Discourse Analysis of the Media Evaluation of the Northern Rock Crisis Management

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Acknowledgements and Introduction

First of all, I would like to extend my appreciation to the conference and panel organisers for giving me the opportunity to present my ideas at such a great conference. In this paper, I will share parts of my ongoing PhD thesis research.

My PhD thesis covers the ideology and discourse analysis of the UK elite regarding the financial crisis management from 2007 to 2009. The term ‘UK elite discourse’ refers to the discourse of economists, the media and official political institutions. By specifically focusing on the battles of macroeconomic ideas surrounding the crisis management that appear on the elite discourse, I am tackling one main question: which macroeconomic idea of UK crisis management from 2007 to 2009 was formulated, contested and justified in elite discourse? In other words, I will recognise the battles of macroeconomic ideas for the dominant understanding of the crisis as the key to understanding the politics of the crisis (that is the main theme of this conference) (Blyth, 2002; Foucault, 1978-1979; Gamble, 2009; Polanyi, 1944; Sum & Jessop, 2010). I shall unravel the battles through discourse analysis using a hermeneutic approach to analyse how certain events are understood by agents based on particular ideas. Nonetheless, in this paper (presentation), due to limited space (the time limit), I would like to concentrate on some media discourse findings on the issue of the Northern Rock bailout.

Contexts

The Northern Rock run was the first public panic of the recent financial crisis and the first bank run in 150 years since the BOE had been appointed as the state regulator of the banking sector (House of Commons, 2008: 12-13).¹ It finally forced the BOE to

¹ To be precise, according to the House of Commons Treasury Committee The Run On the Rock
announce the full deposit protection scheme on 17 September and three-month loans with extended collateral on 19 September (House of Commons, 2008: 39-58; Edmonds, Jarrett and Woodhouse, 2010). These political decisions regarding the Rock run unsurprisingly sparked several controversies in UK elite discourses. The management of the Northern Rock crisis took on special significance since it set a precedent for how political institutions would handle financial turmoil in the future. The political decisions of the time triggered several debates in the UK media. By carefully investigating these debates, I shall reveal how the state crisis management was evaluated in the UK media discourse.

**Theory and Methodology**

I will base my project on Foucauldian and Polanyian theories of the *performativity* of economic ideas over political economy and socio-economic life (Blyth, 2002; Foucault, 1978-1979; Gamble, 2009; Polanyi, 1944; Sum & Jessop, 2010). Based on these theoretical premises, I shall describe one economic idea as an ideology or a particular view of economy. Namely, as Jessop and Sum (i.e. Cultural Political Economic scholars) point out, though “actual existing economy” is “the chaotic sum of all economic activities” (Jessop, 2004: 162), economic agents reduce the complexity in order to make some sense of the complicated economic reality. This is what Cultural Political Economic scholars refer to as an ‘existential complexity reduction process’ (Sum & Jessop, 2010: 2). In this mere ‘complexity reduction’ process, an economic idea is generated. Based on such a specific view of the economy, agents (i.e. *homo economicus*) construct the economic relationship, business cycle, business society and political economy.

Nonetheless, because the economic idea generated through the reduction process is one particular way of understanding the economy, there are always alternative viewpoints. This flexibility in the understanding of the economy results in the divergence of

(2008), the bank run triggered by the collapse of Overend, Gurney & Co, which happened in May 1866, is regarded as the last bank run in the history of the British banking system.

2 As Bob Jessop often refers to, this understanding of economic ideas corresponds to Greenspan’s understanding of ideology, which he expressed in the discussion with Waxman at the US congress in October 2008.

Waxman asked Greenspan, “Do you feel that your ideology pushed you to make decisions that you wish you had not made?”, to which Greenspan responded, “Remember that an ideology is a conceptual framework for people to deal with reality. Everyone has one. You have to – to exist, you need an ideology” (2008).
economic schools such as the New Classical and New Keynesian schools (or perhaps it can be said that an economic school is an institutionalisation of a particular economic idea) (Dow, 2004; Dow, 2012: 81-82). However, despite the possibility of multiple understandings of the economy and economic events, in order to preserve its theoretical and analytical legitimacy, economic schools and economic ideas struggle. In other words, discursive battles of economic ideas emerge (Gillies, 2012; Hodgson, 2012; Skidelsky, 2009).

The battles, unsurprisingly, heat up in the field of politics and in special economic events such as crises. This is because, in order to deal with the events, political authorities have to choose a particular economic idea and implement it as a state management. In other words, economic ideas struggle for political practice and legitimacy (Gamble, 2009). On this struggle (i.e. the discursive battle of macroeconomic ideas), I shall analyse how macroeconomic ideas are applied in political economic elites’ debates of the crisis. More technically speaking, the application of economic ideas in political narratives will be analysed in terms of the ‘articulation process’ based on Laclauian discourse theory (Glynoth & Howarth, 2007; Howarth, Norval & Stavrakakis, 2000; Laclau, 1997 and 2005; Laclau & Mouffe, 1985 and 1987).

We Laclauian discourse analysts presume that events can be understood through the articulation of certain meanings. This presumption is rooted in post-structural anti-essentialist philosophy (Butler, Laclau and Zizek, 2000; Gallie, 1956; Wittgenstein, 1953). In this sense, we see the articulation process as the process of discursive battles. As such, in order to articulate a particular meaning to an event, the articulation has to exclude and refuse other possible meanings. Indeed, this point can be clearly seen in the battles between Free Market theorists and Anti-Free Market Theorists on state interventions. For example, while Free Market theorists view a crisis as a healthy economic activity that does not require state interventions, Anti-Free Market theorists view it as a disorder of an economy that requires fixation by state interventions. We refer to the logical understandings of events made through the articulation of meanings as discourse. Hence, among ideational political economic studies, we Laclauian discourse analysts can contribute to the study of financial crisis by focusing on how the crisis and the events regarding the crisis are defined. I shall analyse the UK media’s evaluation of the Northern Rock Crisis management in this sense. Namely, how the UK crisis management was differently defined and understood.
Nonetheless, on the use of discourse analysis, though I believe that discourse analyses provide a great insight into the study of the political economy of the crisis, my project also discusses the dangers of analytical idealism (Gofas & Hay, 2009; Blyth, 2009). While I believe that the discursive factors have an enormous influence over socio-economic life and political economy, it does not mean that I believe that economy is completely discursive, as economy does ontologically exist. Likewise, I believe that non-discursive theories play an equally important role in the construction of socio-economic life and political economy. For this theoretical stance, I shall also utilise Bob Jessop’s Lancaster School strategic-relational approach (2001 & 2007) as the main analytical framework. Jessop’s strategic-relational approach provides clear analytical thinking on the idea selection process and how it proceeds through the strategic-relational interactions among agents, structures and ideas. Also, the approach becomes particularly significant when avoiding the dangers of analytical idealism (Gofas & Hay, 2009; Blyth, 2009). However, due to limited space, I shall place more emphasis on the analysis of ideas and discursive battles in this paper.

Finally, in order to make the research objects of this paper crystal-clear, I have created two main research questions:

1) What kind of narratives and discourses appeared and were dominant in the narratives of the crisis management?

2) What economic concepts became the most debatable points and triggered discursive battles in the narratives of the crisis management?

Data

While acknowledging the importance of analysing the discourse of several media, my analysis confines its subject to quality British papers: The Times (24), The Guardian (26), The Independent (25) and The Daily Telegraph (38). In addition to these papers, I have included The Economist (27) and The Financial Times (48) since they are both international papers which are influential in political economic elite discourse. The numbers in brackets next to the name of each paper indicates the numbers of articles I have collected. I specifically selected articles from each paper’s ‘comments and debates’, and ‘economic editors’ comments’ sections since it is here that reporters and commentators elucidate their opinions regarding particular economic ideas and concepts.
I collected articles for the period 13 to 31 September 2007 by means of a manual search through the microfilms of the relevant papers and online through the use of the search engine Nexus – which I also used as a double-check method for my foray into microfilms.3

Idea

Before turning to the presentation of my findings, I would like to demonstrate how I categorised economic ideas. I needed to know what kind of economic ideas and concepts were available during the crisis. This is because I presumed that political economic elites always applied particular economic ideas to the understanding of economic events.4 Through the discourse analysis of academic narratives about the crisis, I found that there were three academic discourses on the issue of bailout: anti-interventionism, active interventionism and reactive interventionism.

1) Anti-interventionist discourse includes mainly, but not exclusively, a New Classical basic macroeconomic doctrine that highlights the concepts of human rationality such as rational expectation, real business cycle and money neutrality. Based on this basic doctrine, New Classical scholars and adherents provide narratives of policy failure, such as moral hazard and high inflation, whereby they eventually reject any type of state intervention in the debate of the recent financial crisis.

2) Contrary to anti-interventionist discourse, active interventionist discourse includes predominantly the New Keynesian macroeconomic doctrine that highlights the concept of human irrationality, such as animal spirits and non-money neutrality.

3 Regarding the media representation of the recent financial crisis, Farrelly and Koller (2010) provide an extensive quantitative analysis.

4 This presumption is not unrealistic as modern policy makers, think tanks and economic editors of quality papers are supposed to have certain academic degrees in Economics. Hence, it is not difficult to presume that the political economic elites apply their embracing macroeconomic doctrine to understand the crisis. Of course, the presumption of the application of economic ideas does not exclude the fact that the political economic elites incorporate political factors (e.g. political ideas, political networks and political structures) in their understanding of the economic events. Rather, I shall presume that the existing political economic elites’ narratives of economic events are constructed based on both economic ideas and considerations of political factors. In other words, the elites’ narratives of economic events are based on the articulation of particular economic ideas and political factors. Here there appears a clear difference between the Macroeconomic doctrine’s understanding of crises and existing political economic elites’ actual narratives of a particular crisis. Such a difference is also analysed in my PhD project as a process of the discursive battles and articulation process of ideas.
Based on this basic premise, New Keynesian scholars and adherents provide narratives of policy efficiency and economy-wide market failure, such as deflation, in which they ultimately argue for any type of wide and expansionary state interventions, including not only a monetary injection into the banking sector, but also the industrial sector, and even a temporary nationalisation of the banking sector. In other words, they argue for active state interventions before something critical happens.

Between these two polarised economic discourses, the last discourse, reactive interventionism, is found.

3) Reactive interventionism is the predominant domain of the Neo Classical Keynesian doctrine. The Neo Classical Keynesian school is intrinsically an intermediate economic school. This intermediate theoretical stance, technically called Neo (and New) Classical synthesis, highlights the necessity of interventions in order to solve short-term market failure while acknowledging the danger of moral hazard by state intervention. Neo Classical Keynesian scholars commonly advocate Bagehot’s principle as the most appropriate form of state intervention. This is a temporary monetary injection into the banking sector at a penal rate in the event of an emergency. Put simply, they argue for reactive state interventions after something critical happens.
The battle of these academic discourses is systematically drawn like above. Based on this categorisation of economic ideas, I would like to demonstrate the findings of my media discourse.\footnote{For more details of the discourse analysis of academic narratives, see Shu Shimizu, ‘Discourse Analysis of the Battles regarding Economic Ideas concerning the 2007 Financial Crisis’, \textit{Lupcon Centre the Conference Proceedings of the Finance and Economics Conference} (to be published in September 2012).}

**Northern Rock Crisis**

The dominant media narrative concerning the Northern Rock crisis management was the narrative of policy failure.\footnote{Not surprisingly, the narrative of regulatory failure was also one of dominant narratives concerning the Northern Rock crisis. Among the quality papers analysed, \textit{The Guardian} and \textit{The Economist} tend to attribute the regulatory failure such as FSA's failure to monitor Northern Rock's highly leveraged business management (i.e. Shadow banking system) to the cause of the Northern Rock crisis. In this sense, particularly the discourse of \textit{The Guardian} was dominated by the narratives of regulatory failure (See, Leading Article, 17/Sep/07, \textit{Guardian}; Pratley, 19/Sep/07, \textit{Guardian}; Pratley, 22/Sep/07, \textit{Guardian}). Whereas my PhD project includes the analysis of regulatory failure and regulatory issues, I shall mainly focus on the narratives of policy failure regarding the bailouts in this paper.} However, what was interesting about this consensus of policy failure was that although the crisis management was indeed commonly evaluated as a failure by the concept of moral hazard, there were two types of totally different and
contradictory narratives of policy failure due to other definitions or conceptualisations of moral hazard. Thus, despite this consensus, discursive battles of Active Interventionist and Reactive & Anti-Interventionist discourses appeared, as the map below shows.

- **Reactive and Anti Interventionist Discourses**

The reactive interventionist discourse appeared in the narratives that promoted the legitimacy of Bagehot’s principle. These narratives were mainly found in articles in *The Independent, The Daily Telegraph* and *The Financial Times*. They argued for the legitimacy of the bailout over Northern Rock. For example, it was stated in *The Daily Telegraph*’s leading article of 14 September: “Although this newspaper is generally against government bail-outs, there is an argument to the effect that it is worth trying to prevent a default, with all the associated damage to customers” (Leading Article, 14/September/07, *The Daily Telegraph*; see also, Minford, 18/Sep/07, *The Daily Telegraph*; Heffer, 19/Sep/07, *The Daily Telegraph*). Likewise, it was stated in *The Independent*’s leading article of 15 September that “the Bank of England should support
Northern Rock, at least in the short-term” (Leading Article, 15/Sep/07, *The Independent*; see also, McRae, 19/Sep/07, *The Independent*). As is mentioned in the leading article of *The Daily Telegraph*, it is an interesting fact that both it and *The Independent*, two of the most Free Market-leaning papers among quality British papers, supported the bailout over Northern Rock.

 Nonetheless, the agreement of Bagehot’s principle was not to accept further state interventions. There appeared to be a clear dismissal of the idea of further active interventions in these papers, from which emerged anti-interventionist discourse. This point can be seen in the critical narratives about the full deposit protection scheme announced on 17 September 2007, and the three-month loan with extended collateral made known two days later.

 For example, the full deposit protection scheme was criticised as the *nationalisation* of a bank that might harm the health of the economy. It was stated in the leading article of *The Financial Times* on 18 September that “broadening the Northern Rock bail-out to full deposit insurance for all would be the wrong approach. It would require banking supervision to be tightened almost to the point of nationalisation, squeezing any innovation out of the system” (Leading Article, 18/Sep/07, *The Financial Times*). Also, on the open market operation of 19 September, the main editor of *The Financial Times*, Martin Wolf, provided the most severe criticism. He argued that “Mr. King is playing a game of chicken with the world’s most irresponsible industry. Sadly, he is losing... In a game of chicken, the loser is the player who swerves first out of the way of the other driver’s car. Since the Bank is concerned about the health of the economy, while the banks are concerned only about their survival, the former is at a huge disadvantage. Apparently, the banks told the authorities they would not lend to their weaker brethren until the Bank opened its wallet. The threat was credible and the Bank swerved” (Wolf, 21/September/07, *The Financial Times*). Hence, the crisis management following the bailout over Northern Rock was criticised as an overreaction against the crisis (i.e. policy failure). This point can be best summed up by Simon Heffer’s comment that “The Governor could, or should, have done no more” (Heffer, 19/Sep/07, *The Daily Telegraph*).

 In these critical narratives about the state management of the Northern Rock crisis, the key concept most referenced implicitly or explicitly was that of moral hazard.
Intriguingly, it wasn’t just one. Rather, there were at least two types of conceptions\(^7\) of moral hazard in the narratives of policy failure.

The first type of moral hazard, or the first conceptualisation of moral hazard articulated into the narratives of policy failure, was the same as that which general economic students learn at their universities. In orthodox Economics, the concept of moral hazard is generally used to criticise the situation in which insurance covering risks encourage the risks (e.g. the paradox of fire insurance). This conception of moral hazard was the reason Bagehot’s principle (the bailout over Northern Rock) was legitimatised, as it is the way to reduce moral hazard caused by state interventions. On the other hand, this conception was used to criticise the state interventions following the bailout. This is because the subsequent interventions were implemented without considering the risk of moral hazard. They resulted in the breach of the principle. More precisely speaking, the following interventions could be seen as a sign that the bankers would be rescued by the state should they ever fail, thereby sowing the seed of crisis on another day. Indeed, this point was the main claim of Wolf’s article on 21 September. The article concludes: “Let Mr King stick to his guns on the penalty. If not, still more dangerous crises will come” (Wolf, 21/September/07, *The Financial Times*). Hence, the first conception of moral hazard appeared as the concept to criticise state crisis management as an overreaction that might cause the paradox of insurance.\(^8\)

The second conception of moral hazard is a more familiar use of the term, relating to politicians and political studies. Here, moral hazard is defined as a situation in which social morals are neglected. For example, when criticising the full deposit scheme in terms of nationalisation, the critics emphasised that the responsible taxpayers’ money was under threat by the nationalisation of the irresponsible bankers. On this subject, Heffer cynically commented: “Taxpayers have now become bankers” (Heffer, 19/Sep/07, *The Daily Telegraph*). Also, it was the main editors of *The Financial Times* who underlined this conception of moral hazard in their narratives. It was stated in the leading article of 18 September that “the bail-out may give British taxpayers the worst of both worlds: implicitly putting them on the hook for the entire banking system, while

\(^7\) For the distinction between concept and conception, I partially refer to John Rawls’ distinction which he provides in *A Theory of Justice* (1971). However, philosophically, I base Wittgenstein’s notion of ‘Family Resemblance’ (1953) and Gallie’s notion of ‘Essentially Contested Concept’ (1956) more than Rawls’.

\(^8\) On this conception of moral hazard, Hodgson (2012) provides an interesting analysis of the different meanings of policy trusts regarding moral hazard.
not necessarily reassuring customers enough to prevent the bank run” (Leading Article, 18/Sep/07, The Financial Times; see also, Leading Article, 15/Sep/07, The Financial Times; Wolf, 19/Sep/07, The Financial Times). What this indicates is that political authorities rescued irresponsible bankers using the responsible bankers’ money. It highlights the application of a different conception of moral hazard – state interventions as a violation of social morality.

In summary, Reactive Interventionist discourse can be found in the narratives which legitimatised the bailout over Northern Rock. The bailout was legitimatised in terms of Bagehot’s principle that concerns the fear of the first type of moral hazard. However, the subsequent state interventions were criticised as being a breach of Bagehot’s principle, the subject of Anti-Interventionist discourse. In Anti-Interventionist discourse, the state interventions were criticised because they caused the two types of moral hazard: overreaction, causing the paradox of insurance, and the violation of social morality. In other words, the two conceptions of moral hazard were articulated into the crucial reasons for no further state interventions. Also, comparing these two discourses, it could be said that because of the emphasis of the first conception of moral hazard (i.e. the paradox of insurance), these discourses appear more like a coalition than an antagonistic relationship against state interventions.

- **Active Interventionist Discourse**

Active Interventionist discourse appeared in the critical narratives on the bailout of Northern Rock, which was announced on 13 September 2007. These narratives can be found in The Times, The Economist and some articles in The Financial Times and The Guardian. Most of the narratives criticise Bagehot’s principle as belated bailout (i.e. policy failure), and attribute the belated bailout to the cause of the Northern Rock crisis. For example, the main economic editor of The Times, Anatole Kaletsky, claimed that “it is possible to argue that if the Bank had shown more flexibility last month in supporting the London interbank market, Northern Rock might have been able to carry on borrowing. In that case Northern Rock would not have needed a bailout at all” (Kaletsky, 20/Sep/07, The Guardian).

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9 As is mentioned above, the dominant narratives concerning the Northern Rock crisis in The Guardian were about regulatory failure. However, some narratives concerning policy failure regarding the bailouts were provided by its main financial editor Nils Pratley. For example, Pratley criticised the BOE’s announcement of a full-deposit scheme as too late a state reaction - that “the Bank was hopelessly unprepared for the queues... The guarantee that customers' deposits were safe, which was made by chancellor Alistair Darling on day three of the crisis, should have been available on day one” (Pratley, 20/Sep/07, The Guardian).
15/Sep/07, The Times; see also Kaletsky, 18/Sep/07, The Times; Cavendish, 21/Sep/07, The Times). The Economist also provides articles that express a similar line of thought. For example, it was stated in an article on 20 September, titled ‘The bank that failed’, that “Unfortunately, depositors… find it difficult to tell between the problems of an individual bank and those of the system as a whole… when that happens, politicians cannot withstand the backlash from angry depositors and central bankers fear the economic effects of a credit crunch. It thus becomes difficult for central banks to follow Walter Bagehot’s famous advice” (‘The bank that failed’, 20/Sep/07, The Economist). Therefore, the bailout over Northern Rock (i.e. Bagehot’s principle) was seen as the result of failed crisis management, and the cause of policy failure.

The criticism of belated state interventions indicates that UK authorities should have intervened in the market more actively before something critical happened. In other words, the lack of active state interventions that could have precluded economic turmoil was attributed as the reason for the Northern Rock crisis. Indeed, at this point, many of the articles compared the BOE’s Bagehot’s principle with the ECB and Fed’s market operations implemented during the summer of 2007. For example, Andrew Hill provides the clearest instance in The Financial Times, claiming that “the Bank should have followed the lead of the European Central Bank and offered such a facility during August, when Northern Rock, for one, might have taken advantage of it” (Hill, 26/Sep/07, The Financial Times; see also, Buiter and Sibert, 17/Sep/07, The Financial Times; Kaletsky, 15/Sep/07, The Times). It highlighted the clear discourse of Active Interventionism that stands against Reactive Interventionism. Finally, in this Active Interventionist discourse, when considering the reason why the BOE did not follow other central banks and adhere to Bagehot’s principle, debates of moral hazard ensued. In these debates, the conceptions of moral hazard proposed in Anti-Interventionism were challenged by two new conceptions of moral hazard.

The first new conception (i.e. the third conception of moral hazard) was proposed against the first conception (i.e. the paradox of insurance), which was applied in the Anti-Interventionist discourse. For example, Lawrence Summers claimed moral hazard to be the root cause of the belated bailout in The Financial Times, arguing that “the world has at least as much to fear from a moral hazard fundamentalism that precludes actions that would enhance confidence and stability as it does from moral hazard itself” (Summers, 24/Sep/2007, The Financial Times). It means, according to Summers, that the strong emphasis on moral hazard itself becomes the action which aims for economic
stability but actually makes the economy unstable. Likewise, Kaletsky criticised the
danger of moral hazard as a concept that might intervene in political authorities to
rescue the economy from worsening situations, claiming that “protecting the broader
economy from financial disaster is infinitely more important than puritanical
vindictiveness after the harm is done” (Kaletsky, 18/Sep/07, The Times). Thus, here,
moral hazard is cynically defined as a concept which potentially becomes a root of
moral hazard.

Corresponding to the first new conception (i.e. moral hazard as moral hazard), the
second new conception (or the fourth conception) opposes the second conception of
moral hazard (i.e. the violation of social morality). According to the second conception,
state interventions such as bailout policy cause the violation of social morality because
they rescue irresponsible bankers by responsible taxpayers’ money. However, the
second new conception appears to challenge this claim. This is because, for example,
Lawrence Summers argued that “much of what financial authorities do in response to
crises does not impose any costs on taxpayers and may actually make them better off…
Monetary policies that prevent deflation of the kind that cost Japan a decade of growth
in the 1990s are another example of how a policy can respond to stress without
imposing costs on taxpayers or the economy.” (Summers, 24/Sep/07, The Financial
Times) As such, Summers indicated that the bailout policy cannot be seen as a violation
of social morality. Rather, as the reference to the Japanese case implies, the non-
interventions could inflict the costs on taxpayers. Hence, like the first new conception of
moral hazard, if this concept encourages non-interventions, it is regarded as the concept
which could have been prevented by state interventions in the second new conception of
moral hazard. Put simply, the second new conception is proposed as a critique of non-
intervention as negligence of political duty.

In summary, Active Interventionist discourse can be found in the narratives which
criticised the bailout over Northern Rock (i.e. Bagehot’s principle) as too late a political
reaction. On this critique of Bagehot’s principle, the discursive battle between Active
Interventionism and Reactive Interventionism emerged. This turned out to be the battle
between Active Interventionism and Anti-Interventionism in the moral hazard debates.
Interestingly, against the conceptions of moral hazard appearing in the Anti-
Interventionist discourse, two new conceptions of moral hazard appeared in the Active
Interventionist discourse – one citing moral hazard as the potential cause of moral
hazard; the other criticising non-interventions as the neglect of political duty. The
discursive battles highlighting moral hazard appearing in the narratives of policy failure can be visualised like below.

![Conceptions of Moral Hazard](image)

As a summary of the findings, the state management of the Northern Rock crisis was evaluated as a policy failure in the UK’s quality papers. In other words, in the UK media discourse, the narrative of policy failure dominated. However, interestingly, the narrative of policy failure was not constructed based on a monolithic understanding of state interventions. Rather, there emerged clear discursive battles between Active Interventionism and Reactive and Anti-Interventionism. In their discourses, the concept of moral hazard became the most referenced in defining the crisis management as policy failure. However, what the concept of moral hazard meant was continuously contested, and contrived to challenge other understandings of the crisis management.

**Conclusion**

After the release of the news about the UK’s double-dip recession a few weeks ago, I discussed with one of my friends, who is now working in the field of finance and investment, about how the government should respond in order to have a stable economy in the future. After checking on a few basic issues about the crisis, such as its
causes, general problems and recent government reactions, etc., I expressed my opinion to him: “What we need to seriously consider is morality and ethics in economics and economic policy.” Once I said this, he startled me with a laugh and said: “Shu, my friend, listen. You must know what the morality of economics is. It’s utility maximisation behaviour. If you have money to invest now, and if you are pretty sure, you can gain certain revenues by investments. But if you do not invest, you’re stupid and irrational in economics. Of course, you may sometimes misjudge the risks of investments. But the misjudgement and the loss caused by the misjudgement are natural costs that you have to pay for your utility maximisation behaviours. So, in economics, there is no such thing as social morality. There is only the sum of individual rational behaviours – the morality of individualism!” What he said is actually true. Or, I should say, what he said is basically correct according to economics textbooks. Nonetheless, he actually neglected the fact that the definition of morality is essentially contested even within economics and among economists. Such contestation or contestability of economic issues is what the recent crisis uncovered, as the politics of the crisis as this paper demonstrated.

As the crisis continues, the battle continues. If the performativity of economic ideas over political economy and socio-economic life is true, the winning idea might bring a new political economy and a new socio-economic life. Or we might just stay where we are. As Gamble (2009) argues, politics and the political factors determine the end of the battle. However, if the battle is rooted in the essential contestability of the understanding of the economy and economic concepts, we may need to come back to this fundamental debate about our understanding of the economy, namely the fundamental debate about economics, because that is where the possibilities of a new political economy, a new socio-economic life, and, of course, a new growth model exist.
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