ECONOMIC THEORY AND FINANCIAL CRISIS:
A SYSTEMATIC ANALYSIS OF THE FINANCIAL TIMES

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This thesis sets out to document the change in economic ideas promoted in the *Financial Times* from 2007-2010 as a result of the Great Recession. This research project builds off of the previous work of those in constructivist political economy that understand the importance of the role of ideas during economic crises. It specifically draws on the claim made by Mark Blyth that economic uncertainty allows for predominant economic ideas to be questioned and new economic ideas to be considered. It also draws on literature from media studies that acknowledges the power of the financial press in idea formation and policy implementation.

Using content analysis, this thesis considers the relationship between economic uncertainty and the range of ideas being promoted in the *Financial Times*. It documents the questioning and subsequent reform of predominant economic ideas over time. Additionally, it considers the role of authors’ professional and personal interests in economic prescriptions.

Key words: *Financial Times*, economic ideas, institutional change, the Great Recession, New Consensus, financial press.
To everyone in my life who has encouraged me to dream
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Chapter 1- Economic Theory and Financial Crisis: An Introduction

This research project is about the changing economic ideas of the world’s most important financial newspaper through the Great Recession. In this study I define the Great Recession to mean the financial crisis that originated in the United States in 2007 and subsequently progressed into a world financial crisis and global economic recession. My entrance to college was marked by the beginning of the Great Recession. As soon as I began studying economics, economics began to change. It became apparent that the economics being promoted in my textbooks was not the same economics being implemented. There was economics as an isolated, academic endeavor, and then there was the reality of economic ideas interacting with the greater context, trying to respond to the worst economic crisis experienced in decades.

As a student I learned repeatedly about the two great economic crises of the twentieth century. I studied the transformation of economics; how Keynesianism was embedded as the economic orthodoxy after the Great Depression, and how it was later disembedded as a result of the stagflation of the 1970s and replaced with a new economic orthodoxy. The New Consensus, formed in the 1990s as the synthesis of mainstream economics, served as the theoretical basis for economic policy in many countries for the past two decades and was the economic orthodoxy before the Great Recession. This project is about economics, yes. But more meaningfully it is about how economic ideas are developed, transferred, and used to help make sense of the world that we are living in.
Research Question
This thesis project considers the role of economic ideas in times of economic crisis. More specifically, it asks how economic theory presented in the *Financial Times* changed because of the systemic shock represented by the Great Recession. I examine how theory varies over the course of the crisis. To do this, I conducted content analysis on *Financial Times* op-eds from January 2007 through October 2010.

Literature Review
This review of existing literature aims to create a dialogue between constructivist political economy and work in media studies concerning the financial press. Much has already been written about the relationship between economic crises and the transformation of ideas. Additionally, much has been written about the power of the media in idea dissemination so I address the scholarship of several authors on the role of the financial press in promoting economic ideas. With this literature established, I can then adequately consider how economic theory presented in the *Financial Times* has changed over the course of the Great Recession and why this transformation is relevant and important.

Historical Institutionalism, Rational Institutionalism and Constructivism are schools of thought that address the role of ideas in institutional change. Of these camps, I base my research on constructivist political economy. Historical and Rational Institutionalism argue that ideas are devices in institutional change. However, ideas are not considered independent causal variables, they are regarded as one of many factors and are not isolated (Blyth 1997). Additionally, they see institutions as the main mechanism for reducing uncertainty in times of crisis. Historical and Rational
Institutionalism do not adequately theorize the causal role of ideas so Constructivism is needed (19).

Constructivist political economy credits ideas as the only viable tool to reduce uncertainty when interests are unknown (Blyth 2002). In Great Transformations, Mark Blyth considers the causal role of ideas in explaining institutional change in times of economic crisis through five hypotheses. First, ideas reduce uncertainty in times of crisis. Before a crisis can be responded to, actors must have some ideas about what the crisis is and what factors caused it. Acting as interpretive frameworks, economic ideas reduce uncertainty by narrowing the possible interpretations of a crisis. Second, ideas make coalition building and collective action possible. Because ideas provide an interpretive framework, they allow for a common end of collective action to be defined and further, they dictate what the solution should be. Third, since ideas are the basis of institutions that already exist and the ideas are being disproved through the crisis, new ideas can be used as weapons to delegitimize those current institutions. Fourth, following existing institution delegitimation, ideas are the foundation for new institutions. Old institutions based on old economic ideas are replaced by new economic and political institutions based on new ideas. Fifth, following the construction of new institutions, ideas allow for institutional stability. Once ideas have informed agents of what institutions to construct, those institutions continue to reinforce those ideas (Blyth 2002).

Using these five hypotheses, Blyth documents the embedding of liberalism in Sweden and the United States after the Great Depression, and the disembedding of liberalism in those two countries in the 1970s and 1980s. He finds that “institutional change can only make sense by reference to the ideas that inform agents’ responses to
moments of uncertainty and crisis” (251) and concludes that ideas should “be seen as causal variables in their own right” (275).

In documenting the disembending of liberalism in Sweden Blyth addresses the role of the financial press (218). He argues that the financial press was one avenue through which new economic ideas were transferred from closed academic circles to a wider audience of opinion makers. He cites a study documenting the change in the conservative *Sevenka Dagbladet*, where the proportion of neo-liberal idea promotion in the newspaper rose from thirty percent in 1975 to seventy percent in 1989.¹ Because the environment in which ideas are discussed and used as weapons is the basis from which new institutions are created, the financial press is important, yet the financial press in not considered systematically in *Great Transformations*. It is not addressed in the chapters considering the embedding of liberalism in the United States or Sweden, or the disembending of liberalism in the United States. Because Blyth does not discuss in depth the role of the financial press, a greater discussion of the power of the press is needed.

Considering existing literature on the role the financial press in idea formation allows one to understand the relevance of exploring the discussion occurring in the *Financial Times*. By reviewing the literature from media studies that considers the importance of the financial press a dialogue can be created with constructivist political economy. This literature asserts that the press plays a distinct role in forming the policy environment.

Research highlights that the financial press plays an important role in forming economic ideas and the policy agenda. Wayne Parsons, in his appropriately titled *The

*Power of the Financial Press*, demonstrates the capacity of the financial press to “establish a community of economic discourse” (7). He argues that the financial press “enables politicians, business men, and men of ideas to set the parameters of ruling opinion” and uses both the Keynesian Revolution and 1970s as evidence (3). Parsons posits that in the 1930s journalists ascribing to Keynes had greater influence on policy making than the academic community itself. Again in the 1970s, “The Financial Press in both Britain and America played a leading role in challenging the prevailing economic wisdom by giving over space to the discussion of ‘supply-side’ and ‘monetarist’ ideas” (6-7). Parsons promotes the importance of the financial press by advocating that the press guides opinion through its coverage and has the ability shape the policy agenda when economic ideas are in demand.

Parsons has subsequently been supported by more theoretically grounded literature. Pemberton argues in his work on policy networks that once it is agreed that new ideas and institutions are needed because the failure of the current paradigm, the press is a part of the “extensive meta-network” that facilitates “alternative policy analysis and promotion” of new economic ideas (Pemberton 1999). Like Parsons, he cites the promotion of monetarist ideas by journalists in the late 1970 as central to the framing of an ideological attack from the UK’s conservative party on the Labour party that successfully led to the disregarding of Keynesian ideas and replacing them with monetarist ideas and institutions. Media studies literature advocates that the press acts as a frame through which the public makes expectations about the economy (Sanders, Marsh, Ward 1993). The media facilitates institutional change not only by updating people’s expectations but also by allowing individual actors to overcome the problem of
coordination. Media broadcasts individuals’ opinions that deviate from the status quo and their desire for change. This broadcasting creates a common knowledge that allows for coordinated action (Coyne, Leeson 2009).

This literature asserts that the financial press is one mechanism through which idea formation occurs and supports Blyth’s statement that the press is one avenue of promoting institutional change. Even more directly, Parsons argues that the Financial Press has the ability to shape opinion and the policy agenda. This literature highlights the relevance of considering the Financial Times and successfully demonstrates the importance of the financial press in institutional change. However, no scholarship includes the Great Recession because it is so recent. When Mark Blyth chronicled economic transformation in the 1930s and 1980s, the Great Recession had not yet occurred. This gap allows for my proposed research to be both relevant and new.

**Hypotheses**
My research question asks how economic theory changed in the Financial Times during the Great Recession. My literature review coalesced around Blyth’s hypotheses on the causal role of ideas in institutional change during crisis. My hypothesis is that if Blyth is correct, then the financial media will question the New Consensus orthodoxy. If it is during times of financial crisis when currently dominant economic ideas are questioned and room opens up for dissenting economic ideas to gain force, then the Great Recession is an appropriate window to test this theory. Since the New Consensus was the predominant economic theory to which current economic and political institutions assigned themselves prior to the economic crisis, I expect that a questioning of the tenets
of the New Consensus will take place considering they allowed for a crisis as severe as the one that the world is still weathering to occur.

Although I predict questioning will begin, I expect that during the early period of the crisis there is unlikely to be uniformity in ideas with regards to the questioning of predominant economic theory. As the crisis progresses I expect that this will shift and that by the late crisis, there will be increased consensus as to what allowed for the crisis and what reforms should occur and that the outcome of the negotiation of ideas is not necessarily predictable. Related to this, I expect to find that the range of solutions discussed will increase in the times of greatest uncertainty and that as the crisis lessens that solutions will narrow. In this prediction I follow Mark Blyth’s argument that links broad consideration of new economic ideas is linked to agents’ not knowing their interests as a result of high economic uncertainty. If uncertainty facilitates the expression of new ideas, then it follows that in the times of greatest uncertainty there will be the greatest openness to and greatest range of economic ideas put forth. Correspondingly, once uncertainty is reduced, interests will become clearer and a narrowing of the debate can be expected.

Unlike in the 1980’s when Keynesianism was fully dis-embedded and replaced by the New Consensus as the economic orthodoxy, I do not expect to find the pre-crisis orthodox theory thoroughly dismantled. The financial press will not attempt discredit the theory, but rather favor a reformist attitude. There are enough components of the New Consensus that have proved fruitful and are still relevant to politics and economics that it will be a reformist rather than a revolutionary attitude.
**Case Selection**

My thesis is in the format of a disciplined interpretive case study. I apply Mark Blyth’s theory in order to explain changes in economic theories presented in the *Financial Times* during the Great Recession. It is a disciplined interpretive case study in that I do not test Blyth’s theory of institutional change, but do show that this theory can be extended to account for new events (Odell 2001). The Great Recession is a relevant and fruitful case as I am considering Blyth’s theory of economic idea transformation in times of crisis. My aim is neither to affirm nor disprove the theory, but rather to use it as a framework through which to evaluate the crisis. The crisis is both recent and important. It has not yet received systematic analysis and so I will use existing theories to assess it.

I consider opinion pieces (op-eds) of contributing authors from the *Financial Times* newspaper from January 2007 through October 2010. I have chosen the *Financial Times* because it is recognized as the international newspaper of the investor class, it is not as generally conservative as the *Wall Street Journal* and offers an international and financial focus that the *New York Times* does not provide.

My exploration of the diagnoses and prescriptions of *Financial Times* are divided into three time periods: Before The Storm (2007), The Storm (January 2008-March 2009), and After The Storm (April 2009-October 2010). By categorizing the content analysis in these three periods I am able to appropriately track changes in economic ideas throughout the crisis with regards to my hypothesis that there is a direct relationship between economic uncertainty and the questioning of dominant economic theory. These specific time periods were selected after preliminary coding when shifts in opinion became clear in the data. The NBER declared the recession in the US started in
December 2007.\textsuperscript{2} Once it was clear that there was a recession and a systemic crisis the tone and prescription of arguments in the \textit{Financial Times} changed. As chapter three documents, March 2009 was a clear turning point in the crisis. With fiscal stimulus implemented in the US, markets calmed and arguments defending orthodoxy reemerged, so I define April 2009- October 2010 as the late crisis. The end date of the data set is necessarily arbitrary for two reasons. The official end of the US recession is September 2010, however economic turmoil had not ended. Additionally, debate in the \textit{Financial Times} was still occurring, so while the official indicator had passed, it is not necessarily relevant because correct policy responses to the Great Recession were still being discussed. With the time line of my research project, October 2010 was the latest date possible to incorporate in my data.

\textbf{Why Care?}
By conducting analysis on articles written over a period of four years, this study is able to highlight the process through which a consensus is achieved in the \textit{Financial Times} on both diagnoses of and prescriptions for the crisis. I am able to chronicle over time the changes in ideas put forth by the authors. By doing a systematic analysis I am able to see how ideas have changed, when the changes took place and the process of new ideas transforming and replacing old ideas within the same publication.

If my hypotheses prove to be correct, this will strengthen constructivist arguments about the importance of ideas and suggest another case in which the financial press matters for policy construction (Blyth 2002). Such a conclusion would strengthen Blyth’s theory of institutional change by applying his hypotheses on the role of ideas to another

\footnotetext{\textsuperscript{2} The NBER is the National Bureau of Economic Research. It responsible for tracking United States business cycle expansion and contraction and decides the official start and end dates of US recessions.}
financial crisis. This would then help to show the general applicability of the model beyond his examples of the Great Depression and the disembedding of liberalism in the 1980s.

**Limitations**
It is essential to clarify what I am not doing. First, as explicated in my case selection, it is not my aim to prove or disprove the arguments made by Mark Blyth and constructivist political economy, nor those by the existing literature about the power of the financial press. I use their findings to ground and clarify my own research, but I do not make a normative argument about their positions. Second, I do not present a causal argument about the effect of newspapers on policy or economic theory during the Great Recession. It is not my intention to say that the financial press is entirely responsible for the consensus about the causes of the crisis, nor for the policies enacted in response to the crisis. I merely aim to show the ways in which economic theory is challenged and changed due to crises and how the financial press is one avenue through which this can happen.

**Data and Methods**
The state of economic orthodoxy before the Great Recession must be examined in order to provide a context for the economic debates that occurred in the *Financial Times* and to justify the appropriateness of my code selection. Historically, in the twentieth century, two economic crises resulted in the destruction of the predominant macroeconomic orthodoxy. The Great Depression made neoclassical economics and its microeconomic focus irrelevant. Keynes, and over time the neoclassical-Keynesian synthesis, became
orthodox. However, in the 1970s, stagflation allowed for the resurgence of neoclassical ideas and the New Consensus was formed. This was the predominant economic orthodoxy at the onset of the Great Recession. In order to clarify the economic theory context, I lay out the major tenets of the New Consensus, the pre-crisis orthodoxy, and post Keynesianism, the contested alternative.

The New Consensus
The New Consensus, or the New Neoclassical Synthesis, describes the convergence of mainstream economics that occurred in the 1990s. Its tenets encapsulate long-term monetary neutrality, micro level rigidities, the importance of expectations, and emphasizes monetary policy.

Gregory Mankiw and Michael Woodford adeptly describe how the pillars of the New Consensus combine new classical and new Keynesian elements. First, there is agreement on intertemporal general-equilibrium foundations. Thus, short and long-run approaches, and micro and macroeconomics, are “no longer considered to involve fundamentally different principles” (Woodford 269). Second, there is a formalization of economics whereby theoretical models are emphasized. Third, the importance of rational expectations is highlighted. However, unlike in new classical economics, the complete neutrality of money is not promoted, because of an acceptance of rigidities (Mankiw 14, Woodford 272). Fourth, central banks are taken to have the ability to control inflation through monetary policy. The macroeconomic emphasis on monetary policy as the principal tool for affecting aggregate demand is advocated. Inflation targeting and central bank policies are therefore emphasized while fiscal policy, lacking theoretical grounding,
is not (Woodford 274). The recent crisis has led to criticisms of this approach that are best encapsulated by Post Keynesianism.

**Post Keynesianism**
Post Keynesian economics takes an opposing view of macroeconomic policy, one which emphasizes the incorporation of uncertainty. While fiscal policy lacks theoretical grounding in the New Consensus, post Keynesians assert that fiscal activism is necessary to support effective demand. It is argued that macro prudential regulation, and the expansion of monetary policy to include financial stability are needed (Arestis, Sawyer 2010). Hyman Minsky’s Financial Instability Hypothesis is invoked to explain the fundamental instability of finance, which supports increased and anti-cyclical involvement by government to counteract the excesses of the market (Wray 2009).

**Code Selection**
For my thesis I have chosen to conduct content analysis. In choosing my codes I intended to capture the dialogue surrounding appropriate macroeconomic policy that has occurred between the New Consensus and its critics. I derived my original codes from those that Sarah Babb uses in her analysis of the change in ideology of economic dissertations for her work in Managing Mexico: Economists from Nationalism to Neoliberalism (2004). After an initial coding of op-eds from September 2008 and October 2009 I developed four codes that incorporated and updated Babb’s codes to be relevant for the orthodoxy of the day and added discussion of appropriate regulation. My updated codes address the causes of the crisis, the correct responses specific to the financial sector, and the correct fiscal and monetary responses to address the economy as a whole.
I then coded every tenth *Financial Times* op-ed article 2007-2010 in order to cover arguments made over the course of the crisis. Through this process I greatly increased the subsections of my codes in order to capture the variance and subtle differences made in the *Financial Times* about what occurred and what should be done. This added depth attempts to better capture the debate occurring between the New Consensus and Post Keynesian camps and encapsulate how the debate evolved over time. Because my hypothesis based on Blyth’s work on ideas and institutional change is that orthodoxy would be questioned, I added a code to document discussion of the Efficient Markets Hypothesis (EMH).

My final codes fall under two sections: arguments regarding the immediate crisis in finance, and regarding the economy as a whole. With regards to the immediate financial crisis my codes ask: *Who is to blame?* and, *What is to be done?*. My wider economic policy codes consider: *Appropriate Fiscal Policy* and *Appropriate Monetary Policy*. The full results of these codes can be found in the Appendix after Chapter Four. In total, the data encapsulates 611 articles written over forty-six months. In July 2010 the *Financial Times* held an austerity debate whose contributing authors argued for and against fiscal austerity. The articles from this debate were not coded. Although articles written after this debate may have been influenced by the debate, the debate itself was not included to minimize the data’s being skewed by the explicitly balanced format of this event.

**Code 1: Who is to Blame?**
The explanations of the crisis can be best understood when categorized by Market, Government, Society and Theory. Market failures address parts of finance that lacked
sustainability, increased instability, and kept the sector from properly functioning.

Government failures blame either the increasingly relaxed regulation and oversight of finance in the past thirty years, or alternatively, government manipulation of the market. The former holds that the government did not sufficiently counteract the inefficiencies of the market, the latter posits that the government created market inefficiencies through manipulation. Societal explanations address non-economic factors. Wrong economic theory is used to explain the underlying reasons for the government and market failures already explicated.

Who is to blame?

1. Market
   1. Housing bubble, subprime mortgages
   2. Systemic risk (flawed incentives, bonuses, moral hazard, excessive risk)
   3. Excessive leverage of banks
   4. Financial innovation
   5. Incompetent/lax risk management
   6. Lack of transparency
   7. Size of financial sector
   8. Bad risk and econometric models

2. Government
   1. The deregulation of the financial sector
   2. Low interest rates/Easy monetary policy
   3. Politicians meddling with the market/interventions in the market

3. Society:
   1. Irresponsibility of homebuyers
   2. The greed of financiers
   3. Debt/imbalance in current accounts

4. Wrong Economic Theory

**Code 2: What is to be done?**

Solutions to the immediate financial crisis fall into two broad categories: status quo solutions, and entirely new solutions. Within entirely new solutions there are new regulations and new interventions. Status quo solutions defend the place of finance in the economy, saying that the sector should not and cannot be better regulated by government.
Arguments that call for the end of external interventions and posit that better management should come internally, not externally. New solutions provide several possible changes to better manage finance that range from higher capital requirements to the nationalization of the financial sector.

What is to be done?

Status Quo Solutions
1. Nothing
   1. Defense of finance
   2. The sector can’t be effectively regulated/attempts to regulate will make is worse
2. Further deregulation of financial industry
3. End government intervention
4. Moral renaissance
5. Corporate governance/self-regulation
6. Better financial mathematics

Entirely New Solutions
7. Reregulate the financial sector
   1. Capital requirements
   2. Clearing derivatives/securities
   3. Benefits of senior partners/bonuses reconsidered
   4. Tighter federal supervision of the financial industry
   5. Greater transparency
   6. Countercyclical regulation
8. Tighter lending requirements
9. Tax financiers’ risk incentives
10. Purchase distressed assets
11. Break up too big to fail banks
12. Volker Rule (separation of investment banking from commercial banking)
13. Banks as utilities with utility style regulation and rates of return
14. Temporary nationalization of troubled banks
15. Nationalize the financial sector
16. Global economic rebalancing
17. International coordination and cooperation
18. A new paradigm

Code 3: Fiscal Policy
Fiscal policy prescriptions range from global stimulus to reducing public debt through fiscal austerity.

Fiscal Policy
1. Internationally coordinated stimulus
2. Stimulus
3. Stimulus with plan for deficit
4. Countercyclical fiscal policy- government borrowing through crisis
5. Plan for deferred austerity
6. Austerity/ Government surplus

**Code 4: Monetary Policy**
Monetary policy prescriptions range from lowering interest rates to avoid deflation to raising interest rates to avoid inflation with more nuanced policies in between. The unorthodox and unprecedented quantitative easing by the Federal Reserve aimed to improve liquidity and asset protection and credit guarantee schemes were implemented to stem bank failures and calm the market.

Monetary Policy
1. Lower interest rates
2. Quantitative Easing/injection of capital
3. Asset protection scheme/Credit guarantee scheme
4. Inflation targeting
5. Raise interests rates/Inflation reduction

**Code 5: Efficient Markets Hypothesis**
1. Mentioned approvingly
2. Mentioned disapprovingly

**Thesis Structure**
My thesis consists of four chapters. My introductory chapter outlines the theoretical underpinnings of my research. My second and third chapters document my empirical findings. My fourth chapter draws conclusions on the outcome of my research. In my introductory chapter I aim to establish the relevance of my research project. By providing a theoretical context and a review of existing literature I defend my case selection and methodological choices. I provide the information necessary to ground my research and
make it meaningful for the reader. In explaining my codes I specify how I measure the transformation of economic ideas presented in the Financial Times.

Chapter Two covers the ideas expressed in the Financial Times in the first two phases of the crisis: Before The Storm (2007), and during The Storm (January 2008- March 2009). Within each time period, the Financial Times’ contributing authors’ in depth coverage of the Great Recession are best considered in two categories; diagnoses of the causes of the crisis, and prescriptions for appropriate action. In Chapter Two I begin by documenting the development of causal argument about the Great Recession as the crisis emerged in 2007. I then trace the parallel development of regulatory, fiscal, and monetary prescriptions over the same period. With the emerging arguments in 2007 documented, I then consider the development of economic arguments being made in the Financial Times as the subprime crisis escalates into a full-blown global financial crisis in 2008. Special considerations are made of the period of highest uncertainty, the six months from October 2008-March 2009 that I call the “Oh my God, Capitalism as we know it is over” period.

Chapter Three explores the findings of my content analysis from After The Storm (April 2009- October 2010). The implementation of widespread stimulus and the calming of markets in spring 2009 marks a decisive fall in uncertainty that narrowed the debate and revived orthodoxy. Explanations of the crisis were consolidated and contested within the same categories of diagnoses and prescriptions.

My conclusions chapter summarizes my findings from my two empirical chapters. I discuss the results of the content analysis in answering my hypotheses, and I highlight
possible future research. Proposed research includes suggestions to add breadth and depth to this study and new questions worth considering that arise out of this project.
Chapter 2- Economic Ideas in the *Financial Times*: January 2007-March 2009

**Overview**
This chapter is split into two sections: Before the Storm, which considers 2007, and The Storm, which addresses 2008-March 2009. In total, this chapter studies the change in arguments in the *Financial Times* from the early signs of an impending credit crisis to the period of greatest uncertainty in the end of 2008 and beginning of 2009. It aims to chronicle the development of new economic ideas alongside the increasing economic uncertainty. The empirical data is presented this way to reflect the direct relationship between economic instability and the questioning of predominant economic theory that was present in the *Financial Times*.

**Before the Storm**
Diagnoses of the credit crisis in 2007 in the *Financial Times* began as a questioning of financial innovation. As the crisis became increasingly systemic, commentators cited skewed incentives, and excessive risk in the financial sector. Additionally, op-ed authors began to consider government’s role in the crisis through deregulation and passive monetary policy. Prescriptions for increased regulation and active fiscal and monetary policy materialized as the situation deteriorated.

*Diagnosing the Glitches*
The Great Recession began as a credit crisis originating from the subprime housing market. By some estimates, subprime mortgages, which accounted for 5% of mortgages
in 1994, made up 20% of mortgages in 2005. The housing boom that the US had been experiencing withered in 2007. As mortgage defaults rose the extreme leverage of lenders was revealed. In April, New Century Financial Corporation, a leading subprime lender filed for Chapter 11 bankruptcy protection. In July, Bear Stearns liquidated two hedge funds heavily invested in mortgage-backed securities. In August, American Home Mortgage Investment Corporation filed for Chapter 11 Bankruptcy Protection. The Federal Reserve board stated that it would work to counteract the low liquidity in money and credit markets.

In the context of decreasing stability, several explanations were espoused. In 2007 the emphasis was on financial innovation. The increasing evidence of an impending credit squeeze led financial commentators to question the soundness of securitized assets. The chart below shows financial innovation as the primary diagnosis.

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The deterioration accelerated in August, marked by the Federal Reserve Board lowering the primary credit rate, the first of many reductions over the next two years meant to stabilize markets.\textsuperscript{6} Henry Kaufman, the president of an economic and financial consulting company in New York, captured the developing mistrust of financial innovation at this time.

"Securitisation and the seamless interconnectivity of markets - have brought intricate quantitative risk-modelling to the forefront of financial practices. Securitisation generates market prices while information technology appears to hold out the promise of quantifying pricing and risk relationships. The potency of this combination - its effect on risk taking - cannot be overstated."\textsuperscript{7}

\textit{Financial Times} authors came to realize that the opacity and complexity of securitized assets had affected risk. Securitization was meant to be a stabilizing factor by spreading risk throughout the economy, securitization did spread risk, but economic commentators began to argue that in doing so it skewed incentives. Authors wrote that new financial products had distributed risk throughout the economy in a perverse way

\begin{table}[h]
\centering
\caption{Market Blame in 2007}
\begin{tabular}{|l|c|}
\hline
 & \textbf{Market Blame in 2007} \\
\hline
0 & 0 \\
1 & 0 \\
2 & 0 \\
3 & 0 \\
4 & 0 \\
5 & 0 \\
6 & 0 \\
7 & 0 \\
\hline
\end{tabular}
\end{table}

\textsuperscript{6} Federal Reserve Bank of St. Louis, http://timeline.stlouisfed.org/index.cfm?p=timeline
\textsuperscript{7} 7/31/2007 Henry Kaufman, Watch your step in the liquidity polka
that led to relaxed lending standards and increased risk taking by misaligning incentives. As liquidity dried up in the summer of 2007, it became apparent that banks had taken on destabilizing leverage through poor investment decisions and excessive risk taking.

Authors posited that financial innovation led to loosening of lending standards because financial innovation meant that risk ended up outside of banks. In Martin Wolf’s words, "It took foolish borrowers, foolish investors and clever intermediaries, who persuaded the former to borrow what they could not afford and the latter to invest in what they did not understand."

Market failures were not the only factor considered; Financial Times authors explored the responsibility of government as well. Four articles cited deregulation and six cited monetary policy. In late 2007, arguments appeared that urged the credit crisis was the negative result of too little regulation. Authors began to cite that the problematic risk-reward alignment in finance had been perpetuated by rating agencies and regulation that had not kept up with financial innovation. The first authors to make this argument were politicians. Barney Frank, the democratic Massachusetts congressman and chairman

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of the House Financial Services Committee, and Barak Obama, the then presidential candidate, saw deregulation as essential. “The subprime crisis demonstrates the serious negative economic and social consequences that result from too little regulation.” They posited that the subprime crisis would not have occurred if home mortgages had been primarily given by deposit taking institutions that were closely supervised by federal and state regulators as they were before the introduction of securitization.\textsuperscript{12} In 2008, once the crisis intensified, a wide range of authors cited deregulation.

As liquidity evaporated, arguments developed that not only had regulation not kept up with financial innovation, but also central bank policies had actually supported the unsustainable extension of lending. The Federal Reserve’s policy of low interest rates paired with an unwillingness to address the spike in asset prices encouraged the build up of an asset price bubble. The housing crisis was "the result of poor investment decisions that were supported by the monetary and regulatory background."\textsuperscript{13} Authors argued that passive policy supported relaxed lending, extreme leverage, and opaque financial instruments. At the end of 2007 it remained preliminary, in the next phase of the crisis, these arguments gained serious weight.

\textit{What is to be done?}

Proposals to address the accelerating credit crisis in 2007 can best be categorized into three categories: improved self-regulation by businesses, interventions to stem mortgage failures and address the lack of liquidity, and increased regulation of the financial sector.

As the pie chart below depicts, three articles promoted no action, four suggested self-


\textsuperscript{13} Avinash Persaud, “Hold tight: a bumpy credit ride is only just beginning,” August 16, 2008.
regulation, and seven argued for short-term intervention. Twenty articles promoted increased external regulation, the most prevalent prescription in 2007. As the crisis accelerated in the end of the year, monetary and fiscal policy entered the discussion.

Table 2.2 Economic Policy Prescriptions

Not all economic commentators were convinced that the housing crisis would escalate into a full-fledged financial crisis. A few authors argued that while banks had acted foolishly, the central bank should only be concerned with the stability of the banking sector and health of the overall economy, not individual banks.\textsuperscript{14} Intervention would distort the value of illiquid securities or assets such as houses and should only be done in a systemic crisis. “It is not the central banks' job to rescue them by creating a market in the incomprehensible. It is their job to preserve the banking system and the health of the economy. Neither seems now to be in grave danger.”\textsuperscript{15} However, this was not the majority view. Most commentators recognized that something had to be changed.

\begin{flushright}
\textsuperscript{14} Raghuram Rajan, “Central banks must lean against the wind,” September 9, 2007.
\textsuperscript{15} Martin Wolf, “Central banks should not rescue fools from their folly,” August 29, 2007.
\end{flushright}
as it became apparent that banks had skewed incentives and were suffering from conflicts of interest as a result of financial innovation.

Some saw the crisis as an opportunity for bank management to show leadership and call for improved internal oversight. Lack of accountability, responsibility, and transparency needed to be counteracted through self-regulation. These authors argued that financiers, rather than regulators, are in a position to change their actions and achieve a well functioning financial system. “It is only the participants, not the regulators, who can ensure the accountability, responsibility and transparency investors need.” Yet the proponents of self-regulation were not the majority view in the Financial Times at this time. Four op-ed articles emphasized self-regulation while twenty advocated external regulation. Most contributors began to call for government intervention in order to achieve financial sector stability.

Calls for external intervention through regulation appeared in the context of increasing instability. In September 2007, lines of depositors wanting to withdraw their money formed outside of Northern Rock; Britain experienced its first bank run since 1866. The shock made those writing about the crisis wake up to the danger of the situation, “The run shows the need to test all conceivable scenarios: Northern Rock clearly got its assumptions wrong and its regulators are at fault to the extent that they influenced those assumptions.” It became clear that financial innovation, risk taking, and the excessive leverage of banks needed to be addressed. The correct regulatory responses began to be discussed in the Financial Times op-ed pages.

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17 David Pitt-Watson, “Lessons of the credit crisis are not just for regulators,” December 5, 2007
18 Regulators against a bank run Could the supervisors have done better?,” September 19, 2007.
The majority of articles looked to the fundamental issue of addressing the incentives that lenders had to produce excessive leverage. “The hurdle for doing business ceased to be whether a bank trusted a borrower to be a sound long-term credit risk - the craft in which generations of bankers had been trained. Instead, the question was whether it could collect a fee and sell a credit-rated security on to someone else.”\textsuperscript{19} They promoted that regulation had clearly not kept up with innovation in securitization and needed to be updated to counteract excessive risk taking. Contributing writers began to propose clearing derivatives, reconsidering the role of rating agencies, and having central banks expand their mission. Clearing derivatives was seen as serving to monitor the level of capital of market participants and creating transparency so that buyers and sellers know what is being bought and sold. Rating agencies failed to appropriately assess the underlying value of complex securities so they needed to be better supervised and re-

\textsuperscript{19} John Gapper, “Now banks must relearn their craft,” July 30, 2007.
evaluate how ratings are reached. By addressing more than inflation targeting, central banks could control the credit supply and help counteract asset bubbles.\(^{20}\)

The increasing seriousness of the crisis can be traced in fiscal and monetary policy prescriptions advanced by *Financial Times* commentators. In the end of 2007 calls began to be made for fiscal stimulus. The crumbling housing market needed addressing and writers’ suggestions of fiscal stimulus reflect the increasing economic uncertainty.\(^{21}\)

“Six weeks ago my judgment in this newspaper that recession was likely seemed extreme; it is now conventional opinion and many fear that there will be a serious recession… There is now a compelling case for the president and Congress to create a programme of fiscal stimulus to the US economy.”\(^{22}\)

Preparations for an increasingly likely recession meant measures to sustain demand and keep mortgage holders in their homes.

“Timely and targeted fiscal stimulus can add to aggregate demand in a way that supports private consumption during a critical phase… In a sense, medium term fiscal policy is all about saving for a rainy day. It is now raining.”\(^{23}\)

The low interest rates of the Fed were seen as a cause of the crisis, and reckless lenders…should ideally go bankrupt. At this stage, authors thought the focus of policy


\(^{22}\) Lawrence Summers, “Why America must have a fiscal stimulus,” January 7, 2008.

should be minimizing the negative effects of financial instability sectors other than finance and keeping mortgage holders in their homes. This meant aggressive fiscal policy and reserved monetary policy.

“Do not be fooled by anybody who says that the central bank should cut interest rates for the benefit of innocent citizens who have been caught up in this maelstrom. The first, second and third beneficiaries of the Federal Reserve's pending helicopter drop of cash will be banks, not ordinary people or companies. It would therefore be unwise, to say the least, for policymakers to rely on monetary policy alone. By far the best policy response - though clearly limited in scope - is a well-targeted fiscal policy stimulus.”

However, as more homeowners defaulted on their loans, banks found themselves with low liquidity. The central bank was increasingly encouraged to accommodate the sudden increase in demand for central bank money to reduce the liquidity premium. Despite the dark clouds gathering over the financial horizon, there was no consensus on the seriousness of the situation. The rescuing of Northern Rock and Bear Sterns in February and March of 2008 would soon alter that perception.

In sum, as the first signs of the credit crisis became more evident, Financial Times commentators targeted blame at financial innovation that had skewed incentives. Authors saw relaxed lending standards and excessive risk taking were perpetuated by deregulation and passive monetary policy that allowed banks to achieve destabilizing leverage. As mortgage defaults rose and liquidity decreased commentators began to suggest increased regulation, fiscal stimulus and monetary easing. These various ideas developed into better articulated narratives as the financial storm hit in 2008.

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The Storm
Any doubts regarding the seriousness of the crisis evaporated in 2008. The nationalization of Northern Rock in February and the sale of Bear Stearns to JP Morgan Chase in March clarified the systemic nature of the downturn and economic uncertainty escalated. The time of greatest uncertainty, explicated in the introduction chapter as the “Oh my God, Capitalism as we know it is over” period, was marked by bank failures, and reflected in an impressively volatile stock market. This climactic six months began with the failure of Lehman Brothers on September 15th 2008.

The uncertainty that characterized this phase of the crisis is clearly indicated in diagnoses and prescriptions in the Financial Times. The failure of governments, markets, and economic theory were widely discussed. The increased volatility was reflected in the emergence of more fundamental explanations and radical solutions.

Diagnoses

As the US economy fell into recession in, the editorial pages of the Financial Times were rife with blame. The crisis, no longer contained to the US housing market, was having deep and widespread effects on the world economy. 3.1 million jobs were lost in the US in 2008, the largest loss in absolute terms since 1945. In this period of extreme uncertainty the previously promoted explanations of the crisis became insufficient.

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26 The official start of the recession decided by the National Bureau of Economic Research was December 2007.
History was called upon, old theories were discredited, new paradigms were promoted, and narratives were told that would have been unthinkable only a few years before.

Diagnoses can be best understood by considering four categories: market failure, government failure to correct markets, economic theory that promoted government policy to allow for market failure and, global imbalances.

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Eighty-eight articles address the causes of the crisis January 2008-March 2009. Of these, fifty articles blame market failure, thirty-three blame government deregulation or easy monetary policy or both, and fourteen blame economic theory. Eighteen articles blame global imbalances. The emphasis is on the market, with the majority of articles citing market failures.

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28 These articles are cited in full in the Article appendix, they are cited in foot notes broken down by specific prescription.
In the above chart, the red indicates the diagnoses given in the first phase of the crisis.

The blue indicates the diagnoses during the second phase. This overlap shows that financial innovation remained a causal story in 2008, yet as the financial system wavered on the edge of collapse and people searched for reasons for how the situation had been able to get so bad, arguments became more personal and more fundamental.

Systemic risk, which was coded to include flawed incentives, moral hazard and excessive risk, was the overwhelming diagnosis in the *Financial Times*, cited thirty-nine times.

Authors concluded that it must have been some sort of trick, some intentional abdication

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of responsibility. “Financial innovation became a convenient cloak for recklessness.” It was revealed as a temporary veil for frighteningly harmful practices in the financial sector where no one understood the extent of the risks being taken or where those risks lay.

“Risk and uncertainty introduce a crucial asymmetry. At the upper end, the size of the bonus is not limited. Higher net profits generated by the employee translate into higher bonuses. At the lower end, however, the bonus is limited to zero. In other words, any losses are borne entirely by the bank and the shareholders and not by the employee. This asymmetry clearly provides an incentive for employees to take risks without being fully accountable in monetary terms.”

The overwhelming narrative was that the pursuit of profit led to heightened leverage and little liquidity. Bonuses hid risk and skewed incentives; Financiers “willfully loosened credit restrictions to keep house prices rising and bonuses flowing.” The binge culture of banking was short-termist; there was “privately rational but socially harmful risk-taking” because in any period there was a high probability of average profit and a low probability of huge losses. All of these factors combined made finance an industry with huge systemic risk.

In the month following the collapse of Lehman Brothers on September 15th 2008 half of articles addressing the cause of the banking crisis blamed greed. The extent to which bankers were demonized and put into a story of ‘us’ and ‘them’ should not be

34 Clive Crook, “Markets need more than a patch-up,” March 31, 2008.
understated. John Monks encapsulated the anger of the moment when on October 3rd 2008 he wrote,

“We are losing the equality battle. Now is the time to expose the titans of the world based in New York, London and other major financial centres, who have patronised us with the message that there is no alternative to a world run by Goldman Sachs and the others… just as 1979 was a turning point for British trade unions when the accusations of over-mighty unions stuck in the public mind to devastating political effect, so will 2008 be seen as a turning point for those in the banking system who have contributed to the present mess.”

It was a turning point in which people realized that something had been terribly and fundamentally wrong. It was also the point, as we will see in the next section, in which people began to promote radical solutions. No matter what regulators do, commentators said, you cannot regulate against greed and stupidity.³⁶ John Gapper, a Financial Times contributor posited:

“The word "irresponsible" does not begin to describe AIG's behaviour. Like Bear, Lehman and others, it saw a way to get in on the growing action in mortgage-backed derivatives. Its bankers were soon earning huge fees for themselves and AIG by piling up unimaginable risks. Call me a spoilsport, but I do not believe that AIG or any other capital markets institution should be allowed to play like that with my money (I am a US taxpayer) in future. If this means going back to basics, and redesigning the global regulatory system so that a renegade insurance company is denied the chance to blow up the world's banks again, so be it. Regulation cannot solve everything but enough is enough.”³⁷

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³⁷ John Gapper, “This greed was beyond irresponsible,” September 18, 2008.
**Government Failure**

Prior to the crisis, market advocates argued that higher GDP would benefit all and the best way to achieve higher growth was more market and less state. The position of financial institutions and regulatory agencies was that markets knew best and should be left alone in order to achieve the best possible economic outcomes. As the crisis intensified, government was held responsible for not sufficiently counteracting the effects of the market. Authors argued that due to the recently realized negative externalities of finance, passive monetary policy and the deregulation of the past 30 years had been a mistake. The crisis was the “result of regulatory failure to guard against excessive risk-taking in the financial system, especially in the US.”

Before 2008, only three articles addressed deregulation, written by Barney Frank and Barak Obama, both democratic politicians. Twenty-six articles address deregulation 2008-March 2009 and those arguing the ill effects of deregulation come from a range of industries. Financiers, economists, industry leaders, politicians, and Financial Times journalists all recognized the danger of deregulation. Twelve articles cite the easy monetary policy of the Federal Reserve. Five articles addressing both deregulation and monetary policy. In sum, thirty-three articles consider government responsibility in this phase of the crisis.

The effects on the real economy were an opportunity for people to demonstrate that an unfettered market is unacceptable because of its huge negative consequences.

38 Hal Scott, “America must act to renew the primacy of its markets,” March 12, 2007.
The Federal Reserve’s policy of prolonged low interest rates and unwillingness to address asset price bubbles had been discredited.\textsuperscript{41} Recommending that the financial sector be able to “recalibrate its activities according to the sentiments and demands of the market”\textsuperscript{42} was wrong because of the situation it produced.

> “Since 1980, regulations have been progressively relaxed until they have practically disappeared. The super-boom got out of hand when the new products became so complicated that the authorities could no longer calculate the risks and started relying on the risk management methods of the banks themselves. Similarly, the rating agencies relied on the information provided by the originators of synthetic products. It was a shocking abdication of responsibility.”\textsuperscript{43}

Before the storm commentators told a story of how regulation didn’t keep up with finance. It then became a story of how the government failed its responsibility of protecting its citizens from the effects of the market with regulation wrongly relaxed.

Roger Altman, chairman and previous deputy US treasury secretary said, “This will come to be seen as the greatest regulatory failure in modern history.”\textsuperscript{44} This change in framing allowed for the underlying economic theory behind deregulation to be attacked.


\textsuperscript{43} Martin Wolf, “Why Britain has to curb finance,” May 22, 2008.

\textsuperscript{44} 1/23/2008 George Soros, The worst market crisis in 60 years

Challenging Financial Deregulation
Economic theory was questioned as a result of the economic turbulence. Some said that what allowed for the deregulation of financial sector in the first place was the belief that markets would produce the best results when left undisturbed by government intervention. Predominant economic theory argued that government intervention would only distort market outcomes and decrease efficiency. The financial crisis led authors to believe that the undue faith in unregulated markets was in incorrect, that Hyman Minsky was right after all. The ideological commitment of the Federal Reserve was judged and Keynes, as a reference, made a comeback. Economic theory was explicitly attacked twenty-six times in this period.

Hyman Minsky is well regarded for having developed an explanation for the relationship between financial market instability and the business cycle of an economy. He posited that periods of rapid growth and low inflation lead to speculative euphoria and investment bubbles and that once debt rises beyond what people can sustainably pay with their existing incomes, financial crisis ensues.\(^45\) Minsky became a popular reference as the world experienced a “Minsky Moment” when financial markets moved from stability to crisis. “Minsky was right. A long period of rapid growth, low inflation, low interest rates and macroeconomic stability bred complacency and increased willingness to take risk. Stability led to instability.”\(^46\) Suddenly, neoclassical economic theory, which had seemed previously indispensable, was challenged by the asset collapse in the exact way Hyman Minsky predicted. Arguments leveled against the Efficient Markets Hypothesis and rational expectations were not fully developed until the spring of 2009. In the context


\(^{46}\) Martin Wolf, “The end of lightly regulated finance has come far closer,” September 17, 2008.
of great uncertainty many explanations and solutions were advanced before the
emergence of a consistent story on how economic theory had failed. However, it was
clear to commentators that it had failed.47

The mistaken ideology of the Federal Reserve was widely cited. Both financial
authorities and the institutions under their jurisdiction had been guided by market
fundamentalism. They had believed that markets tended towards equilibrium and
deviations were randomly occurring. Due to this belief, “there was insufficient discussion
of the dangers inherent in rapid credit growth and soaring asset prices.”48 They had seen
interventions to stem price bubble as neither possible nor desirable and did not strongly
oppose the repeal of the Glass-Steagall act because the market knew best and was self-
correcting.49

Keynesianism was summoned to make sense of the current mess. Keynes was
referenced in order to explain the pervasive illiquidity being experienced and in doing so
attacked predominant economic theory. The economist Robert Shiller representatively
said, "The idea that unfettered, unregulated capitalism would invariably produce the good
outcomes was a wrong economic theory regarding how capitalist societies behave and
what causes their crises. That wrong economic theory fails to take account of how the

up in our faces,” September 29, 2008. Edmund Phelps, “Keynes had no sure cure for slumps,” November 5,
2008. Nassim Nicholas Taleb, Pablo Triana Bystanders to this financial crime were many,” December 8,
49George Soros, “The false belief at the heart of the financial turmoil,” April 3, 2008. Samuel Brittan,
“Capitalism and the credit crunch,” September 12, 2008. Martin Wolf The end of lightly regulated finance
has come far closer,” September 17, 2008. David Blake, “Greenspan's sins return to haunt us,” September
animal spirits affect economic behaviour. Keynesianism became relevant to explain suppressed demand, which supply side economics cannot do. David Smith, then chief executive of Jaguar Land Rover wrote,

“For those of us who were at Cambridge during the great Monetarist v Keynesian debates of the early 1980s, it is good to see the old man's ideas making a political comeback. It is just a shame that he is not around himself to tell us exactly how to get out of this storm we find ourselves in. What is clear is that the decisive action taken so far by the government and the Bank of England will not be enough. We will need further concerted macroeconomic moves across the Group of 20 nations and interest rates in the UK much closer to US levels to break through the famous Keynesian "liquidity trap», where consumers and banks alike hang on to cash rather than spend and lend.”

Economic theory was questioned in 2008 as the financial storm shook the foundations on which efficient markets hypothesis and rational expectations had been built. Faith in unregulated markets had been lost by all but a select few. Keynes and Minsky were invoked and the ideological commitment of the Fed was demonized. Keynesian prescriptions were widely promoted. The economic theory behind deregulation was a widely cited as responsible. However, some arguments went beyond the market-state relationship to explain the economic crisis. While finance and economics was one piece, some said the story was much larger and could only be fully understood as a global misalignment.

51 David Smith, “Keynes' magic can work for the sunrise industries,” November 21, 2008.
52 Only three articles argued the crisis was a result of too much government, where as twenty six argued it was a result of deregulation.
Global Imbalances

Some writing in the Financial Times saw the financial crisis as not simply as the result of a defective financial system, but the result of an unbalanced world economy. Eighteen articles address the role of global imbalances in destabilizing the world economy. Of these, the overwhelming voice is Martin Wolf, the chief economic commentator at the Financial Times, who wrote seven of the eighteen articles in this phase of the crisis. The story has many variations but the general narrative is as follows,

“All these crises are different. But many have shared common features. They begin with capital inflows from foreigners seduced by tales of an economic El Dorado. This generates low real interest rates and a widening current account deficit. Domestic borrowing and spending surge, particularly investment in property. Asset prices soar, borrowing increases and the capital inflow grows. Finally, the bubble bursts, capital floods out and the banking system, burdened with mountains of bad debt, implodes.”

Authors highlight that in this particular cycle the availability of credit had allowed American households to live beyond their means, making up for stagnating real wages until liquidity finally dried up in 2007 and the US economy fell into recession. This experience was particularly consequential because it was the first time that the net flow of capital was from the developing world to the developed world rather than the other way around.53

What is to be done?
Solutions to the financial crisis can be categorized into those that propose: Status Quo solutions, and Entirely New Solutions, the latter consisting of new short-term interventions and new long-term regulation.

Table 2.6 Economic Policy Prescriptions

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Overall, 160 articles consider appropriate action to deal with the instability of the financial sector. Twenty-eight articles promote status quo solutions, including no increased role of government, ending government intervention, and increased self-regulation by businesses. Ninety-six articles advocate new regulation, and thirty-five espouse unprecedented interventions. Nine of the twenty-eight articles that advocate status quo solutions argue for self regulation in conjunction with external regulation, so only nineteen of the 160 articles do not promote increased government involvement.

Status Quo Solutions
A small minority of articles defended free markets and argued against government intervention and increased regulation during the height of the Great Recession. The most

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pro-market authors saw the crisis as a result of too much government intervention that has produced moral hazard through implicit government guarantees. The president of the Czech Republic, Vaclav Klaus, argued,

“The economic crisis should be regarded as an unavoidable consequence and hence a "just" price we have to pay for immodest and overconfident politicians playing with the market. Their attempts to blame the market, instead of blaming themselves, are unacceptable and should be resolutely rejected.”

Most arguments defending the market are less fundamentalist but have the same policy prescription: do nothing. For some, the problem is unrealistic expectations of what the government is capable of. Government intervention is incompetent, stifles innovation, and is counterproductive. Authors argue that this crisis did not result from a lack of regulation and regulation will not make finance any safer so the government should not try. In fact, a Keynesian stimulus would exacerbate the problem.

“Consumers should not be regarded as Pavlov's dogs, automatically responding to stimuli offered by politicians. Consumers are guided by expectations…research suggests that when the ratio of public debt to gross domestic product is already high, the multiplier effect of fiscal stimulus is low. In extreme cases, fiscal expansion may even be contractionary.”

Additionally, banks promoted excessive risk taking through bonuses, so they should suffer the consequences and be allowed to fail to shrink the banking sector back to a healthy size.

54 Vaclav Klaus, “Do not tie the markets - free them,” January 7, 2009.
Aside from the minority of articles that discouraged any change in oversight, there was a general consensus that something had to be done. It was acknowledged that incentives must shift. Better corporate governance was needed to achieve increased transparency, constrain the build up of leverage, and decrease moral hazard. A culture of responsibility and stability was called for and empowerment of investors to intervene in pay. Before the financial storm, self-regulation was argued for as an alternative to external regulation, in 2008 commentators advocated it in conjunction with increased government regulation.\(^{57}\) Only two of the eleven articles that argue for self-regulation do not also argue for regulation.

**Entirely New Solutions**

Once the severity of the crisis had been realized people were quick to suggest expansionary fiscal and monetary policies. A total of thirty-six articles discussed fiscal policy in the six months after Lehman Brothers’ collapse on September 15\(^{th}\) 2008. Of these, thirty-five called for fiscal stimulus. The debate shifted from whether there should be stimulus to what the stimulus should look like. From October 2008 to March 2009 eleven authors promoted an internationally coordinated stimulus.\(^{58}\) They reasoned that


the crisis being experienced was global and thus the most effective way to fight it was through coordinated action. Additionally, countercyclical policy was defended; authors argued that the way to avoid complete collapse was to maintain supportive fiscal policies while the world economies were still contracting. Those that disagreed were dismissed as not understanding the severity of the situation. Monetary policy was generally promoted in conjunction with fiscal policy until central banks had seriously lowered their rates.

Articles written in the *Financial Times* saw government activism as essential. They praised the Federal Reserve’s focus on providing liquidity through whatever means possible. Direct equity injections, the purchase of distressed assets and government guarantees were volunteered after the failure of Lehman when the consequences of bankruptcy were realized and people scrambled to ensure it did not happen again. The

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prospect of deflation was raised and further justified government support. Nouriel Roubini, professor of economics at the Stern School of Business and chairman of RGE Monitor, in December 2008 argued,

“As traditional monetary policy becomes ineffective, other unorthodox policies have to be used: massive provision of liquidity to financial institutions to unclog the liquidity crunch and reduce the spread between short-term market rates and policy rates; quasi-fiscal policies to bail out investors, lenders and borrowers. And even more unorthodox "crazy" policy actions become necessary to reduce the rising spread between long-term interest rates on government bonds and policy rates and the high spread of short-term and long-term market rates (mortgage rates, commercial paper, consumer credit) relative to short-term and long-term government bonds.”

A complete restructuring of the banking sector was conceived and promoted in the six months of greatest turbulence spanning from September 2008 to March 2009. In September 2008 it seemed to many that capitalism as previously experienced had come to an end. All faith in the market had vanished and the state seemed to be the only sector with any credibility left. Thus, temporary nationalization of several banks was espoused. “Things are bad - unprecedentedly bad - so we need to consider radical actions and actions that would have been thought lunatic a year or so ago…the least worst course is to accept nationalisation of these banks.”

Seen by authors as the least bad route to stabilize the market and get the economy to recover, nationalization was justified in various ways. Some argued that it was necessary for employment, other said that


63 Nouriel Roubini, “How to avoid the horrors of 'stag- deflation',” December 3, 2008.
64 John McFall and Jon Moulton, “Let us have public ownership of Lloyds and RBS,” January 21, 2009.
restructuring was needed and could only occur while under state ownership. What was agreed upon was that banks were too large to fail and too complex to manage and that both needed to change. Only a year before it was unclear if the credit crisis would spread beyond the subprime housing market, by the end of 2008 a call for the end of free market finance was gaining ground. The next chapter will address that as the market rebounded in 2009 these argument quickly slipped away, and conservative arguments rebounded.

Proposed regulations to make the financial sector more stable in the long term can be seen as logical responses to the consensuses reached on the causes of the crisis. These are leverage, debt, moral hazard, skewed incentives, excessive risk taking, and lack of transparency. The regulations proposed include federal supervision, remuneration schemes, capital requirements, and internationally coordinated regulation. The need for such extreme government intervention to avoid a systemic collapse led most to agree that there had not been sufficient government supervision before the crisis and that the deregulation of the past thirty years had been misguided. This led to calls for increased government supervision. Securitized assets showed that more dynamic and responsive regulation was needed because financial innovation can move forward much faster than regulation. The Financial Times was full of arguments saying gaps in regulation should

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be closed, stress tests administered, and better overall transparency achieved. Ninety-six articles recommended increased regulation.66

Before the Great Recession, the systemic importance of banks was not understood. For Financial Times columnists, the collapse of Lehman Brothers showed that it is not only the size of a bank that matters, but its interconnectedness with other banks. This painful lesson led many to advocate a single regulator with the power to intervene when necessary. Additionally, authors suggested that the Federal Reserve have financial sector stability added to its mandate.67 This change “would force the Fed not only to aim at tempering the damage from asset bubbles but also to use its regulatory authority to promote sounder risk management practices.”68 This reform would keep the Federal Reserve from passively watching asset bubbles grow and subsequently pop as occurred under Greenspan’s ideologically driven Federal Reserve.

There was general consensus in Financial Times op-ed articles that bonuses misalign incentives. In a system where payouts automatically rise with leverage, the incentives to increase risk taking are obvious. As discussed in diagnoses, moral hazard was widespread because the opportunity to make an enormous personal profit overcame the possibility of producing enormous losses for the bank. Suggestions included industry


guidelines, no guarantee of a bonus, payouts that do not automatically rise with leverage, non-executives controlling remuneration, and eliminating all compensation after dismissal beyond a year’s salary. In addition to addressing bonuses, there was consensus on the need for higher and counter cyclical capital requirements to guard against excessive leverage. Both capital requirements and bonuses were each cited twenty six times during the second phase of the crisis.

From January 2008 to March 2009 the crisis escalated from a subprime housing crisis in the United States to a global economic and financial crisis; it became the Great Recession. Explanations and prescriptions expanded with along with the instability. Commentators concluded that the pursuit of profit in finance had led to destabilizing leverage, opacity, and risk due to financial innovation, bonuses, and greed. The deregulation of the past thirty years and commitment to passivity was wrong, and the economic theory behind it was discredited. Expansionary fiscal and monetary policy was widely promoted. In the six months of greatest instability from September 2008- March 2009 temporary nationalization and a complete re-conceptualization of finance were


proposed. The need for increased regulation was apparent and authors proposed increased federal and international supervision.

**Conclusions**

In Spring 2007 the effects of financial innovation became a topic of conversation, by Spring 2009, the *Financial Times* op-ed pages were filled with calls for the temporary nationalization of the banking sector. In the development of the financial crisis, *Financial Times* authors commented on the causes of instability and the appropriate action by government with increasing frequency and sense of urgency. As uncertainty mounted, arguments became increasingly fundamental, personal, and radical. Authors began by primarily citing skewed incentives from financial innovation. As the crisis worsened, people argued that greed, the shortsighted pursuit of profit, and undue faith in unregulated markets were responsible. In the *Financial Times* the conversation about solutions escalated from increased regulation and monetary easing to a Keynesian stimulus and temporary bank nationalization. *Financial Times* authors’ questioning of economic theory and its prescriptions were directly correlated with economic uncertainty. By 2009 many contributors wrote that finance as it had been previously known was over; a re-conceptualization was called for.
Chapter 3- Economic Ideas in the *Financial Times*: April 2009- October 2010

**Overview:**
This chapter considers the third phase of the Great Recession: After the Storm, which addresses *Financial Times* op-ed articles from April 2009- October 2010. It documents the shifts and consolidations of arguments after the worst of the financial crisis was over and economic uncertainty decreased. It is split into a discussion of diagnoses, and policy prescriptions. The latter addresses status quo and new solutions, and discusses the fiscal debate occurring in the *Financial Times* at the time.

**After the Storm**
President Barak Obama signed the American Recovery and Reinvestment Act into law on February 17th 2009. The Treasury proposed extensive regulatory reform on March 26th. In this context, after months of high volatility, markets calmed in spring 2009. Authors reached consensus on the causes of the crisis and the debate on appropriate action narrowed. Emphasis shifted away from the causes and authors focused on what should be done to promote economic recovery and keep such a severe crisis from repeating. From April 2009 to October 2010, only 61 articles addressed Code 1 (causes of the crisis) while 161 articles addressed Code 2 (what is to be done), and additional prescriptions were made concerning fiscal and monetary policy. January 2007 to March 2009 there were 112 articles under code 1 and 195 articles under code 2. Once the worst was over, articles focused on figuring out how to best move forward. In this time, a consolidated attack on
the Efficient Markets Hypothesis juxtaposed the surfacing of fiscal austerity arguments and the reemergence of arguments against state involvement.

**Diagnoses**

After the storm, there was general agreement in the *Financial Times* that the financial system was overleveraged, lacked transparency, and suffered from conflicts of interest. All of these factors had made finance unsustainable. Authors repeatedly referenced that regulators under allegiance to neoclassical economic theory had taken too passive of an approach to financial regulation. Global imbalances had increased fragility. After March 2009, there was consolidation of opinion on causes of the crisis. Market failures reduced and commentators were able to come to consensus. Diagnoses fit under: market failure, government failure, economic theory, and global imbalances.

**Market Failure**

The extensive interventions by government to avoid economic collapse had proven to many authors that systemic risk in the financial sector was as pervasive and disastrous as they had originally feared. *Financial Times* contributors saw irresponsible banking, where personal profit led banks to ignore any sort of social responsibility or public accountability, as the core of the problem.\(^7\) They posited that letting the market decide was the “morality of our time,”\(^7\) and it unfortunately led to inept management where conflicts of interest were ignored and transparency was not emphasized. Bonuses

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\(^7\) Ken Costa, “Tame the markets to make capitalism ethical,” November 3, 2009.

Table 3.1 Market Blame April 2009-October 2010

<table>
<thead>
<tr>
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<th>Systemic Risk</th>
<th>Greed</th>
<th>Financial Innovation</th>
<th>Leverage</th>
<th>Risk Management</th>
<th>Transparency</th>
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<td>Before the Storm</td>
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<td>During the Storm</td>
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<td>After the Storm</td>
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In the chart above, the red refers to prescriptions Before the Storm, the green represents prescriptions during the Storm and the blue shows prescription After the storm during the third phase of the crisis. Financial Times commentators consistently referred to leverage, debt, remuneration and lack of transparency, all extended by financial innovation, as causes of the crisis in 2009 and 2010. However, they were emphasized less often because agreement had been reached and so were generally referenced in the context of proposed changes. On March 26\textsuperscript{th} 2009, the US Treasury outlined regulatory reform that included: higher capital and risk management standards, increased oversight, disclosure on over-the-counter derivatives, as well as a systemic regulator and a stronger
resolution authority. There was no longer debate as to whether or not these measures were needed because they were in the process of being implemented.\textsuperscript{74}

\textit{Government Failure}

\textit{Financial Times} contributors saw deregulation, which only a few years before had been the unchallenged prescription, as irrelevant. Authors agreed that it had been disproved. They argued that the negative externalities of finance made the recommendation that finance be able to follow market sentiments and demands wrong.\textsuperscript{75} The economist John Kay wrote, "In the name of free markets, we created a monster that threatens to destroy the very free markets we extol."\textsuperscript{76} The consensus was that too much faith had been placed in the market.\textsuperscript{77} The consequence was deregulation and passive monetary policy. This argument was argued with less frequency during the late crisis, likely because government action in response to the crisis had been extensive. Forty articles addressed government failures before the stimulus and proposed regulations of February and March 2009, twelve addressed these failures after March 2009.

\textit{Economic Theory}

The turbulence of 2008 provided all of the ammunition necessary for financial commentators to attack the underlying economic theory that had guided financial authorities and the institutions under their purview for the thirty years prior to the crisis.

\begin{itemize}
\item \textsuperscript{74} Federal Reserve Bank of St. Louis, http://timeline.stlouisfed.org/index.cfm?p=timeline
\item \textsuperscript{76} John Kay, “Unfettered finance has been the cause of all our crises,” January 6, 2010.
\item \textsuperscript{77} Luigi Zingales, professor of entrepreneurship and finance at the University of Chicago Booth School of Business, wrote that low and stable inflation took away the risks of short-term debt as it lowered refinancing risk. An interesting insight on a specific way in which Fed policy enabled the crisis. Luigi Zingales, “A tax on short-term debt would stabilise the system,” December 17, 2009.
\end{itemize}
Seventeen articles explicitly discredit economic theory during this period. The majority of authors concluded that it had been wrong to think the market was self-correcting after witnessing the extensive government interventions of the previous year. The Efficient Markets Hypothesis (EMH) was labeled unrealistic and oversimplified. For most writing in the Financial Times, the notion that government was the problem and not the solution had been violently nullified by the interventions of the preceding year.

Financial Times authors realized that something had been forgotten with the preceding market fundamentalism—that the market is here to be put to the use of society. Because that market has always been enabled by society and ideas about its independence are misguided, commentators called for a reinterpretation. They said economics had wrongly seen itself as above other social sciences when it should have been basing itself on sociology, and psychology.78

"The need for supervision and regulation has become much stronger over recent years. And yet the supervisory role of the government in the US in particular has been, over the same period, sharply curtailed, fed by an increasing belief in the self-regulatory nature of the market economy.... The economic difficulties of today do not, I would argue, call for some "new capitalism", but they do demand an open-minded understanding of older ideas about the reach and limits of the market economy."79

These qualms enabled a more technical attack on the Efficient Markets Hypothesis. EMH was dismissed in eleven of the twelve articles that explicitly address it.80 The Great Recession affirmed for many that asset prices need to be actively tracked

by the Federal Reserve in order to avoid the build up of asset price bubbles as happened with the housing market in the US. Authors wrote that asset prices had not been tracked by what they deemed an “ideologically driven” Fed because EMH posits that all available information is reflected in the price. “Under rational expectations, not only do firms and households know already as much as policymakers, but they also anticipate what the government itself will do, so the best thing government can do is to remain predictable. Most economic policy is futile.”\textsuperscript{81} The collapse of the housing sector showed that prices are not always right and that what looked like growth was actually just leverage, so ignoring asset prices was a mistake.\textsuperscript{82} The famed financier George Soros wrote, 

“The efficient market hypothesis holds that financial markets tend towards equilibrium and accurately reflect all available information about the future. Deviations from equilibrium are caused by exogenous shocks and occur in a random manner. The crash of 2008 falsified this hypothesis. I contend that financial markets always present a distorted picture of reality. Moreover, the mispricing of financial assets can affect the so-called fundamentals that the price of those assets is supposed to reflect. That is the principle of reflexivity. Instead of a tendency towards equilibrium, financial markets have a tendency to develop bubbles. Bubbles are not irrational: it pays to join the crowd, at least for a while. So regulators cannot count on the market to correct its excesses.”\textsuperscript{83}

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Articles emphasized that markets are not always efficient. The popular view was that prior economic theory was falsified by the asset collapse.\textsuperscript{84}

“The central idea of the efficient market hypothesis is that prices represent the best estimate of the underlying value of assets. This thesis has recently taken a battering. The boom and bust in the money markets was precipitated by a US housing bubble. That bubble followed the New Economy fiasco and was preceded by the near-failure of Long Term Capital Management, a hedge fund designed to showcase sophisticated financial economics.”\textsuperscript{85}

Some said that while free market ideology is amazingly resilient, it is only people trying to protect their interests. “Markets are not always efficient. Does this lesson need restating? I fear it does. Over the years, free market ideology has displayed an uncanny ability to resurrect itself. And there will always be powerful interests eager to cloak their selfish ends in the invigorating language of Adam Smith and Friedrich Hayek.”\textsuperscript{86}

In the third phase of the crisis, diagnoses of the Great Recession’s causes were consolidated. There was agreement about the role of misaligned incentives, leverage, financial innovation, bonuses, and opacity in producing market failure. Financial deregulation and the passive stance of the Federal Reserve were challenged and economic theory was reconsidered.

\textit{Global Imbalances}
Some authors explained that the market instability was essentially a distributional story, contending that US consumer spending had propelled the global economy for a quarter

\textsuperscript{84} The Polish economist Leszek Balcerowicz wrote the article that defends EMH in April 2008. He says that the argument between “free marketers” and “statists” is an argument between non-collectivism and collectivism and that collectivism must be resisted at all costs. Leszek Balcerowicz, “Free marketeers must fend off the statists,” April 29, 2008.

\textsuperscript{85} John Kay, “Economics may be dismal, but it is not a science,” April 14, 2009.

century; debt had allowed all but the wealthy to maintain their standard of living as their real wage declined. In these narratives, the subprime crisis was only one aspect of a greater trend of unsustainable debt. The net flow of money to the United States is what allowed for the unsustainable consumer debt ratio to develop.\(^{87}\)

> “Large and persistent imbalances drive ever larger capital flows, which can destabilise the global economy...Without excessive imbalances, the demand for products we now refer to as toxic assets would have been smaller.”\(^{88}\)

This conviction was important as the markets leveled and people began to look to the future. Authors posited that such a crisis was likely to occur again if imbalances were not addressed. In 2010, Greece became the example of the perils of unsustainable debt. “A country whose government borrows beyond its capacity must eventually pay the price. Greece does teach that lesson, in case anybody had forgotten it - and in the US, some have.”\(^{89}\)

After March 2009 there was consolidation of opinion on causes of the crisis. At the same time, there was decreased emphasis on diagnosing sources as conversation shifted to how to best move forward and avoid a similar crisis in the future. Systemic risk had been the overwhelming diagnosis in earlier periods, but in the aftermath of high economic volatility, economic theory was the most cited cause. While other diagnoses of the crisis faded in frequency and emphasis, arguments against the economic theory that

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89 Clive Crook, “America has good reason to worry about Greece,” May 10, 2010.
authors thought perpetuated the crisis were strongest in 2009 and 2010. In this time period, discussions on appropriate actions dominated the Financial Times.

**What is to be done?**

Debate over how to move forward was raging in the Financial Times. Solutions to the crisis are best categorized under: status quo solutions, entirely new solutions, and global rebalancing. 161 articles were coded for their prescriptions April 2009-October 2010. Twenty articles promoted status quo solutions, 111 proposed new regulation, twelve advocated new interventions, and eighteen called for rebalancing.

Table 3.2 Economic Policy Prescriptions

![Pie chart showing economic policy prescriptions]

**Status Quo Solutions**

Only one author argued for no government intervention in the months of greatest instability before the fiscal stimulus in February 2009.\(^9\) Vaclav Klaus in January 2009 argued that that crisis is the result of too much meddling by politicians. He said, “The best thing to do now would be temporarily to weaken, if not repeal, various labour, environmental, social, health and other "standards", because they block rational human activity more than anything else.” This market fundamentalist view stands out against the

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\(^9\) Vaclav Klaus, “Do not tie the markets - free them,” January 7, 2009.
majority who were calling for Keynesian stimulus. As previously discussed, the priority
was to avoid economic collapse, and economic commentators saw government
intervention as imperative to achieve that aim. Once the markets had calmed with the
fiscal stimulus and numerous asset purchases and guarantees by the Federal Reserve,
authors resumed making arguments defending the status quo.

As soon as unprecedented government intervention had been taken and no further
intervention was needed, there was a re-emergence of arguments resisting government
involvement. Commentators began to problematize government distortions of the
market. where only one articles in the six months of greatest uncertainty before
president Obama signed the American Recover and Reinvestment Act in February 2009
argued for no government intervention, seven articles promoted decreased government
involvement March-May 2009. This sudden and rapid reemergence is noteworthy given
the fragile state of the world economy. These articles established that the US, wrongly
trying to maintain excess capacity, had only prolonged the contraction, the misallocation
of resources that government intervention produced had to eventually be corrected. It
seems that opinion had not been changed by the crisis. Arguments posited that the crisis
was not from lack of regulation and that regulators cannot effectively regulate the market,
and so should not try. Twenty-five arguments defending the pre crisis status quo were

91 The very same argument was made in 2007 and 2008 before the situation got serious.
92 Gary Becker and Kevin Murphy, “Do not let the 'cure' destroy capitalism,” March 20, 2009. John Taylor,
Roubini, “Insolvent banks should feel market discipline,” May 7, 2009. David Arculus, “Think about the
costs of regulation,” May 13, 2009. Leszek Balcerowicz, “This has not been a pure failure of markets,”
“Why 'too big to fail' is too much for us to take,” May 27, 2009.
93 David Arculus, “Think about the costs of regulation,” March 13, 2009. Matthew Richardson and Nouriel
Roubini, “Insolvent banks should feel market discipline,” May 9, 2009. Richard Bernstein, “America is for
now still blowing bubbles,” July 21, 2009. Jacek Rostowski, “Intolerance of small crises led to this big
made in the third phase beginning March 2009. The resurgence of orthodoxy occurred in May 2009 as further intervention looked unnecessary and authors began to discuss on the need to address high public debt. This resurgence is chronicled below, within the context of fiscal policy.

Self-regulation was no longer promoted in conjunction with regulation as it had been during the second crisis phase. It returned to the pre-storm pattern where it was generally advocated separately from external regulation. These authors emphasized that change was needed that could not be imposed from the outside. A culture of greed, and lack of responsibility had to be overcome through increased corporate ownership, ethical reevaluations, and reconsiderations of how bonuses are assigned.\(^95\) “Risk culture, governance and incentive structures are the keys to preventing a recurrence. All of these depend far more on self-discipline and prudent monitoring by management than they do on regulation.”\(^96\) The tone of arguments was strikingly similar to arguments prior to the financial storm.

**Entirely New Solutions**

In the aftermath of the most severe financial crisis in several decades, *Financial Times* contributors addressed a wide range of problems with a fittingly in depth discussion of new solutions. Calls for international coordination, increased regulation, a re-conceptualization of finance, and global rebalancing were all present in op-eds. The

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\(^94\) To clarify, although the third phase of the crisis begins in April 2009, arguments defending the status quo emerge strongly in March 2009. I have chosen to document them together because they came directly after the stimulus and calming of markets and are thematically part of the resurgence of orthodox ideas.


\(^96\) Masayuki Oku, “A financial cure that could do more harm than good,” July 14, 2010.
greatest weight was given to arguments promoting increased regulation, particularly heightened federal supervision.

The financial crisis showed not only the interconnectedness of financial institutions within the US, but the interconnectedness of the world’s economies. This led many to advance global cooperation in regulation. The need for consistency was apparent to avoid regulatory gaps or races of deregulation for increased competitiveness. Thirty-three articles called for international cooperation in handling the Great Recession. Some argued that a global risk assessment and financial oversight would be superior in that it would be unbiased. Calls for cooperation were common because it was understood that any country unilaterally imposing tightened regulation would decrease competitiveness and the effectiveness of the new regulation.

111 out of the 161 articles under Code 2, which address what should be done with regards to finance, argue for some type of increased regulation in the third phase of the crisis. The overwhelming theme among articles was that “financial institutions are special, and their special circumstances warrant a broader role for government” that would not be appropriate or necessary in other sectors of the economy. Due to impressive externalities, a reexamination of the sector was needed to avoid a repeat of the past.

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most cited proposed regulations are: systemic supervision, capital requirements, and remuneration.\footnote{Other prescriptions include considerations of explicit bailout rules, stress testing, rating agencies, and Wall Street lobbying.}


The first point is straightforward. In order to avoid “jurisdiction shopping,” there needs to be consolidated supervision. Regulation was not consistent before the crisis and the Federal Reserve was forced to assist many institutions that it did not regulate. Authors felt that coordination among regulatory agencies is unrealistic. Furthermore, the central bank is ultimately responsible to deal with financial institutions so it should have the
power to regulate to avoid needing to intervene. Authors argued that in order to create a safe and functioning financial sector, systemic supervision needed to be paired with macro prudential regulation. Passive bank policy had by 2009 become entirely irrelevant. The Federal Reserve needed medium-term financial stability added to it mandate.

Stephen Green, chairman of HSBC said, “The problem is that the authorities have had only one weapon in their monetary armoury. They need two. It is time to give them the power to influence the supply of credit, to augment interest rate policies which mostly affect the demand for credit.”

By considering asset prices in addition to general inflation, influencing the supply of credit through varying capital ratios, and holding the power to intervene and break up a bank the Federal Reserve would be able to better prevent bubbles and the instability that follows their collapse.

An essential hole in supervision before the crisis was in derivatives. Authors suggested clearing derivatives to increase transparency. Increased opacity from securitization had furthered risk taking and the most obvious solution was to clear standardized derivatives through regulated clearing houses. Better information on what

is being bought and sold, authors thought, would lead to more appropriate pricing of securitized assets and in turn avoid another “derivatives inferno.”

The most often promoted regulation was capital requirements. It was explicitly advocated 37 times April 2009-October 2010, appearing in 23% of articles in Code 2. Op-eds widely promoted anti-cyclical capital requirements because they address the underlying problem of incentives. By raising requirements during market overconfidence and lowering them when there is a liquidity premium to keep credit flowing, capital requirements help overcome incentives of banks to promote extreme leverage for short term gain. Additionally, they focus on structural rather than statistical measures of risk capacity. Sheila Bair, chairman of the FDIC, put it clearly when she wrote, "If financial reform is about anything, it is about better aligning incentives and internalising the costs of leverage and risk-taking. A more rational capital regime that extends across the global financial system is an essential part of these reforms.”

Authors proposed regulation to address incentives through a reconsideration of financial pay and bonuses. During the great instability of September 2008-March 2009 commentators agreed that finance could never be the same. Disastrously misaligned incentives had proven too destabilizing to be ignored. In order to avoid a similar scenario in the future, bonus reform was proposed as a way of making banks share the losses.

Financial Times op-eds emphasized how foolish it was that after banks had offloaded their losses, bankers had the audacity to be offended by proposals of government interference. Authors posited that performance pay did not work, and shareholders have an incentive towards risk taking for higher returns so remuneration regulation needed to be imposed externally.\textsuperscript{109} Just as remuneration reform proposals increased with the volatility of markets in 2008, they receded as uncertainty fell. During the storm twenty-six articles called for a reconsideration of bonuses, after the storm the number fell to twelve.

For many, regulation, although necessary, was not enough. Arguments for new paradigm in economics, and a re-conceptualization of finance were put forward. Philip Augar, a former investment banker wrote,

“Conditions are now right for another radical rethink. The old model is busted. The big beasts of free-market economics, Britain and America, are more wounded than other species. Governments, central banks and regulators are groping unconvincingly for solutions. Against this background, new ideas should be welcomed.”\textsuperscript{110}

Many economic commentators were committed to changing finance to avoid such failures from happening again. However, responses became less radical, calls for temporary nationalization ended along with the extreme volatility in March 2009. There was an observable shift towards other manners of reforming banks as the markets calmed.


\textsuperscript{110} Philip Augar, “It is time to put finance back in its box,” April 14, 2009.
Rather than nationalization, the focus of those proposing major intervention became breaking up “too big to fail” banks. Sixteen articles explicitly address how the dominance of a handful of banks was more concentrated at the end of March 2009 than before the crisis because of multiple banks takeovers. Several variations on Glass-Steagall and the Volker rule were proposed, the commonality was recognition that no bank could remain too big to fail and that breaking up banks by their different functions would help with conflicts of interest.

The Fiscal Debate

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Thirty-nine of the forty two articles that addressed fiscal policy in the six months mid-September 2008- mid-March 2009, call for domestic or international fiscal stimulus. On February 17, 2009, the American Recovery and Reinvestment act was signed into law. The bill, worth $787 billion, gave commentators what they had been calling for and arguments for stimulus effectively disappeared. Only five articles promoted fiscal stimulus after March 2009 because it was a moot point, it had already been done. The debate over the appropriate role of fiscal policy was then between those promoting countercyclical government spending and those calling for austerity to get government spending under control. The *Financial Times* op-ed pages were a place of discourse on the appropriate balance. It was in the context of the fiscal debate that orthodoxy returned with full force.

Authors promoting counter-cyclical polices emphasized that markets have no credibility and that the risks of not supporting the economy are greater than the risks of taking on debt. With fiscal stimulus implemented and interest rates at their lower limits, the challenge in 2009 and 2010 was to navigate the appropriate timing for withdrawing support. As soon as the market began to recover there were calls for repealing support. However, authors in this camp emphasized that the role of governments is not to follow markets, but rather to implement policies in the best interests of citizens. Since the economy had clearly not yet recovered, this meant countercyclical policy.

“It is dangerous, as well as tempting, to forget how bad things looked only a short time ago. This premature amnesia is not only psychological, burying painful experiences; it also has an ideological dimension, as seen in the US debate over the efficacy of the...”

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stimulus package and the bail-out of Wall Street. We are being told simultaneously that these measures have not worked - and that they were not necessary anyway. We are supposed to forget the frightening precipice over which we peered only a few months ago; and we are also asked to believe that what has saved the situation is the spontaneous resilience of the free market.  

Monetary policy was cited as “pushing on a string” and financial stimulus was seen as essential in sustaining demand. Preemptive fiscal austerity would prolong the recession by weakening demand. Samuel Brittan argued, “all is not lost so long as the Obama administration and China's leaders stick to quasi-Keynesian policies.” That these commentators are following Keynesian solution is explicit in both prescription and language. The goal was sustaining expansionary policies for as long as needed to keep the world economy from contracting further while avoiding overextension of support that ends in inflation and more speculative bubbles.

On May 21st 2009, Standard and Poor’s lowered its outlook on UK public debt from stable to negative because of the estimated costs of supporting the banking system. At this juncture, arguments emphasizing the importance of reining in public spending emerged. Just as excessive debt in the financial sector had been demonized as a cause of the financial crisis, arguments emerged that government debt must be decreased

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113 Peter Clarke, “This is no time to throw away the crutches,” August 31, 2009.  
114 Samuel Brittan, “Are these hardships necessary?,” June 18, 2010.  
13 additional in appendix, 23 in total.  
for a sustainable return to growth. Authors called the return to Keynesian policies naïve and foolish.

“The policy mistake has already been made - to adopt the fiscal policy of a world war to fight a recession. In the absence of credible commitments to end the chronic US structural deficit, there will be further upward pressure on interest rates, despite the glut of global savings. It was Keynes who noted that "even the most practical man of affairs is usually in the thrall of the ideas of some long-dead economist". Today the long-dead economist is Keynes, and it is professors of economics, not practical men, who are in thrall to his ideas."118

The fiscal position of the UK gave leverage to the argument that monetary policy was sufficient and fiscal expansion was misplaced. Austerity emerged as a popularly position after the Dow Jones industrial average closed above 10,00 for the first time since October 2009.119 Because the stock market was recovering, commentators said, it meant it was time to retract expansionary policy. Unlike those arguing for counter cyclical policy because the economy had not recovered, austerity advocates focused on market demands. "Even though the odds of a double-dip or a bond-market rout may be roughly equal, bond-market trouble would probably have larger consequences. Therefore the

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prudent policy is to rein in the stimulus.”

From this quote a fundamental difference between the two camps is made explicit. Expansionary policy advocates focus on the effects of policy for the consumer, while Austerity advocates focus on the effects of policy on market sentiment. The latter argues that ballooning public debt will have negative effects on expectations and thus dampen recovery.

Greece becomes an example of the dangers of unsustainable government debt in 2010 and further calls for austerity are made. The austerity debate that took place in the *Financial Times* May 2009 - October 2010 had no clear majority. The two camps had fairly equal representation in the *Financial Times* and no resolution had been reached at the end of the case study in October 2010.\(^\text{121}\)

**Rebalancing**

Global imbalances were consistently recognized as a cause of the crisis beginning in 2008. They had allowed for unsustainable consumer debt in the US and destabilized finance through providing opportunities for excessive leverage. In the first months of 2008, authors concerned with imbalances acknowledged the short term need for stimulus but longer term need for rebalancing to keep such a crisis from happening again.\(^\text{122}\) When the crisis intensified, the argument dissipated as authors concerned themselves with the more pressing task of keeping the financial sector from collapsing. It was simply not the time to worry about deficits, everyone was urged to be expansionary. Then, in March 2009 once fiscal stimulus had been adopted, the same argument emerged—that a lasting

\(^{120}\) Sebastian Mallaby, “Forget Jesus and ask the hedge funds,” July 30, 2010.

\(^{121}\) 24 Articles promoted austerity, and 23 were anti-austerity. This is excluding articles from the week of the FT’s sponsored “Austerity Debate” from summer 2010.

recovery would not happen without rebalancing. Once the fiscal stimulus expires in the US, it was argued, there will be nothing to pick up the slack created from increased saving in US households without increased domestic demand in Europe and Asia. Without this increased demand, global demand will be at a lower level and the world economy therefore will not return to pre-crisis growth levels.\(^{123}\)

“The financial crisis cannot be unwound without addressing global trade imbalances. Absorption of resources will rise in China, consumption growth in the west has to moderate. And as trade policy is bound up with the global structure of wages, there is surely greater hope in raising living standards in China and flattening US earnings differentials than in volumetric boosts to bank credit. We need a shared commitment to resist protectionism, and to take the actions required to build more balanced trade relations and earnings patterns.”\(^{124}\)

In the third phase of the crisis there was a consolidation of opinion surrounding appropriate action. The crisis had demonstrated need for increased supervision, macro prudential policy, and higher capital requirements. Authors addressed the problem of “too big to fail” institutions, the failure of economic policy and the need for a global rebalancing. Self-regulation once again became separated from external regulation, arguments for regulating bonuses decreased, and arguments for nationalization disappeared entirely. Arguments defending the pre crisis status quo were resurrected.


Conclusions
Arguments about the cause of the financial crisis were consolidated after the period of greatest turbulence ended in March 2009. Authors agreed that financial innovation, skewed incentives, and lack of transparency had laced finance with serious systemic risk. The influence of the Efficient Markets Hypothesis and rational expectations had oversimplified economic management and led to destabilizing deregulation. The interventions of 2008-2009 led many to seriously question the view that government is a problem rather than a solution because it successfully intervened as the only entity able to stem economic collapse. The emphasis moved away from the causes of the crisis and more weight was given to the debate about what should be done, aside from attacks on economic theory, op-eds mostly named causes in reference to the appropriate solutions.

As financial instability decreased and further government intervention was no longer needed, arguments defending the free market reemerged. People began to argue that government action is counterproductive, regulation cannot be effective, and regulation should come internally. Most recognized the need for increased external regulation. Arguments for increased oversight, international cooperation, and a rethinking of economics remained the majority view and carried serious weight. However, opinion was not monopolized as it had been during the financial storm. A questioning lingered, but many returned to pre-crisis opinions quite quickly. The fiscal debate clearly demonstrates this.

In May 2009, despite the fragility of the world economy, arguments for austerity emerged. While many had been arguing for better harnessing the market to serve society’s goals, once the market had gotten the fiscal and monetary support it wanted, its
advocates argued that enough was enough and government’s role needed to recede to keep the market happy.

The investor oriented market defender and the consumer protecting countercyclical advocate debated the correct role of the state. The state had become the uncontested champion while banks were failing and capitalism seemed threatened, but its glory ended when the effectiveness of its policies made a new paradigm seem less imperative. As finance stabilized and the economy began to make a come back, so did arguments defending the pre-crisis status quo. The contest between the New Consensus and post Keynesianism was raging when the third phase ended in October 2010.
Chapter 4- Economic Theory and Financial Crisis: Conclusions

Research Question

Constructivist political economic theory argues that in times of economic crisis, when economic uncertainty is high, the availability of economic ideas can reduce that uncertainty. Economic ideas provide an interpretive framework that allow actors to respond to a crisis by explaining what the crisis is and prescribing causes. In my literature review, I surveyed descriptions of how ideas are a mechanism of institutional change and how the financial press is an important avenue through which idea formation occurs (Blyth 2002, Parsons 1989). Based on such research, my aim was to consider the financial press during the Great Recession using the theory of constructivist political economy, and so this project explored the change in economic theory promoted in the *Financial Times*. More specifically, my goal was to examine how the economic views of contributing editorialists developed and changed over time as the crisis unfolded using three time periods: Before the Storm (2007), The Storm (2008- March 2009), and After the Storm (April 2009- October 2010).

What I Hoped to Uncover

I hoped that by performing a systematic analysis of *Financial Times* op-eds I would be able to engage with Blyth’s hypothesis that economic crises provide a catalyst for the predominant economic theories to be questioned. I hoped to explore the relationship
between economic uncertainty and the range of economic ideas being promoted in the
Financial Times, and aimed to track the process of debate and consensus being reached
with regards to both causes and solutions. Additionally, I was interested to see what
elements of economic theory outside of the New Consensus were referenced to explain
the crisis. Finally, I intended to examine the relationship between author and economic
prescription to examine the possible effect of the personal or professional stake of the
author on their recommendations.

What I Found
Hypothesis #1- Economic Uncertainty and New Ideas
Before conducting content analysis of the Financial Times, I hypothesized that
questioning of the predominant economic theory would appear in op-ed articles as a
result of the Great Recession. I anticipated that such ideas would shift as the crisis
intensified, and that by the late crisis, there would be increasing consensus with regards
to causes of the recession and appropriate solutions to it. I expected to find that the range
of solutions would increase in the times of greatest uncertainty, and that as the crisis
lessened, solutions would correspondingly narrow.

Through my research I found that the intensity, seriousness, and depth of the
explanations of the financial crisis were in fact directly correlated with the level of
economic uncertainty. As the Great Recession evolved from a subprime mortgage crisis
to a global economic crisis, authors cited increasingly fundamental causes. Explanations
moved from financial innovation and incentives to greed and market fundamentalism. As
I discuss in Chapter Two, where financial innovation was predominantly argued for in
articles from 2007 (occurring in forty five percent of articles), systemic risk (addressing
moral hazard, excessive risk and bonuses), was the dominant view when the severity increased in 2008 (addressed in forty eight percent of articles). The consensus reached in the Financial Times was that a number of factors, when combined, had created systemic risk in finance.

Authors said that the Efficient Markets Hypothesis and faith in a self-calibrating market had led to destabilizing deregulation and passivity in the Federal Reserve and recommended that those factors should be counteracted with regulation. Thirty-one articles explicitly cite failures of economic theory. Fifty-seven further articles implicitly blame economic theory by citing deregulation and the policies of the Federal Reserve as a cause of the crisis. It seems that the crisis led many Financial Times authors to question the deregulation of the past 30 years and the appropriateness of the existing state-market relationship.

As with diagnoses of why the Great Recession happened, the discussion of appropriate action became increasingly radical as the economy appeared ever more threatened. In fall 2007 authors were overall unconvinced that any action should be taken because the crisis was not yet perceived as systemic. By the end of 2008, however, fiscal stimulus and even temporary nationalization of banks were widely promoted. Hyman Minsky and John Maynard Keynes were referenced and unorthodox policy was advocated. Arguments defending unfettered markets effectively disappeared; people agreed that increased oversight was necessary to achieve a properly functioning financial sector. One may draw from this data the conclusion that the economic crisis led the economic orthodoxy of the day to be challenged. The orthodoxy was unable to explain the circumstances.

125 It is worth noting that unorthodox policy was not only advocated, but was also widely implemented.
**Hypothesis #2- Reform, Not Revolution**

Based on preliminary knowledge of the debate occurring in the financial press, I hypothesized that the *Financial Times* would take a reformist attitude and not attempt to entirely discredit predominant economic theory. I expected that reforms to economic theory would be made, but that where these reforms occurred would not necessarily be predictable.

The New Consensus was not discredited in the *Financial Times* as a result of the Great Recession, instead, reforms to existing theories were made. There was a questioning of neoclassical economic theory, but the weight and emphasis of that questioning faded with the threat of economic collapse over the course of 2009 and 2010. In some arenas reforms seem to have taken hold after being implemented, in others, arguments for orthodoxy have returned.

One evident reform to economic thought was the general agreement surrounding the need for increased oversight. 226 out of the 611 total articles coded over four years advocated some sort of increased government regulation. However, as soon as the worst was over and instability decreased, arguments for orthodoxy reemerged (see Chapter Three). Arguments against government intervention began as soon as government had successfully intervened to stabilize the economy. The wide range of prescriptions put forth earlier in the crisis narrowed into two distinct camps by its later stage. The debate between orthodoxy and its critics came to take place primarily in the arena of fiscal policy. Expansionary fiscal policy, which had been promoted almost unanimously at the height of the crisis came under attack.
I had not foreseen that there would be more agreement on oversight than on the emphasis of monetary versus fiscal policy. It appears that the explanations of the crisis did in fact widen with increased uncertainty and that the economic turmoil allowed for a questioning of predominant economic ideas. As uncertainty fell, some consensus was reached, and orthodoxy remerged, the New Consensus was questioned and updated but not entirely discredited.

*Exploring the Unpredicted*

Beyond the hypotheses regarding the relationship between uncertainty and new economic ideas, some interesting findings emerge from the data. The op-ed writers in the *Financial Times* (and similar organs) represent a significant concentration of influence among comparatively few individual voices. Therefore it is important to consider the effect of these authors’ personal stakes in what they write.

The *Financial Times* is heavily influenced by a few voices. In one way, this is a limitation on the results of this study: particular writers determine that some conversations will dominate or even exclude others in the *Financial Times* and these conversations may not necessarily represent broader economic dialogue. However, this situation is testament to the power of select journalists to influence idea formation and the policy environment. This affirms Parsons’ work on the power of the financial press and his argument that journalists can have more power over policy formation than the academic community itself (Parsons 1989). If this project’s relevance is that the discussions going on in the financial press can influence opinion and the coordinated action it allows for, and that the financial press is important because they are having real effects, then it needs to be considered how narrow the sources of narratives are. In other
words the Financial Times may represent a skewed version of the economic debate in the broadest sense, but it also determines much of what the economic debate consists in.

Martin Wolf, the Financial Times’ chief economic commentator, wrote eleven percent of all articles coded. When one considers that he wrote ten of the twenty-nine articles citing global imbalances as a cause, so that he singlehandedly increased the overwhelming weight of this argument, his influence becomes clear. If the economic ideas examined in the financial press are influential in times of crisis, it must be recognized how few voices are dominating the debate, and that many groups are being left out. For example, only twenty-one out of the 611 articles were written by women, less than four percent, and six of the twenty-one were co-authored by men. Even the few voices dominating the debate are not as diverse as they might be.

The other component to consider is the personal stakes of authors and the effect this has on arguments being made. One component of Blyth’s argument is that new ideas have power in times of crisis because actors themselves are unclear on where their own personal interest lies. The range of arguments seems to support this when you consider personal or business interests of contributing authors. Before and after the time of greatest uncertainty, greater correlations could be drawn between economic arguments and defined interests. For example, with high economic instability and a widespread recession, all but one article discussing fiscal policy in the six months after Lehman Brothers’ collapse called for stimulus. However, once markets had recovered, the debate was between those who prioritized keeping the bond market happy by reducing public

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126 The Financial Times published articles written by: Gillian Tett (2), Dominique Strauss-Kahn (3), Christine Lagarde (2), Abigail Hofman, Shail Bair (2), Gillian Wimont, Jessica, Einhorn, Neelie Kroes, DeAnne Julius, and Julie Dickson. Articles by women coauthored with men were written by: Rebecca Knight, Anne Sibert, Carmen Reinhart, and Rachel Kranton.
debt, and those who prioritized supporting the economy as a whole though public 
spending. That this is a debate between conflicting interests is clear. The former are more 
concerned with protecting investments through keeping inflation expectations under 
control while the latter prioritize sustaining the economy through public debt in order to 
provide things like job promotion and unemployment benefits and sustain demand. 
Although my examination of the relationship between personal/professional interest and 
policy prescription is not systematic, the data seems to denote a correlation. This is 
certainly an appropriate area for further research.

**Future Research**
Future research building out of this initial project could be fruitful, as there are many 
areas for expansion. First, an obvious short fall of this research project is that October 
2010 did not mark a very meaningful end date for the financial crisis. Expanding the data 
set to fully incorporate the trajectory of the crisis would paint a clearer picture of the 
change and formation of ideas. Also, including a consideration of opinion in the 
*Financial Times* prior to the crisis would provide a better basis from which to consider 
how opinion subsequently changed. Second, doing a broader systematic analysis that 
includes more than just the *Financial Times*, one would be able to counteract the biases 
of the newspaper diminish the influence of the its main columnists. Examining the 
disparities between the *New York Times* and the *Wall Street Journal* would also provide a 
better sense of what changes occurred in the financial press more generally. Third, as 
already stated, considering in greater depth the relationship between author and 
prescription, framed by Blyth’s notion of interests being undefined when economic 
uncertainty is high, could be compelling.
Beyond the possible further research to broaden the scope and thoroughness of this project, this study has produced new questions worthy of examination. By performing systematic analysis of the *Financial Times* for this thesis I have found that the economic debate is dominated by a few select voices. Given the already proved influence of the financial press by existing literature, exploring the ways in which arguments are skewed and what the implications are of this skewing would be both relevant and interesting. What is more, it is worth examining how argument representation skewed by the dominance of few voices is furthered by the fact that the diversity of predominant authors is slim to begin with. In the important debate over economic ideas, the conversation is skewed by the influence of a few voices, additionally; those participating in the debate are not that diverse. How these factors interact with each other could be the fruitful subject of further research.
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APPENDIX: Financial Times op-ed articles by Code

1-2 With Regards to Banks and Immediate Crisis
1. Who’s to blame?
   1. Government
      1. The deregulation of the financial sector
      2. Low interest rates/easy monetary policy
      3. Politicians meddling with/intervention in market
   2. Market
      1. Housing bubble, subprime mortgages
      2. Systemic risk (Flawed incentives (bonuses), moral hazard, excessive risk)
      3. Leverage/ securitization
      4. Overly complex financial innovation/engineering
      5. Incompetent/lax risk management
      6. Lack of transparency
      7. Size of financial sector
      8. Bad risk and econometric models
   3. Society:
      1. irresponsibility of homebuyers
      2. the greed of financiers
      3. both 1 and 2
      4. debt/imbalance in current accounts
   4. wrong economic theory

2. What is to be done?
   Status Quo
   1. Nothing
      1. Defense of short selling/place in economy
      2. The sector can’t be effectively regulated/attempts to regulate will make is worse
   2. Further deregulation of financial industry
   3. End government intervention
   4. Moral renaissance for a. consumers b. financial industry
   5. Corporate governance/self-regulation
   Change Status Quo
   6. Reregulate the financial sector
      1. Capital requirements
      2. Clearing derivatives/securities
      3. Benefits of senior partners/bonuses reconsidered
      4. Price testing across firms
      5. Tighter federal supervision of the financial industry
      6. Volker Rule/ separation of I banking from commercial
      7. Greater transparency
      8. Regulation should be anti-cyclical/contra-cyclical
7. Tighter lending requirements
8. Tax financiers’ risk incentives
9. Purchase distressed assets
10. Break up too big to fail banks/ fin. Sector less powerful
11. Banks as utilities with utility style reg. and rates of return
12. Nationalization of troubled banks, re-privatized later
13. Nationalize the financial sector
14. Rebalancing (deficit countries spend less, save more and visa versa)
15. Intergovernmental coordination and cooperation (IMF)
16. A new paradigm

3-5 With Regards to Economy

3. Fiscal Policy
   1. Major stimulus (intl. coordinated stimulus)
   2. Stimulus (agreement with Obama’s policy)
   3. Stimulus with plan for deficit
   4. Countercyclical- government borrowing through crisis
   5. Plan for deferred austerity
   6. Austerity/ Government surplus

4. Monetary Policy
   1. Lower interest rates
   2. Quantitative Easing/injection of capital
   3. Asset protection scheme/Credit guarantee scheme
   4. Lower capital requirements (short term)
   5. Moderate inflation promoted to relieve debt
   6. Inflation target
   7. Inflation reduction/Raise interests rates

5. Efficient Markets Hypothesis (rational expectations, prices reflecting all info)
   1. Mentioned approvingly
   2. Mentioned disapprovingly

**Code 1: Who is to blame?**

*Deregulation*

Desmond Lachman, “America's subprime blues have historical echoes,” August 3, 2007.
Francisco Gonzalez, “What banks can learn from this credit crisis,” February 5, 2008
Clive Crook, “Regulation needs more than tuning,” April 7, 2008.
Felix Rohatyn and Everett Ehrlich “Measures to avoid the worst recession in 30 years, July 22, 2008.


Peter Oppenheimer, “Sterling's fall, not a stimulus, can save Britain,” January 5, 2009.
John Fingleton, “Financial groups must still be free to compete,” April 7, 2009.
John Kay, “Unfettered finance has been the cause of all our crises,” January 6, 2010.

Monetary Policy
“In a world of overconfidence, fear makes a welcome return,” August 26, 2007.
Avinash Persaud, “Hold tight: a bumpy credit ride is only just beginning,” August 16, 2008.

Monetary Policy
“Monetary Policy
“In a world of overconfidence, fear makes a welcome return,” August 26, 2007.
Avinash Persaud, “Hold tight: a bumpy credit ride is only just beginning,” August 16, 2008.

Wolfgang Munchau, “Rate cutting will not get us out of this mess,” December 3, 2007.
Michael Gordon, “The private equity boom was a clumsy trick,” April 1, 2008.
Felix Rohatyn and Everett Ehrlich, “Measures to avoid the worst recession in 30 years, July 22, 2008.
Martin Wolf, “Central banks must target more than just inflation,” May 6, 2009.
Leszek Balcerowicz, “This has not been a pure failure of markets,” May 14, 2009.
Andrew Large How to frame and implement a systemic risk policy,” June 14, 2010.

Government Intervention
Vaclav Klaus, “Do not tie the markets - free them,” January 7, 2009.
Jacek Rostowski, “Intolerance of small crises led to this big one,” January 14, 2010.
Raghuram Rajan, “Bankers have been sold short by market distortions,” June 3, 2010.

Housing Bubble
Richard Beales, Eoin Callan, Rebecca Knight, Michael Mackenzie, Saskia Scholtes, Ben White, “Leap of faith? How a fiasco of easy home loans has tripped up America,” March 16, 2007.
P. J. O'Rourke, “Adam Smith gets the last laugh,” February 11, 2009.

Systemic Risk
Raghuram Rajan, “Bankers' pay is deeply flawed,” January 9, 2008.
Clive Crook, “Markets need more than a patch-up,” March 31, 2008.
Michael Gordon, “The private equity boom was a clumsy trick,” April 1, 2008.
Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
John Gapper, “This greed was beyond irresponsible,” September 18, 2008.
John Monks, “This is the '1979 moment' for casino capitalism,” October 3, 2008.
Nassim Nicholas Taleb, Pablo Triana, “Bystanders to this financial crime were many,”
December 8, 2008.
John Fingleton, “Financial groups must still be free to compete,” April 7, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.
Martin Wolf, “Reform of regulation has to start by altering incentives,” June 24, 2009.
Martin Wolf, “The cautious approach to fixing banks will not work,” July 1, 2009.
Philip Augar and John McFall, “To fix the system we must break up the banks,” September 11, 2009.
Martin Wolf, “How to manage the gigantic financial cuckoo in our nest,” October 21, 2009.
Clive Crook, “How to avoid the next collapse,” January 4, 2010.
Philip Augar and John McFall, “It is time to strip the banks of their clutter,” June 18, 2010.

Leverage

Tim Cogdon, “Pursuit of profit has led to a risky lack of liquidity,” September 11, 2007.
Michael Gordon, “The private equity boom was a clumsy trick,” April 1, 2008.
Clive Crook, “Regulation needs more than tuning,” April 7, 2008.
Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
Martin Wolf, “Why Paulson's plan was not a true solution to the crisis,” September 24, 2008.
David Cameron, “We will help give banks the capital they need,” October 6, 2008.
Eric Dinallo, “Marriage, not dating, is the key to healthy regulation,” April 27, 2009.
Andrew Large, “Think twice before splitting regulation,” July 24, 2009.
Howard Davies, “We need urgently to rationalise the rules on capital,” September 25, 2009.
Ed Clark, “It is time to press on with bank reform,” April 22, 2010.
Marc Lackritz, “Beware the biggest moral hazard of them all,” June 10, 2010.
Andrew Large, “How to frame and implement a systemic risk policy,” June 14, 2010.

**Financial Innovation**

Wolfgang Munchau, “A risk shared may be more risky, not less,” April 23, 2007.
Desmond Lachman, “America's subprime blues have historical echoes,” August 3, 2007.
“In a world of overconfidence, fear makes a welcome return,” August 15, 2007.
Clive Crook, “Markets need more than a patch-up,” March 31, 2008.
Michael Gordon, “The private equity boom was a clumsy trick,” April 1, 2008.
Alan Greenspan, “We need a better cushion against risk,” March 27, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.

**Risk Management**

Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
Felix Rohatyn and Everett Ehrlich, “Measures to avoid the worst recession in 30 years,” July 22, 2008.
Alan Greenspan, “We need a better cushion against risk,” March 27, 2009.
Ed Clark, “It is time to press on with bank reform,” April 22, 2010.
Marc Lackritz, “Beware the biggest moral hazard of them all,” June 10, 2010.

_Lack of Transparency_
Marc Lackritz, “Beware the biggest moral hazard of them all,” June 10, 2010.

_Econometric Models_
Alan Greenspan, “We will never have a perfect model of risk,” March 17, 2008.
John Kay, “In times of complexity, common sense must prevail,” April 9, 2008.
Nassim Nicholas Taleb, Mark Spitznagel, “Time to tackle the real evil: too much debt,”
July 14, 2009.

_Homebuyers_
Clive Crook, “In the grip of implacable forces,” March 10, 2008.
Greed

John Gapper, “This greed was beyond irresponsible,” September 18, 2008.
John Monks, “This is the '1979 moment' for casino capitalism,” October 3, 2008.
Arvind Subramanian, “Greek deal lets banks profit from 'immoral hazard',” May 7, 2010.

Global Imbalances

Robert Reich America's middle classes are no longer coping,” January 30, 2008.
Dani Rodrik and Arvind Subramanian, “Why we need to curb global flows of capital,”
February 26, 2008.
Martin Weale, Economic policy must address the shortfall in savings,” April 14, 2008.
Martin Wolf, “How imbalances led to both credit crunch and inflation,” June 18, 2008.
P. J. O'Rourke, “Adam Smith gets the last laugh,” February 11, 2009.
Leo Hindery and Donald Riegle, “America's bail-out: the other side of the bargain,”
February 23, 2009.
Martin Wolf, “This crisis is a moment, but may not be a defining one,” May 20, 2009.
Ben Funnell, “Debt is capitalism's dirty little secret,” July 1, 2009.
Andrew Large, “Think twice before splitting regulation,” July 24, 2009.
Kenneth Rogoff, “Why we need to regulate the banks sooner, not later,” August 19,
2009.
Clive Crook, “America has good reason to worry about Greece,” May 10, 2010.

Theory
Nassim Nicholas Taleb, Pablo Triana, “Bystanders to this financial crime were many,” December 8, 2008.
Peter Oppenheimer, “Sterling's fall, not a stimulus, can save Britain,” January 2, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.
Paul De Grauwe, “Warring economists are carried along by the crowd,” July 22, 2009.
Richard Thaler, “The price is not always right and markets can be wrong,” August 5, 2009.
Robert Skidelsky and Marcus Miller, “Do not rush to switch off the life support,” March 4, 2010.
Justin Fox, “Cultural change is key to banking reform,” March 26, 2010.
John Kay, “Economics may be dismal, but it is not a science,” April 14, 2010.
Marc Lackritz, “Beware the biggest moral hazard of them all,” June 10, 2010.

**Code 2: What is to be done?**

*Nothing*

- Douglas Kass, “This blame game is short on logic,” August 22, 2008.

**Further Deregulation**

- Paul Amery, “Too heavy financial regulation has created danger,” March 12, 2008.
- Vaclav Klaus, “Do not tie the markets - free them,” January 7, 2009.
- Leszek Balcerowicz, “This has not been a pure failure of markets,” May 14, 2009.
- Raghuram Rajan, “Bankers have been sold short by market distortions,” June 3, 2010.

**End intervention**

- Kenneth Rogoff, “The world cannot grow its way out of this slow down,” July 30, 2008.
- Desmond Lachman, “America's subprime blues have historical echoes,” August 3, 2008.
- Gary Becker and Kevin Murphy, “Do not let the 'cure' destroy capitalism,” March 20, 2009.
- Jacek Rostowski, “Intolerance of small crises led to this big one,” January 14, 2010.

Self-Regulation
Eric Knight and Glen Suarez, “Lenders should have to pay a price for taking risks,” October 2, 2008.
Emilio Botín, “Banking’s mission must be to serve its customers,” October 17, 2008.
Peter Montagnon, “Let the market set the level of executive rewards,” November 12, 2008.
Glen Moreno, “Anger must not cloud our vision on banking,” March 31, 2009.
Masayuki Oku, “The pendulum will swing back,” April 9, 2009.
Paul Myners, “We need more responsible corporate ownership,” October 12, 2009.
John Plender, “To avoid the backlash, executives need to act on pay,” April 3, 2010.
Masayuki Oku, “A financial cure that could do more harm than good,” July 14, 2010.

Capital Requirements
Alan Greenspan, “We will never have a perfect model of risk,” March 17, 2008.
Clive Crook, “Regulation needs more than tuning,” April 7, 2008.
Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
Eric Knight, “Banks should be rewarded for transparency,” June 19, 2008.
Andrew Large, “Central banks must be the debt watchdogs,” January 6, 2009.
David Miles, “What we must do to stop a repeat of this crisis,” January 28, 2009.
Lasse Pedersen and Nouriel Roubini, “A proposal to prevent wholesale financial failure,”
George Soros, “The right and wrong way to bail out the banks,” January 23, 2009.
Alan Greenspan, “We need a better cushion against risk,” March 27, 2009.
Eric Dinallo, “Marriage, not dating, is the key to healthy regulation,” April 27, 2009.
John Gieve, “Central banks need to avoid fighting the last war,” May 12, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.
Alan Greenspan, “Inflation is the big threat to a sustained recovery,” June 26, 2009.
John Gieve, “Regulating the banks calls for an attack on inertia,” June 29, 2009.
Martin Wolf, “The cautious approach to fixing banks will not work,” July 1, 2009.
Andrew Large, “Think twice before splitting regulation,” July 24, 2009.
Richard Thaler, “The price is not always right and markets can be wrong,” August 5,
2009.
Kenneth Rogoff, “Why we need to regulate the banks sooner, not later,” August 19,
2009.
Clive Crook, “Deal with the banks while they are down,” September 21, 2009.
Andrew Kuritzkes and Hal Scott, “Markets are the best judge of bank capital,” September
24, 2009.
Howard Davies, “We need urgently to rationalise the rules on capital,” September 25,
2009.
Raghuram Rajan, “More capital will not stop the next crisis,” October 2, 2009.
Lloyd Blankfein, “To avoid crises, we need more transparency,” October 13, 2009.
Martin Wolf, “How mistaken ideas helped to bring the economy down,” October 28,
2009.
Avinash Persaud, “Boomtime politicians will not rein in the bankers,” November 27,
2009.
Clive Crook, “How to avoid the next collapse,” January 4, 2010.
Ed Clark, “It is time to press on with bank reform,” April 22, 2010.
David Cameron and Fredrik Reinfeldt, “Reining in Europe's deficits is just the first step,”
June 17, 2010.
Clive Crook, “We have failed to muffle the banks,” September 13, 2010.

**Clearing Derivatives**

Terry Smith, The facts believe the diagnosis on credit derivatives,” April 27, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.
Kenneth Griffin, “We must overturn the status quo in derivatives,” October 27, 2009.
George Soros, “America must face up to the dangers of derivatives,” April 23, 2010.

**Benefits/Bonuses Reconsidered**

Martin Wolf, “Why it is so hard to keep the financial sector caged,” February 6, 2008.

Evelyn de Rothschild, “Ethical standards must be restored in finance,” May 9, 2008.
Eric Knight, “Banks should be rewarded for transparency,” June 19, 2008.
Eric Knight and Glen Suarez, “Lenders should have to pay a price for taking risks,”
October 2, 2008.

Peter Montagnon, “Let the market set the level of executive rewards,” November 12, 2008.

Michael Skapinker, “Every fool knows it is a job for government,” November 18, 2008.
John Gapper, “Curbing a few bankers is a small price,” February 5, 2009.
George Soros, “My three steps to financial reform,” June 17, 2009.
Philip Stephens, “Cut the banks (and bonuses) down to size,” September 1, 2009.
George Akerlof and Rachel Kranton, “It is time to treat Wall Street like Main Street,”
Michael Skapinker, “Replacing the 'dumbest idea in the world',' April 13, 2010.

Federal Supervision

Regulators against a bank run Could the supervisors have done better?,” September 19, 2007.

Martin Wolf, “Why it is so hard to keep the financial sector caged,” February 6, 2008.
Jean-Louis Beffa and Xavier Ragot, “The fall of the financial model of capitalism,”
Clive Crook, “In the grip of implacable forces,’ March 10, 2008.
Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
Jean-François Lepetit, Etienne Boris and Didier Marteau, “How to arrive at fair value
during a crisis,” July 29, 2008.
Erik Berglof, “Western banks must take their own medicine,” February 28, 2009.
John Gapper, “It is time for reflection, not regulation,” March 27, 2008.
Clive Crook, “Markets need more than a patch-up,” March 31, 2008.
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Wolfgang Munchau, “Central banks must start to care about house prices,” April 7, 2008.
Andrew Large, “Plans to empower the Bank do not go far enough,” May 8, 2008.
Lawrence Summers, “What we can do at this dangerous moment,” June 30, 2008.
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Mohamed El-Erian, “We have to bring the banking sector back to life,” January 21, 2009.
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DeAnne Julius, “A better way to promote financial stability,” June 24, 2009.
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Arthur Levitt, “We need an orderly way to let institutions fail,” October 9, 2009.
Lloyd Blankfein, “To avoid crises, we need more transparency,” October 13, 2009.
Martin Wolf, “How to manage the gigantic financial cuckoo in our nest,” October 21, 2009.
John Gapper, “How America let banks off the leash,” December 17, 2009
Nicholas Brady, “Refocus the regulatory debate on essentials,” January 5, 2010.
Martin Wolf, “Volcker's axe is not enough to cut the banks down to size,” January 27, 2010.
Kevin Warsh, “We must focus on safe ways to wind up banks,” February 3, 2010.
Robert Skidelsky and Marcus Miller, “Do not rush to switch off the life support,” March 4, 2010.
Lorenzo Bini Smaghi, “It is better to have explicit rules for bail-outs,” March 15, 2010.
Julie Dickson, “Protecting banks is best done by market discipline,” April 9, 2010.
Jacob Rothschild, “Europe is getting it wrong on financial reform,” April 21, 2010.
Ed Clark, “It is time to press on with bank reform,” April 22, 2010.
George Soros, “America must face up to the dangers of derivatives,” April 23, 2010.
Larry Harris, “Pay the rating agencies according to results,” June 4, 2010.
Andrew Large, “How to frame and implement a systemic risk policy,” June 14, 2010.
Philipp Hildebrand, “Follow the Swiss lead to avoid another Lehman,” October 6, 2010.

Transparency

Lawrence Summers, “Beyond fiscal stimulus, more action is needed,” January 28, 2008.
Martin Wolf, “Why a crisis is also an opportunity,” February 8, 2008.
Christine Lagarde, “This crisis demands that we act, but not overreact,” April 11, 2008.
Eric Knight, “Banks should be rewarded for transparency,” June 19, 2008.
Kenneth Rogoff, “America will need a $1,000bn bail-out,” September 18, 2008.
Eric Knight and Glen Suarez, “Lenders should have to pay a price for taking risks,” October 2, 2008.
Emilio Botín, “Banking's mission must be to serve its customers,” October 17, 2008.
Otmar Issing and Jan Krahnen, “Why the regulators must have a global 'risk map',”
February 19, 2009.
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Kenneth Griffin, “We must overturn the status quo in derivatives,” October 27, 2009.
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David Cameron and Fredrik Reinfeldt, “Reining in Europe's deficits is just the first step,”
June, 17, 2010.

Anti-cyclical Requirements

Martin Wolf, “Why it is so hard to keep the financial sector caged,” February 6, 2008.
John Eatwell and Avinash Persaud, “Fannie and Freddie, damned by a Faustian bargain,”
John Eatwell and Avinash Persaud, “A practical approach to the regulation of risk,”
August 26, 2008.
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Clive Crook, “In the grip of implacable forces,” March 10, 2008.  

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Martin Wolf, “Reform of regulation has to start by altering incentives,” June 24, 2009.  
John Plender, “It is time to stop punishing prudence,” March 25, 2010.  

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Willem Buiter, Anne Sibert, “The Bank must take three steps to ease the turbulence,” September 6, 2007.  
Mark Fisch, Benn Steil, “Root out bad debt or more pain will follow,” December 21, 2007.  
Lawrence Summers, “America needs a way to stem foreclosures,” February 25, 2008.  
Sheila Bair, “How the state can stabilise the housing market,” April 30, 2008.  
Felix Rohatyn and Everett Ehrlich, “Measures to avoid the worst recession in 30 years,” July 22, 2008.

Martin Feldstein, “How to shore up America's crumbling housing market,” August 27, 2008.


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Martin Wolf, “It is time for comprehensive rescues of financial systems,” October 8, 2008.


Alan Duncan, “We need bold steps to open channels of credit,” December 2, 2008.


Mohamed El-Erian, “We have to bring the banking sector back to life,” January 21, 2009.


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Peter Boone and Simon Johnson, “To save the banks we must stand up to the bankers,” January 27, 2009.

Daniel Gros, “There is no need to be afraid of a big bad bank,” February 4, 2009.


Pat McFadden, “The role of the state is crucial in this crisis,” April 17, 2009.


George Osborne, “We must be open about our banking problems,” June 1, 2009.

Nicholas Brady, “Refocus the regulatory debate on essentials,” January 5, 2010.


John Kay, “We should all have a say in how banks are reformed,” June 16, 2010.

**Break up “Too Big to Fail” Banks**

John Kay, “There is a better way to prevent bank failures,” June 18, 2008.


Martin Wolf, “Cutting back financial capitalism is America's big test,” April 15, 2009.

John Kay, “Too big to fail? Wall Street, we have a problem,” July 22, 2009.

Philip Augar and John McFall, “To fix the system we must break up the banks,”
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Clive Crook, “Deal with the banks while they are down,” September 21, 2009.
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Justin Fox, “Cultural change is key to banking reform,” March 26, 2010.
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Philip Augar and John McFall, “It is time to strip the banks of their clutter,” June 18, 2010.

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Paul De Grauwe, “Temporary full state ownership is the only solution,” October 10, 2008.
John McFall and Jon Moulton, “Let us have public ownership of Lloyds and RBS,” January 21, 2009.
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Martin Wolf, “Why dealing with the huge debt overhang is so difficult,” January 28, 2009.
Martin Wolf, “To nationalise or not to nationalise is the question,” March 4, 2009.
Philip Stephens, “Fix the banks first - and then shoot the bankers,” March 10, 2009
Peyton Young, “Why Geithner's plan is the taxpayers' curse,” April 2, 2009.

International Regulation
Timothy Geithner, “We must keep at the process of repair and reform,” April 24, 2009.
Timothy Adams and Arrigo Sadun, “Global economic council should oversee all,” August 17, 2009.

Rebalancing of Global Economy

Martin Wolf, “Why a crisis is also an opportunity,” February 8, 2008.
Martin Weale, “Economic policy must address the shortfall in savings,” April 14, 2008.
Martin Jacomb, “Saving, not spending, is the key to salvation,” November 18, 2008.
Paul Keating, “A chance to remake the global financial system,” March 5, 2009.
Wolfgang Münchau, “An L of a recession - and reform is the only way out,” March 9, 2009.
John Gieve, “Central banks need to avoid fighting the last war,” May 12, 2009.
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Ben Funnell, “Debt is capitalism's dirty little secret,” July 1, 2009.
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Lawrence Summers, “Beyond fiscal stimulus, more action is needed,” January 28, 2008.
Clive Crook, “Regulation needs more than tuning,” April 7, 2008.
Christine Lagarde, “This crisis demands that we act, but not overreact,” April 11, 2008.
Timothy Geithner, “We can reduce risk in the financial system,” June 9, 2008.
John Gapper, “This greed was beyond irresponsible,” September 18, 2008.
David Cameron, “We will help give banks the capital they need,” October 6, 2008.
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Emilio Botín, “Banking’s mission must be to serve its customers,” October 17, 2008.
Martin Wolf, “Why dealing with the huge debt overhang is so difficult,” January 28, 2009.
Otmar Issing and Jan Krahnen, “Why the regulators must have a global ‘risk map’,” February 19, 2009.
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Howard Davies, “We need urgently to rationalise the rules on capital,” September 25, 2009.
Arthur Levitt, “We need an orderly way to let institutions fail,” October 9, 2009.
Martin Wolf, “Governments up the stakes in their fight with markets,” May 12, 2010.

A New Paradigm

Clive Crook, “Markets need more than a patch-up,” March 31, 2008.
Nassim Nicholas Taleb, Pablo Triana, “Bystanders to this financial crime were many,” December 8, 2008.
Philip Augar, “It is time to put finance back in its box,” April 14, 2009.
Martin Wolf, “The cautious approach to fixing banks will not work,” July 1, 2009.
Paul De Grauwe, “Warring economists are carried along by the crowd,” July 22, 2009.
Code 3: Fiscal Policy

**Major Stimulus**

Martin Wolf, “Preventing a global slump should be the priority,” October 29, 2008.
Kevin Rudd, “Leaders must act together to solve the crisis,” January 8, 2009.
Wolfgang Münchau, “An L of a recession - and reform is the only way out,” March 9, 2009.
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John Gapper, “We need to split the bail-out bill,” March 26, 2009.
Wolfgang Munchau, “We need a new plan as the cycle grows more vicious,” March 30, 2009.

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Lawrence Summers, “Why America must have a fiscal stimulus,” January 7, 2008.
Wolfgang Munchau, “America's recession will be hard to shift,” January, 21, 2008.
Lawrence Summers, “What we can do at this dangerous moment,” June 30, 2008.
Felix Rohatyn and Everett Ehrlich, “Measures to avoid the worst recession in 30 years,” July 22, 2008.
George Magnus, “The Fed is right to focus on providing liquidity,” September 2, 2008.
Kenneth Rogoff, “America will need a $1,000bn bail-out,” September 18, 2008.
Martin Wolf, “Congress decides it is worth risking another depression,” October 1, 2008.
Samuel Brittan, “Keynes, thou should'st be living ,” October 10, 2008.
Wolfgang Munchau, “This toxic crisis needs more than one shot,” October 20, 2008.
Samuel Brittan, “This 'bold' cut is barely adequate,” November 7, 2008.
Martin Jacomb, “Saving, not spending, is the key to salvation,” November 18, 2008.
David Smith, “Keynes' magic can work for the sunrise industries,” November 21, 2008.
George Soros, “The right and wrong way to bail out the banks,” January 23, 2009.
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Leo Hindery and Donald Riegel, “America's bail-out: the other side of the bargain,”
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Lawrence Summers, “America's stance on the recovery is the only sensible course,” July 19, 2010.
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**Stimulus with plan for deficit**

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**Countercyclical Policy**

Martin Wolf, “It is always the economy, stupid,” February 6, 2009.
Peter Clarke, “This is no time to throw away the crutches,” August 31, 2009.
Martin Wolf, “How to walk the fiscal tightrope that lies before us,” February 17, 2010.
Robert Skidelsky and Marcus Miller, “Do not rush to switch off the life support,” March 4, 2010.
Samuel Brittan, “Are these hardships necessary?,” June 18, 2010.
Jared Bernstein, “Deficit reduction is not the enemy of jobs,” June 29, 2010.
Martin Wolf, “Three years on, fault lines threaten the world economy,” July 14, 2010.
John Makin, “It is time to face down the spectre of deflation,” July 16, 2010.

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Martin Weale, “Economic policy must address the shortfall in savings,” April 14, 2008.
Alan Greenspan, “Inflation is the big threat to a sustained recovery,” June 26, 2009.
Robert Skidelsky and Marcus Miller, “Do not rush to switch off the life support,” March 4, 2010.
Roger Altman, “America's disastrous debt is Obama's biggest test,” April 20, 2010.
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Austerity

Erik Berglof, “Western banks must take their own medicine,” February 28, 2009.
David Davis, “It is time for debate on how to cut public finances,” April 30, 2009.
John Kay, “Britain has sunk itself deep into a fiscal black hole,” July 1, 2009.
Jacek Rostowski, “Intolerance of small crises led to this big one,” January 14, 2010.
Bill White, “We need a Plan B to curb the debt headwinds,” March 3, 2010.
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Jeffrey Sachs, “It is time to plan for the world after Keynes,” June 8, 2010.
David Cameron and Fredrik Reinfeldt, “Reining in Europe's deficits is just the first step,”
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Nouriel Roubini, “Greece's best option is an orderly default,” June 29, 2010.
Laurence Kotlikoff, “Uncle Sam has worse woes than Greece,” July 26, 2010.
Olivier Blanchard and Carlo Cottarelli, “The great false choice, stimulus or austerity,”
August 12, 2010.
Costas Meghir, Dimitri Vayanos and Nikos Vettas, “Greek reforms can yet stave off

**Code 4: Monetary Policy**

*Lower Interest Rate*

- Willem Buiter, Anne Sibert, “A bail-out that will damage the Bank's credibility,”
  September 17, 2007.
- Wolfgang Munchau, “Rate cutting will not get us out of this mess,” December 3, 2007.
- George Magnus, “More is needed to unblock the arteries of credit,” January 24, 2008.
- Dominique Strauss-Kahn, “The case for a global fiscal boost,” January 30, 2008.”
- Ethan Harris, “The Fed is right to intervene to ward off recession,” February 12, 2008.
- Samuel Brittan, “Keynes, thou should’st be living …,” October 10, 2008.
- Martin Wolf, “Preventing a global slump should be the priority,” October 29, 2008.
Wolfgang Munchau, “Central banks can adapt to life below zero,” August 31, 2009.

Quantitative Easing

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Ethan Harris, “The Fed is right to intervene to ward off recession,” February 12, 2008.
George Magnus, “Large-scale action is needed to tackle the credit crisis,” April 8, 2008.
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Tim Congdon, “Here is the way to end the recession with speed,” February 26, 2009.
Phillip Blond, “Printing money is the logical way ahead for Tories,” March 2, 2009.
Tim Congdon Keep the money flowing to stave off deflation,” July 9, 2009.
Giles Wilkes, “Make the Bank give credit where it is due,” February 25, 2010.

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Robin Harding, “Bernanke mulls launching QE2 to keep America afloat,” September 25,

**Lower Capital Requirements**

**Inflation Target**
Martin Wolf, “How imbalances led to both credit crunch and inflation,” June 18, 2008.

**Inflation Reduction/ Raise Interest Rates**
Martin Feldstein, “Inflation is looming on America's horizon,” April 20, 2009.
Wolfgang Munchau, “We must not be too late with starting the Big Exit,” November 2, 2009.

**Code 5: Efficient Markets Hypothesis**
*Mentioned Approvingly*

*Mentioned Disapprovingly*
George Soros, “My three steps to financial reform,” June 17, 2009.
Richard Thaler, “The price is not always right and markets can be wrong,” August 5, 2009.
Justin Fox, “Cultural change is key to banking reform,” March 26, 2010.
John Kay, “Economics may be dismal, but it is not a science,” April 14, 2010.