

Inaugural Conference on Cultural Political Economy

Lancaster University, September 2015

Framing Finance During Crisis: Lessons from Ireland on how to make the possible compossible

By Naoise McDonagh (email: nmcd875@aucklanduni.ac.nz)

Introduction

Grounded in cultural political economy (Sum and Jessop, 2013) this paper presents a discourse analysis of framings of finance in Ireland's two leading daily mass media during 2008/9 of the global financial crisis. This analysis highlights the relevance of the concept of 'compossibility' for effective political management of public discourse during economic crisis. A crisis is an event which disrupts the established order of things and provides a moment when the 'dialectic of revolution-restoration' opens up to contestation and struggle (ibid, 2013: 398). Despite this moment of indeterminate plurality all possible responses to a crisis are not in fact 'compossible' in reality since the latter refers to limitations on the former deriving from 'specific time-space structures and horizons of actions' (ibid, 2013: 4). During Ireland's financial crisis political actors aided by mass media strategically responded to what was compossible when publicly framing (Entman, 2007) financial institutions as economically 'essential' to justify bank bailouts. For example small banks which had strong political connections were not 'compossible' to frame as 'Too big to fail' (hereafter TBTF).

Here 'compossible' refers to the fact that 'not everything that is *possible* is *compossible*' (Sum and Jessop 2013: 24). Thus at any given point in space-time in a given social formation there are an immense number of *elements*, which, if considered in isolation appear feasible to actualize. However a given social formation is a conjunctural *moment* within which some *elements* are likely to combine but not others to form a meaningful and relatively stable social structure. Evidence suggests that in recognition of compossible limitations during Ireland's crisis political actors introduced a second

frame of 'systemic importance' (hereafter SI) to Irish public media discourse which became dominant. As a method of public sense-making of Irish bailout policy this frame recontextualised TBTF in a manner which drew on its inherent economic essentialization of big banks while simultaneously negating its institutional logic of size, creating strategically useful ambiguity. This reveals how ideological resources were mobilised effectively when taking into account institutional facts, highlighting culture's 'place' *in* political economy.

This paper shall proceed as follows. First I present CPE as an entry point into studies of social practice. Following this a brief history of the evolution of the earliest bank bailouts in the USA shall be elaborated as this directly relates to the frames and policies used in Ireland's crisis. Then an analysis of empirical data highlights compossible discursive political strategy in Irish mass media during a key moment of the state's national economic crisis. Finally a discussion section will expand on the implications of this analysis for critical strategy in general.

Here I argue that the Irish government's strategy for framing non-essential banks as essential contains strategic lessons which a CPE analysis can reveal, namely ideological production must take account of non-ideological factors. The second implication is one of wider relevance for all those who may wish to resist bank bailouts. Here I argue that such resistance is a wasted effort since the medium-term conjuncture of cultural, political and economic elements in capitalist societies is such that letting the biggest banks fail is impossible. Therefore rather than resisting what is irresistible we should instead aim to expand the bailout logic, which is

socialism itself, beyond its current confinement within the world of finance to society as a whole.

Cultural Political Economy

This study is grounded in cultural political economy (hereafter CPE), an increasingly 'grand theory' for analysis of social life, elaborated principally in Sum and Jessop (2013). Their earlier work, *Beyond the Regulation Approach*, sets the ground for CPE as a distinct theoretical framework which assimilates the strengths of regulation theory, state theory and discourse analysis while overcoming the limitations of each of these approaches when used in isolation (2006: 53). Separately each approach prioritizes economic, political and ideological factors respectively, and in doing so becomes blind to the complex interrelations and co-conditioning relationships between all three factors. CPE supercedes these limitations by aiming for synthesis and further refinement of key concepts.

It starts from the fundamental acknowledgement that it is not possible to theorize the world in its entirety since phenomena always exceed what can be said about them at any given moment in space-time (2013: 3). In light of this fact CPE is concerned with the ways in which social actors reduce this complexity into manageable subsets through semiosis or 'sense- and meaning-making'.

A second limiting factor is that semiosis always occurs within a social milieu governed by structuration, which refers to fixed limits on the possible forms social relations may take at any given point in space-time. It is through these two

processes, semiosis and structuration, that CPE builds its ontology of possible social action.

In summary Sum and Jessop's elaboration of CPE refers to a reconstruction of critical political economy in light of the cultural turn (2013: 20) but without privileging the latter. What they do insist however is that while semiosis is not the only nor always the best entry point for studying social practice it must be brought in at some point to provide explanation on the level of meaning-making (ibid: 27). Thus the defining task of CPE is to navigate carefully between a 'structuralist Scylla and a constructivist Charybdis' (Sum and Jessop, 2013: 22).

A Brief History of the 'Too Big to Fail' Thesis

We will now review a brief history of the evolution of bailout policy and its institutional logic in the late 20th century in the USA. This evolution is important as it provides both the political, economic and ideological grounds for bailout policy and its representation during the 2008 global financial crisis. It also highlights a number of central points for a CPE analysis of bank bailouts such as their institutionalisation and persistence over time, and how this relates to social sense-making of the policy. Here I draw upon former chairman of the Federal Deposit Insurance Company Irvine H. Sprague's 1986 work *Bailout: An Insider's Account of Bank Failures and Rescues*. This work recounts the birth of the 'essentiality doctrine' which requires a bank under threat of failure to be bailed out if it is found to be 'essential to provide adequate banking service in its community' (ibid: 27). Sprague was an instrumental

figure implementing this doctrine during the first four bailouts in the United States, despite personal misgivings about the policy. He begins his account with an observation on the source of these misgivings:

Bailout is a bad word. To many it carries connotations of preference and privilege and violation of the free market principle. It sounds almost un-American (1986: 3)

This expresses the contradictory nature of conducting bank bailouts in capitalist societies and for these reasons bank bailouts hold potential for stimulating social antagonism. Although they have been a consistent feature of such economies since the latter half of the 20th century, perhaps strangely have rarely elicited sustained mass public resistance. This has allowed the policy of 'Too big to fail' to be largely accepted and thus institutionalised, rather paradoxically, within capitalist societies.

Sprague again provides insight into why this occurs:

Over the years, I have been in the forefront advocating measures to cut down on the enormous advantage the large money institutions have over their more than 14,500 smaller counterparts that make the American economy work in every town and hamlet in the nation. Yet, with this admitted bias toward the community banks, three times I blinked when faced with what would have been the largest bank failure in history...Why? Simply because the information before us – the facts at hand – convinced me in each instance that the nation just could not tolerate a failure of that magnitude at the time. (ibid: 244)

This confession by Sprague is indicative of the widespread perception of the essential and therefore contradictory place of big finance in late capitalist societies.

There are substantial cultural and political economic reasons for this. Culturally banking is the central institution of capitalist economies, and one which all adult citizens rely on to a more or less degree for their economic reproduction. For this

reason banking is an institution culturally recognised as significant and meaningful. In capitalist political economy banks are wealthy, politically powerful and deeply integrated within the capitalist state to a degree that finance is arguably the most powerful non-state sector today. Thus inter-related cultural, political and economic factors increase the compossibility of conducting bank bailouts in late capitalist societies.

Let us now close in on the target at hand, Ireland, and briefly purview its political economy and finance's place in it. In outlining a critical economic history of Ireland Conor McCabe (2013) notes that the ability of the banking sector to influence state economic policy has been a historical fact since the Irish state's inception in 1922. For example the Irish Free State handed over all control of monetary policy to the banking sector in 1927. Further compounding this early bank dominance over economic policy was the fact that for much of the 20th century the Irish economy's weak development meant no other industrial base emerged which could challenge the banks' hegemony over monetary management (ibid: 142). Fast forward to the Celtic Tiger finance-led property and consumption boom of the 2000s and we find a neoliberalized 'light-touch' regulatory regime facilitating mass financialization of the Irish economy. Here Chari and Bernhagen (2011) note that the structural dependence of the Irish state on a thriving property and financial market conflated the national interest with narrow business class interests. Ross supports this argument by highlighting the close relationship between state regulators and private banks:

At one point the relationship between the regulator and the regulated was so close that there were instances of AIB and Bank of Ireland directors sitting simultaneously on the board of the Central Bank (2009: 70-71).

Likewise Irish banks were heavily involved in lobbying and funding Ireland's leading governing party of the Celtic Tiger years (Chari and Bernhagen 2011). A final point relates to the role of Irish banks role in annually increasing consumer spending. In the early 2000s Ireland joined the euro and its banks got immediate access to large amounts of cheap euro dollars. Quigley (2010) notes that this facilitated the final phase of the Celtic Tiger, when from 2002-2007 consumers went on a spending spree buying consumables and property at an increasingly frenzied rate. For a newly financialized Irish citizenry banks were culturally more meaningful than ever since they financed their consumer lifestyle.

In summary, the importance of finance in an Irish society that was in economic meltdown was along three inter-relating axis. Economically Irish banks were the pivot around which a financialized economy turned; politically Irish banks were deeply integrated with a corporatist Irish state; and culturally banks had become more central than ever to the lives of consumer citizens. Each of these facts supported the compossibility of the state classing relevant banks as TBTF. More strongly I argue that these facts make it impossible that the Irish state would not conduct bank bailouts of TBTF banks, or that a significant section of the public would resist this policy. The only problem for the incumbent Irish government is that not all banks to be bailed out were TBTF. This fact required a careful discursive

strategy to present such banks as essential without invoking the quality which these banks did not possess, namely size.

Framing Finance in Ireland

This section comprises of an economised narrative of the ideological contestation which emerges in two key national mass media between October 2008 and June 2009. Data was gathered by searching for all articles containing either frame of TBTF or SI during this period, providing a corpus of 40 articles in total: 22 from the *Irish Times* and 18 from the *Irish Independent*. Four major themes emerged however due to time restraints I will outline only two for present purposes and use slides to provide a full overview of data.

Theme 1: Financial institutions are “essential” to the economy

This theme outlines the essentiality doctrine which Sprague discusses and which makes it possible to frame finance as TBTF. In late capitalist societies this has become sedimented as a form of ‘common sense’ which for Gramsci (1971: 324) denotes sets of widely held beliefs and assumptions in a given society. This essentialised view of finance during capitalism’s major crises naturalises the frames of TBTF and SI despite their counter-intuitive implications for capitalist economy. Framings of finance as TBTF were popularised in the USA during the Continental Illinois bailout, and again in 2008, allowing both frames to enter Irish mass media discourse as representations of acceptable state policy. This is highlighted by the fact that within the corpus of 40 articles only four articles from the *Irish Independent* critically engage

TBTF, while two do so in the *Irish Times*. An example is the government oppositions' finance spokesperson Richard Bruton reported saying:

There is a moral hazard in capitalism. They can't expect to be bailed out. That is not healthy, nor can we get into this notion that a bank is **too big to fail**. (*Irish Times*, May 09)

Such engagement however was not developed in either media to any extent during the period in question. The frame SI is not critically engaged whatsoever, and this becomes the key frame in Irish political articulations justifying financial bail-outs as the next theme highlights. In summary both frames are taken to be common sense.

Theme 2: Size Matters

During Ireland's financial collapse there were three banks, Allied Irish Bank, Bank of Ireland and Permanent TSB which were unquestionably TBTF. These banks had large commercial and retail operations throughout the country and thus met the economic essentiality criteria ideologically framed as TBTF. All three of these were bailed out at a cost of €29.4 billion. Another bank, Anglo Irish Bank, on its own cost the state 29.3 billion. It however was different to the TBTF banks. It had no retail presence in the country and was primarily a specialist property lender. It played no central role in facilitating everyday banking practices and consequently was not TBTF in economic terms. Thus while it might have been possible to frame Anglo as TBTF it was not compossible to do so without provoking likely public antagonism. To frame Anglo as such would have been 'arbitrary, rationalistic and willed'

(Gramsci 1971: 376-7) relative to the institutional logic this frame represents. The following article extract highlights this point:

The Government said on Sunday that it would consider recapitalisation on "a case-by-case basis" bearing in mind "the **systemic importance**" of each institution's plea for additional capital. The stock market responded to the reference, as the share price of Anglo, a specialist property lender, dropped 4.5 per cent...while the three other lenders with tentacles reaching into wider parts of the economy outperformed the bank. (*Irish Times*, Dec 08)

Here we see the markets' judgement that Anglo will not be bailed out since it specialises in a narrow range of activities in the national economy result in a significant fall in its share price. However by early 2009 government actors were arguing stringently that Anglo Irish Bank was systemically important to Ireland's economy. This statement from the Taoiseach Brian Cowen is typical of this framing:

The Taoiseach insisted Anglo was "of **systemic importance**," and the money would enable the now State-owned bank to restructure and to cut debts. (*Irish Independent*, Jun 09)

Strategically Irish government actors used the frame of SI for all references to Anglo. What was the Irish media's response to this? While the *Irish Times* had noted in 2008 that Anglo was a specialist property lender, during 2009 both it and the *Irish Independent* consistently and uncritically reported the government's position that Anglo was systemically important and failed to reiterate its specialist lender status. Ultimately this framing played an important role in public discourses justifying this bank being bailed out at a cost of €29.3 billion.

Discussion: Compossible Critical Strategy and Bank Bailouts

On May 17th 1984 the Federal Deposit Insurance Company is preparing its press release outlining plans for the world's biggest bank bailout to date of Continental Illinois for \$41 billion. Of the press release Sprague notes that it 'was more than just an announcement of the assistance. It was a carefully framed, integral part of the plan itself' (1986: 161). We have no reason to believe that press statements during the GFC were considered any less significant. But to reiterate critical ideological strategy cannot be 'arbitrary, rationalistic and willed' if it is to be successful: it must make sense of the world in a way which its target audience find plausible, and which takes account of existing political and economic structuration.

To elaborate further ongoing reproduction of social practice is always composed of multiple elements, which if taken in isolation have endless variations for possible action. However since these elements must inevitably interact and combine within a given conjuncture what is possible may not be compossible. For example if we take framings of Anglo Irish Bank in isolation we could frame it in many ways, even as TBTF. However once factors such as the institutional and evolutionary logic which this frame represents is acknowledged alongside the material facticity of Anglo as a specialist lending bank it becomes impossible to frame it as TBTF without clear contradictions emerging. Framing a bank which many Irish citizens had never heard of before the crisis due to its minimal retail presence as TBTF would have invited political antagonism.

However framing Anglo as SI is compossible for a number of reasons. First while the frame SI implies the same level of importance to a financial institute which TBTF does it does so without providing any direct measurable criteria such as size. And while it says the bank is of systemic importance, it makes no mention of how systemically important, again utilising implication rather than direct statement. We imply it is of high importance, yet for the non-financial expert the frame SI is vague and indirect compared to TBTF which has a clear logic of size as a reference point. The conclusion here is that framing Anglo Irish Bank as SI was a critical strategy which recognised the structural and semiotic possibilities and limits at a given point in a time-space conjuncture. Such recognition allowed for development of a compossible strategy aimed at minimal antagonism and maximum acceptance. On this point we can make sound critique of the media for failing to critically engage the framing of Anglo as SI once government officials made a concerted effort to present it as such.

A final point relates to wider critical strategy for those on the Left who oppose bank bailouts for being a form of elite domination. Should the Left spend its time resisting bailouts? A CPE analysis has much to say to this question as does Irvine Sprague. Early in his account of federal bailouts Sprague asks: 'Are bank bailouts a footnote in history, or the wave of the future?' His answer is the latter and history has confirmed his foresight. Likewise a CPE analysis recognises the central place of finance economically, politically and culturally in late capitalist societies such that

for the foreseeable future it is impossible that the biggest financial institutions will be left to fail by the state, or mass protest will emerge against such bailouts. Saving finance is, after all, in all our interests. What the Left ought to recognise is that the logic behind bank bailouts is the logic of socialism itself, and that rather than resist this logic we need to concentrate on expanding its application from finance to society itself. This strategy I argue is compossible, resisting bank bailouts is not.

- Chari, Raj, and Patrick Bernhagen. 2011. "Financial and Economic Crisis: Explaining the Sunset over the Celtic Tiger." *Irish Political Studies* 26 (4):473-488.
- Entman, Robert M. 2007. "Framing Bias: Media in the Distribution of Power." *Journal of communication* 57 (1):163-173.
- Gramsci, Antonio, Quintin Hoare, and Geoffrey Nowell-Smith. 1971. *Selections from the Prison Notebooks of Antonio Gramsci*. London: Lawrence & Wishart.
- Jessop, Bob, and Ngai-Ling Sum. 2006. *Beyond the Regulation Approach: Putting Capitalist Economies in Their Place*. Cheltenham: Edward Elgar Publishing.
- Jones, Martin, and Bob Jessop. 2010. "Thinking State/Space Impossibly." *Antipode* 42 (5):1119-1149.
- McCabe, Conor. 2013. *Sins of the Father : The Decisions That Shaped the Irish Economy*. Dublin: The History Press Ireland Ltd.
- Quigley, Conor. 2010. "Nama, the National Assets Management Agency." *Academy of European Law* 11.
- Ross, Shane. 2009. *The Bankers : How the Banks Ruined the Irish Economy*. Dublin: Penguin Ireland.
- Sprague, Irvine H. 1986. *Bailout: An Insider's Account of Bank Failures and Rescues*. New York: Basic Books.
- Sum, Ngai-Ling, and Bob Jessop. 2013. *Towards a Cultural Political Economy: Putting Culture in Its Place in Political Economy*. Northampton, MA: Edward Elgar Publishing.