (Heclo 1974: 1).

My suggestion in chapter three was that the new institutionalisms, in focusing on the ability of institutions to rapidly reconfigure or to produce stasis, were perhaps less comfortable in dealing with crisis situations which produced partial change. The above quote illustrates a similar analytical concern, that it is 'slow transformations' that most commonly occur. The type of revolutionary third order changes highlighted by Blyth and Hall remain relatively infrequent, and a significant focus on them perhaps leads us to over-estimate the likelihood of them happening again. Whilst this thesis has not attempted to cover a macro picture of multiple countries or medium term timeframes to explain exactly what conditions may produce such change and which may not, it has nonetheless attempted to start this process off with one particular example of relative continuity where existing research would perhaps expect to find revolutionary change. I have attempted to begin a constructivist explanation of the reasons for this evolutionary change by questioning our existing understanding of crises themselves as determining of change and major ruptures to our existing ideational webs of understanding.

To make these conclusions, I have worked within a constructivist logic to analyse the case study. In particular, I have followed the constructivist assumption that in periods of crisis, narratives, or discourses, come to play a particularly significant part in shaping the policy outcome. Because constructivism does not follow a rationalist approach to political analysis, I have stated that any given political event does not *necessitate* a particular action to be taken; all events are in this sense *essentially contestable*. Thus an economic crisis does not necessitate a Bayesian shift in governance where a rational flaw in the existing paradigm is identified and corrected, but rather what the crisis *means* for such a paradigm is open to public debate. The public understanding of crisis and how it is presented and argued over is therefore particularly prominent in such a time. As such the case study chosen involved the major form of public argumentation over public policy in Britain; the broadsheet media. Undertaking an analysis utilising constructivist thought and methodology, the intention was to highlight the greater extent of continuity within political discursive trends through a crisis than has currently been postulated by the prevailing opinion of constructivist institutionalist literature.

The purpose of this discussion chapter is firstly to review the empirical lessons of the thesis as a whole, but secondly to contextualise them so as to allow for the wider implications of the findings to be more explicitly stated, and a future research agenda roughly outlined. One of the principal foci for future research stemming from this work is the need to focus on, discover and explain more about the processes of slow change and the ways these have come about. Constructivist institutionalism still, I feel, offers sufficient analytical purchase to provide strong empirically-focused explanations of why certain transformations become tenable in certain crisis situations and not in others.

This chapter will therefore begin by reviewing the major empirical contributions of the thesis. Within this it will also clarify the limitations of these findings and outline what the findings *haven't* told us. Secondly, it will outline the theoretical implications of these findings in relation to existing constructivist work. Thirdly and finally, the chapter will discuss the potential future research agenda which could flow from this work.

8.2 Overview of the Major Conclusions from the Research

This thesis has sought to develop three central arguments about the nature of economic crises and their impact on existing ideational paradigms and political discourse.

The first major empirical finding of the thesis, in relation to research question 1.) demonstrates a process of 'ideational reversion' in British political discourse. Whilst constructivism has often highlighted the capacity of crises to alter existing schools of thought through a process of exposing their faults and weaknesses, in the British case we find that many of the major understandings of the pre-crisis period continued to play a significant role in shaping responses to the crisis. There was therefore a remarkable amount of discursive stability over the role of the state in the economy, and the perceived successes and failures of New Labour and 'Brownism' played a major part in the discursive understanding of the crisis and the response it necessitated. The suggestion that the

British state sector had grown too large and could be cut without damaging front-line services, that Brown had overspent as a Chancellor and that a medium term fiscal retrenchment was needed to balance this out, and a commitment to reducing regulatory impediments to corporate businesses as the most productive mechanism to future economic growth, were all present and largely uncontested in the immediate pre-crisis context. Rather than seeing the extent of the danger posed by the financial crisis re-configure these central priorities in the popular imagination, they re-emerged as central ideational justifications for post-crisis austerity.

Despite this process of ideational reversion, in answer to research question 2.) the thesis found that the discursive barriers to change were largely removed during the period of major epistemic crisis and uncertainty in the autumn of 2008. Whilst the very future of the financial system remained unclear, state action to do whatever was necessary to stabilise the economy became acceptable. It was in this context that the greatest amount of policy ingenuity and change took place. Even here, however, the ideas of the pre-crisis period had not been completely removed from the picture, and the media as a whole maintained that the arguments for fiscal retrenchment would have to return once the immediate danger had passed. The medium-term timeframe had therefore been largely un-altered in fiscal terms by the crisis.

Linked to this is the second major finding about the extent to which the crisis was siloed within the financial sector. With blame focusing on bankers and those who regulated them, there was no apparent perceived need to re-configure the corporate capitalist economy as a result of the crisis. The only major link between the two became the issue of business having difficulty accessing credit, and again it was here that novel policy approaches begun to be developed. However, for the major part the view on incentivising business through the massaging of the supply-side, which gained greater credence through the late Brown period because of the discursive focus on his ability to create ‘red tape’, continued to be the principal approach to returning the economy to growth. Thus while discursive critique was applied to the notion that Britain had become too dependent on debt, and thus the financial sector, to stimulate growth, the result was not a perceived need for state activism but on freeing up corporate business to more productive ends. With statism as weak as financialisation, fiscal stimulus as a crisis-counteracting measure was not sufficiently tenable.

The consistent belief in the primacy of supply-side measures in stimulating British corporate business, economic growth and job creation was almost completely untouched by the crisis, meaning that the preferred paths to a return to growth in the post-crisis period were largely the function of the same economic ideas that had existed beforehand. Furthermore, the sense of an over-burdened British state, and the normative dislike the media had for this in the context of private and individual liberty, meant that a more activist role for the state was not generally popular in the post-crisis economic context despite the fragility of the private sector and the clear failure of free-market doctrines. This remains largely the case today, despite the continued failure of austerity to promote a strong economic recovery.

Thus we arrive at the answer to the third research question; that the ideational context of the pre, mid- and post-crisis periods produced a strategic advantage for the orthodox austerity discourse over its Keynesian alternative. The central argument produced here holds that because austerity was able to tie itself more concretely to the discursive norms of the pre-crisis period, and because these had not been eradicated by the crisis, it was able to achieve a higher level of social sustainability than a Keynesian approach. This alternative, despite offering an academically logical approach to crisis resolution, as set out in chapter 4, often ran counter to many of the discursive trends of the time. Indeed, increasingly in the run up to the 2010 election as academic economists could not agree on the relative weight of the two schools of thought, the broadsheet media came to focus on the more medium-term ideals epitomised by the two approaches than their actual crisis-specific content. Thus, when extrapolated to contexts in which its major arguments held no relation[15], the orthodox 'ideal' of the state fitted better with the ideas of an over-sized public sector and business suffering from red tape than Keynesian ideal of an active state managing public demand. Thus, while constructivist work to date tends to posit that crisis situations radically re-shape the discursive context and allow for new ideas to gain prominence, it has been suggested through this argument that the context of the pre-crisis period is still very important in shaping how the crisis is viewed.

The thesis has also sought to clarify that as constructivists we should not fall into the trap of being over-determinist with the link between crisis and change. Because crises *can* lead to third order policy change, it does not necessarily mean that they *will*. This is because, following a constructivist position on social reality, there is no such thing as an objectively failed paradigm exposed by a crisis. Thus in the absence of objective failure, there is only perceived failure. Whilst crisis opens up a space for critique of policy norms in a way that there has not been before, a strategic-relational approach to political analysis informs us that the specific political discursive context of a particular polity may still not be conducive to rapid change despite the external economic conditions bringing existing norms increasingly into question.

Constructivists should therefore be careful not to posit that a crisis is a situation in which the status quo cannot continue to explain events in its own terms, but only one in which its dominance of the political narrative is not a given. This is not necessarily something which goes against existing conceptions of crisis in the constructivist institutionalist literature, but it is something that it is important to highlight more explicitly that has hence been the case. The idea of a structural vacuum created by Knightian uncertainty, particularly prevalent in Blyth's (2002) conception of crisis narratives could well be read in such a way, but could also be read to suggest that the pre-crisis narrative had failed and thus that the argumentation over how to explain the Great Depression was between competing *new* discourses. I wish to highlight more explicitly that existing discourses, in the absence of their objective failure in a crisis context, need not necessarily be excluded from the post-crisis picture.

The thesis has also attempted to make contributions to existing research by developing a different focus of study and methodological approach to what has commonly been used in constructivist

[15] Keynesianism, after all, is significantly distinctive to orthodoxy in policy terms only in a crisis.

research. Because a critique was made that existing work didn't focus sufficiently on the actual crisis period itself, and thus still had data limitations surrounding ideational stability and instability through a crisis, a more rigorous and dynamic focus on a shorter time frame was chosen. This dynamic tracing methodology sought to capture exactly which discourses common in pre-crisis political discussion lost purchase in the context of a radically altered economic landscape, and which were unaltered. It was through this process that the 'ideational reversion' of the British public discourse could be captured. The more systematic incorporation of media debate as a context within which political actors must operate helps to provide an understanding of why certain political ideas became, or remained, accepted, and why others didn't. Thus it allows for a more detailed explanation of crisis dynamics and ideational stability than has hitherto been common in the literature. This methodology has therefore been important in helping to explain the relative continuity of the British case during the Global Financial Crisis.

Moreover the more general focus on the media was justified by the very public nature of the need for reflection on the governance of the economy that the crisis initiated. Seeing crises as evolving selective contexts, rather than pre-determinants of change, called for a focus on how such a context created acceptability and social sustainability for different ideas. Thus whilst the thesis has not argued that the media are the sole generators of credibility or that they create a structural straitjacket in which political actors have no independent power, it has sought to view the media arena as a neutral one which nonetheless helps to create the conditions for credibility of different ideas and suggestions. I have not attempted to make the case that other foci are less relevant or valuable, however. Indeed a further step for similar research is to combine in more detail the public ideas seen through the lens of the media and the political strategies of those who existed within such an ideational context. Within the limitations of this study, it has been argued that a focus on the media alone is sufficient to explain this context and hence explains why policy stability was the predominant feature.

From the empirical findings of the thesis, some conclusions about the state of constructivist research can also be made. Firstly it has demonstrated the need for constructivists to accept the 'stickiness' of ideas, and remove the determinist suggestion that crises will necessarily remove all ideational impediments to change. As such a central contention has been that economic shocks do not re-order the political-economic discursive context to the extent that has currently been suggested. The ability of political discourse to 'pre-diagnose' the potential limits to state action should not therefore be under-estimated. As such, whilst crises are often seen as 'shock' events unforeseen by the existing paradigm, in this case there was an expectation of a global slowdown before the crisis occurred. The possible role of the state in such a context had already therefore been debated by the media in advance of the financial crisis, allowing for common understandings to be reached. Whilst constructivist work to date would not expect these understandings to survive the confusion of crisis, the conclusions reached here suggest otherwise.

Secondly, a conclusion can be made about why change occurs in certain contexts and not in others. The thesis has not attempted to argue that crises cannot lead to change, but merely that we should not expect this to always be the case. By highlighting the stickiness of ideas and the discursive contexts within which crises occur, we can begin to explain why certain policy positions became tenable and credible. Within the British crisis experience, the growing loss of confidence in the New Labour project and the pre-crisis belief that future change in Gordon Brown's 'statism' would be required, provided a context in which it became difficult to create a socially sustainable programme featuring fiscal stimulus. As well as these shorter-term discourses, longer term ideas about the value of governmental fiscal prudence, epitomised by Labour's 'Golden Rules' as well as discourses of the fragility of the state in a globalised world, coalesced to add greater credence to austerity arguments than those opposing them.

An applied reading of Hay and Jessop's strategic-relational approach to the structure/agency 'problem' of political science should not necessarily lead to these conclusions being surprising, but it is my contention here that this important conception of the relationship between the political structures of the time and the political agents who live within them has often not been fully applied to research relating to critical junctures and points of change. Rather, this work has often been overly determinist in assuming that existing policy norms will be shunned through an objective analysis of their failure which is actually at odds with a constructivist reading of social reality.

It also highlights in relation to political economy that economic arguments do not exist in a vacuum independent of other strands of political discourse, but that the very *political* arguments over the 'statism' of Gordon Brown infused themselves into economic arguments over the necessary response to the financial crisis. Short and medium-term timeframes here became confused, with a short-term policy of stimulus being successfully equated with the sort of statism and irresponsible spending that few saw as an acceptable medium-term approach to the British growth model. Here again we see that the political context of the pre-crisis period made it harder to advocate a more classically Keynesian response to the crisis. But moreover it highlights that the ideational context created by the British press through their depiction of economic priorities and acceptable values and ideas created conditions in which it was impossible for New Labour to offer a genuine Keynesian alternative because of their need to attempt to counter the political narratives of the Conservative opposition which the economic context had provided them with. Thus we can rarely expect policy ideas that emerge from a crisis to be fully and logically attached to a specific economic philosophy, but are rather a type of fudge based on the institutional, discursive and electoral contexts of the time. Again, in such circumstances, the tendency is towards a relatively greater amount of stability than of rapid change.

This was perhaps heightened in the British case by the failure of economists to agree on a new policy consensus. Given the lack of academic and 'expert' consensus on the 'meaning' of the crisis for issues such as fiscal policy, I highlight the significant role played by the aforementioned discourses of the state from the pre-crisis period in the post-crisis debates over preferred policy courses. Thus, *à la* constructivist thought, the debate over economic policy choices in this case study was not a purely technical exercise but a deeply *political* one. However, *contra* constructivist thought, the absence of economic consensus meant that pre-crisis discourses played a central role in these debates and lead me to conclude that to the extent that the context was favourable to a specific paradigm, it was favourable to the orthodox school in that this had more in common with existing discourses than the Keynesian did. Thus crisis failed to remove completely the ideational and discursive context which favoured a largely neo-liberal approach to the role of the state.

The siloing noted in the blame for the crisis also has important implications for future constructivist research into paradigm failure. Whilst this thesis has not sought to cover the discourses relating to financial regulation and monetary policy in any great detail, it took as a starting point the acceptance that there has been a general shift in some of the ideas relating to such issues. The development of macro-prudential ideas over efficient-market ones in the governance of the financial system is the most notable here, although the extent of change in the wider role of the financial sector in the wider British political economy could well be questioned despite this. Regardless, what is interesting theoretically from this research is that clearly the issue of crisis necessitating change did not ‘diffuse’ down from the financial system to other areas of government economic policy. Thus the central theoretical conclusion from such an observation is the importance of recognising that a financial crisis does not necessitate a change in all ideas which relate to that paradigm. We may well observe that the pre-crisis ideas in relation to both the financial and corporate sectors were ‘neoliberal’ in nature, but the ability of a crisis which had its locus in the financial sector to produce a ‘crisis of neoliberalism’ has clearly been overstated. Like the attempt to prevent financial contagion, such ideational contagion was clearly limited in this case as blame stayed largely within the financial system and has rarely spilled over into a wider blame of the neoliberal political economy.

Thus we must accept that crisis can often be contained, publicly if not academically, within certain spheres of a state’s political economy, and it does not necessarily diffuse down to all others, even if they are governed by largely similar ideas. It is my contention that existing constructivist work has over-stated the extent to which such ‘failure’ must be ubiquitous. Academics may draw a conceptual link between the ideas governing the financial and corporate sectors and suggest that if one has failed, the other must be faulty also, but this need not necessarily permeate public discussion. Whilst one could criticise the inconsistency of changing one set of ideas and keeping an identical set for other sectors of the economy, the nature of constructivism in questioning self-evident objective social truths does not necessitate this in the slightest. We may consider it inconsistent on an academic level, but the nature of a contestable social world does not mean that successful political discourses need be consistent, only popular. Indeed, the fact that the conceptual lines we as academics draw are not hermeneutically common in the population as a whole means that such an inconsistency in ideas need not appear inconsistent in the slightest. Daigneault’s (2014: 483) notion of the ‘fungible’ nature of policy paradigms appears particularly relevant here, highlighting as it does that whilst neat in theory, in practice there are rarely simply dichotomous splits between policy paradigms. The ‘coarse tuning’ or ‘privatised’ versions of Keynesianism in the New Labour era provide valuable pre-existing examples here (Clift and Tomlinson, 2006; Crouch, 2009 respectively).

Whilst the thesis has intended to work within the constructivist tradition, some of the conclusions could also be of value to different perspectives on political institutions. In many senses, given its focus on continuity, the thesis could be argued to offer support for historical institutionalism. The fact that crisis does not always create ideational instability, leading to continuity, could be seen to justify the historical institutionalist focus on institutional inertia, which tends to lead to exogenous factors being used to explain revolutionary change. The potential overlap of the theories was noted in chapter 3, and indeed to the extent that an ideationally-driven form of historical institutionalism is possible the conclusions of the thesis naturally slot into this overlap. Likewise the same could be said of sociological institutionalism, with the thesis explaining that norms and beliefs are more solid under crisis conditions than has perhaps previously been the case. I do not necessary argue that these conclusions prove the primacy of those theories over that of constructivist institutionalism, however, merely that they can offer scope for greater communication between the three and demonstrate the potential for shared research foci. The application of a strategic-relational lens on the findings places my conclusions more naturally within constructivist institutionalist reasoning, I feel, but not at the expense of other institutionalisms.

8.3 Further Research

As has been suggested, the global financial crisis has considerably problematised constructivist understandings of change. The intention of this thesis has been to begin to re-frame these understandings away from looking for examples of revolutionary change and making theoretical links to crisis as an explainer of these, but towards a more general discussion of slow transformations, continuity and change within turbulent economic contexts. From this a few suggestions can be made for fruitful future research along similar lines.

Firstly, as was mentioned in the previous section, this work could benefit from being extended and further supported through an inclusion of political strategies and policies in the context of the discursive environment demonstrated by this thesis. This would help to demonstrate more clearly and dynamically the ways in which political outcomes are shaped by perceptions of what is acceptable in a given selective context. Whilst this thesis has not focused on the elite level, it has not rejected it as a valuable avenue of research. Complementing this would therefore be a qualitative approach utilising elite interviews to gain a greater understanding on the impact of the crisis on what ideas politicians held over economic governance and fiscal policy, and how they implemented electoral strategies based on this. There was not space within this study to include this extra layer of research, but it is certainly one that would complement it.

Secondly the findings of this thesis could be greater supported by a wider approach entailing a greater number of case studies to enhance our understanding of the ability of economic ruptures to create sustainable new ideas in different contexts. From this, a more generalised understanding of how different ‘types’ of crisis tend to impact the modern state could be gleaned.

Further theoretical re-thinking and reflection may also help to benefit such work. The return to more structuralist explanations of continuity outlined by Blyth creates a certain amount of confusion about the exact tenets of constructivist institutionalist thought. Whilst previously it has tended to focus only on periods of revolutionary change, the logics of its meta-theoretical positions as outlined by Hay need not be applied only in such circumstances, and indeed have always implicitly made statements about continuity through the corollary of their arguments about change. Whilst here I have argued that strategic-relational analysis can help to inform our expectations of change by contextualising to a greater extent the environment in which crises occur and the differing factors likely to shape whether new ideas can become sustainable, it is quite possible that alternative valid approaches are available to constructivist scholars. Further internal discussion between such scholars will hopefully prove valuable in clarifying what exactly the school as a whole can say about politics, change and crisis.

Abbreviations

Abbreviation	Description
ARRA	American Recovery and Reinvestment Act
BoE	Bank of England
CDA	Critical Discourse Analysis
Fed	Federal Reserve
FT	Financial Times
GFC	Global Financial Crisis
GDP	Gross Domestic Product
IoD	Institute of Directors
IMF	International Monetary Fund
IR	International Relations
MP	Member of Parliament
PBR	Pre-Budget Report
SME	Small or Medium sized Enterprise
TARP	Troubled Assets Relief Program
UK	United Kingdom
USA	United States of America
VAT	Value Added Tax

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