

The Securitisation of the International Economic and Financial Crisis

A Study of the Concerted European Response

Abstract

This study explores the development of the Concerted European Response from adoption of the European Action Plan by the euro group, to the adoption of the Economic Recovery Plan by the European Council. The theoretical framework employed to assess this process is based on the works of the Copenhagen School on securitisation. However, In order to analyse the economic and financial crisis through a security perspective this study moves away from the state-centric perspective employed in traditional security analysis and introduces a new conceptualisation of the referent object.

The perceived security threat associated with the economic and financial crisis evolved considerably during the course of the autumn. This transition reflects the evolution of the crisis from turmoil in the financial markets to recession. By referring to the crisis as something existentially threatening European policy-makers moved to legitimise measures that during normal circumstances would have been considered impossible. The Heads of State and Government, and the Commission, thus securitised the economic and financial crisis in order to justify the implementation of extraordinary measures to arrest the threatening development.

Key words: Securitization, Ludwig Fleck, economic and financial crisis, international relations, European Union

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1 Introduction

What began as a credit market disruption in 2007 soon led to the most severe financial crisis since the Great Depression. Originating primarily in the United States, the crisis proved to be highly contagious and complex. The disorder in the financial markets occurred as banks sought to determine the true value of assets that were no longer traded in sufficient volumes in order to establish a true price. As uncertainty prevailed financial institutions became unwilling to offer liquidity unless the terms were considered well above the risk-free rate. (Fender et al. 2008:1) Following the collapse of the investment bank Lehman Brother a growing sense of crisis spread across the globe. The investment bank which had incurred huge losses on sub-prime and other lower-rated mortgage backed securities declared bankruptcy after financial authorities refused to intervene. The demise of the fourth biggest U.S. investment bank reinforced the already foreboding atmosphere in financial markets. (BBC News 20.09.2008)

In the wake of mid-September global financial markets had seized up completely and entered a new deeper state of crisis. The situation deteriorated further as cost and availability of credit, household budgets, mortgages, pensions, corporate financing became severely affected. With credit and money markets essentially frozen and equity prices plummeting, banks and other financial institutions saw their access to funding eroded and their capital base shrink. (Mizen 2008:532)

To avoid a collapse of the international financial system governments all across the world adopted unprecedented measures to arrest the threatening development. As the threat to economic stability was closely related to the problems in the financial sector, policy responses were predominantly focused on banks and financial institutions and markets and the flow of credit to households and businesses. A variety of measures were taken in quick succession to counter threats to the stability of individual financial and banking institutions. Despite dramatic actions adopted by national authorities the situation deteriorated further and it soon became clear that a concerted European response to economic and financial crisis were inevitable. (Fender et al 2008:13)

In the beginning of October, the euro group adopted a concerted rescue plan to arrest the threatening development. The European Action Plan confirmed the commitment of the euro area countries to act together in a decisive and comprehensive manner in order to restore confidence and proper functioning of the financial system. The aim of the rescue effort was to restore appropriate and efficient financing conditions for the economy. (EC 13.10.2008)

By mid-October, while markets continued to struggle with the uncertainties surrounding the large number of newly announced policy initiative, reports on economic activity confirmed that numerous major economies had officially moved into recession. Thus, while the combined efforts by European governments appeared to have arrested the international credit crisis, global recession fears came into focus. (Fender et al 2008:20)

In December the European Council approved a European Economic Recovery Plan to combat the economic contraction. The comprehensive rescue effort was equivalent to about 1.5 percent of the GDP of the European Union. The plan provided a common framework to ensure the consistency and effectiveness of the common rescue effort.(EC 17271/08)

This unprecedented wave of measures taken by the European Council, and the European Commission was perceived as a decisive response to the economic and financial crisis. During the course of the crisis European leaders frequently uttered assertive statements to justify the adoption of swift, forceful, and decisive measures to arrest the threatening development. (EC 17271/08) However, one question remains, how did Heads of State and Government, and the European Commission go about to implement these measures?

1.1 The aim of this study

The main objective of this study is to assess the European response to the economic and financial crisis by employing a concept of securitization. In order to realise this objective the analytical aim of this study is twofold. The primary aim of this study is to improve our understanding concerning to what extent the international economic and financial crisis was perceived as a security threat by European leaders. This is accomplished by specific assessment of EU policymaking during the crisis. The analysis is focused on one specific episode that begins with the adoption of the European Action Plan¹ by the euro group, to the adoption of the Economic Recovery Plan² by the European Council. This aim is essential to this security study and may thus be re-formulated into following research question:

- 1. To what extent is the international economic and financial crisis perceived as a “security threat” by European leaders?*

The purpose of this research question is to assess the perception of the crisis by employing a concept of securitisation. The object of reference; “European leaders”, refers to the European Union and European Council members. Hence, the question does not include how the crisis is perceived by national authorities, and other non-EU actors. In answering this question, the study employs a theory of securitisation. The theoretical framework is based on the works of the Copenhagen school although adapted to a European context. *“Traditionally but not necessarily, the state incorporating the government, territory, and society is perceived as the main referent object in security studies.”* (Buzan, Waever & de Wilde 1998:21) This study seeks to expand this state-centrist perspective of the referent object and include the European Union. The main purpose of this

¹ Paris, 12th October 2008

² Brussels, 12th December 2008

adaption is to conceptualise financial and economic authorities within a European context. Thus, my analytical aim is to carry out an assessment of the concerted European response of the economic and financial crisis in order to understand if and how the “security threat” is constructed.

The secondary aim of this study is to provide a constructivist perspective on how we can explain the particular measures taken by the European Union and European Council members to address the economic and financial crisis. The European Union has adopted numerous measures to arrest the financial crisis and combat the recession. These efforts are perceived to be particular, unconventional and thus above everyday politics. In other words, the secondary aim of this study is to provide a constructivist assessment on the materialisation of the concerted European response to the economic and financial crisis. The second purpose may be re-formulated into following research question:

2. *How can we explain, by employing a concept of securitisation, the extraordinary measures taken by the European Union to address the crisis?*

The theoretical framework used in this study is based on the works of the Copenhagen School on security analysis. Thus, the aim of the research question is to assess measures taken by the European Union to address the economic and financial crisis by employing a theory on securitisation. The study approaches this aim through two subsidiary research questions.

- a) *How do European leaders justify the adoption of “extraordinary measures” to tackle the crisis?*

The first subsidiary question refers to how policymakers justify measures to address the crisis. In answering this question, the study analyses utterances by European Council members and the European Commission. These utterances include official documents and verbal statements. The language used by policymakers implies how they justify certain measures to the wider public.

- b) *What can we extract, by employing a concept of securitisation, from the language used by European leaders regarding the implementation of the rescue efforts?*

The second subsidiary question also refers to the language used by European Council members and the European Commission. By applying a security perspective the question seeks to determine what can be extracted from the language. Subsequently, the question includes a theoretical discussion on the relevance and the essences of the utterances.

Finally, this study aims to make a contribution to the understanding of EU policymaking during the economic and financial crisis. It seeks narrow the gap between the theory on security analysis and European policymaking. This study

will not completely bridge the gap between security studies and policy, but it aims to bring the two closer together.

1.2 The collapse of the international credit market

To be able to comprehend the context of the Concerted European Response by the Heads of State and Government, and the European Commission we have to consider the background to the international economic and financial crisis. Hence, this chapter will review the events associated with the credit market disruption that began in August 2007 and developed into a full-blown crisis in the fall of 2008.

This section will begin to assess the systemic deficiencies that led to the disruption in credit markets. This will be followed by a description of the wave of intervention by national financial authorities. This chapter will be concluded with a brief overview of the causes associated with the economic and financial crisis.

1.2.1 Asset securitisation

In 1981, the government-sponsored U.S. mortgage agency Fannie Mae began issuing mortgage-backed securities (MBSs), and soon after new private securitised products emerged without the backing of the U.S. government. In Europe securitisation of assets emerged during the 1990s and picked up considerably in 2004. Asset securitisation within Europe mainly occurred in the Netherlands, Spain and Italy, but they were widely sold outside the euro area. (Mizen 2008:536)

Securitisation was undertaken by commercial and investment banks through “special purpose vehicles” (SPVs). These financial entities were created to enable them to engage in investment activities using assets conferred on them by banks. The most important characteristics of SPVs are that they are not under direct control of the banks as they form a separated legal entity. The advantage with this financial set up is that SPVs allow banks to make use of assets for investments purposes without incurring risks of bankruptcy to the parent organisation. (Mizen 2008:537)

By transferring asset-backed securities to SPVs, the bank is able to separate them into pools and sell them to investors. This process is generally called asset securitisation. The purpose of asset securitisation is to spread risk among a large number of investors. Each security will represent only a fraction of the total value of the diverse pool. By bundling the underlying assets into different pools, securities may be sold to investors with specific needs. In the event of default the products with the highest risk rating would be the first to incur losses. The products which have the lowest risk rating is labelled equivalent to government

debt. However, this development created greater default risk for the mortgages and heterogeneity in risk rating. (Mizen 2008:537-538)

By repackaging these pools several times banks were able to include risky assets such as sub-prime mortgages and label the new product as low risk. These new securities were perceived as secure investments and thus bought by banks, insurance companies, asset managers, and hedge funds to improve risk management. After a few years a large number of financial institutions were exposed to these risky investments.³(Mizen 2008:537)

The complexity of the new products, issued by the private sector, created a situation where the link between the default risk and the movement of house prices was not fully appreciated by investors. In search for higher yields banks issued an increasing amount of loans, and repackaged them as low risk products, and sold them to unsuspecting investors. For this reason, the development in the securitised mortgage market is referred to as the source of the international financial crisis. (Mizen 2008:538-539)

1.2.2 Sub-prime mortgages

The term sub-prime refers to borrowers who are perceived as riskier than the average borrower because of poor credit history. (Gorton 2009:12) Subprime lending enable financial institutions to provide credit to borrowers that don't meet prime underwriting guidelines. This generally includes an increased risk that the borrower may default on their credit. There are several defining features that characterise Subprime mortgages. First of all, both the borrower and the lender benefit from house price appreciation over a short period of time. The time period is kept short to protect the lender's exposure. Depending on appreciation of house prices the mortgages can be rolled into another mortgage. In other words beneficial appreciation of the house price enables refinancing every two or three years. (Gorton 2009:13)

Secondly, the Subprime mortgage includes sizable prepayment penalties. The size of the prepayment penalty creates an incentive not to refinance too early. (Gorton 2009:13) Subprime mortgages are usually referred to as "hybrids" because they incorporate both fixed- and adjustable- interest rates. The initial monthly payment is based upon a "teaser" interest rate that is generally fixed to the first three years. After the initial period comes the interest rate "reset" and the interest rate becomes floating. The "reset interest rate" is significantly higher than the fixed rate but potentially affordable to the borrower. (Gorton 2009:16)

If the interest rate and the prepayment penalty are sufficiently high the borrower is likely to default without refinancing the mortgage. In other words it is the lender that makes the choice to refinance. The refinancing option is essential to the lender as it enables them to speculate on price development. If the

³ The global market for these asset-backed securities was estimated by the Bank of England at \$ 10.7 trillion in 2006.

probability of a house price increase is sufficiently high the lender may perceive refinancing as profitable. Refinancing doesn't necessarily mean that the borrower receives a long-term mortgage. It's more likely that the borrower receive a sequence of subprime mortgages as house prices increase. However, in such a sequence, the lender has the right to opt out by not refinancing the mortgage and taking the recovery amount, leaving the borrower bankrupt. (Gorton 2009:16-17)

Sub-prime mortgages proved to be successful, at least for a significant period of time. From 2000-2007, the amount agency mortgage doubled, while subprime grew 800 percent. By 2006 issuance of Subprime constituted about 30 percent⁴ of the U.S. home mortgage market. (Gorton 2009:12) However, when house prices started to decline borrowers could not meet their financial obligations and creditors all over the globe became exposed to a wave of defaults.

1.2.3 The housing bubble

Private homeownership has been a long-standing priority among U.S. administrations since the great depression. However, in the 1970s U.S. policy-makers started to promote home ownership among low income and minority households. To meet this challenge, politicians encouraged banks to take greater risks in order to give these groups access to the loan market. This became particularly clear during the Carter administration as the Community Reinvestment Act of 1977 was adopted to promote homeownership among minority and low income households. However, the enactment did not prompt a rapid acceleration in private homeownership until the beginning of the 1990s. (The Economist October 16th 2008)

Between 1993 and 2004 US homeownership rouse from 64 percent to 67 percent. Both democratic and the republican administrations saw this development as something beneficial to the general public. (US Census Bureau 2009) While the left claimed it would ultimately reduce social exclusion and promote social equality, the right saw this as a way to realise their long-standing goal of "owner democracy". However, the rapid growth in homeownership generated an increase in property prices, making loans even less affordable to low-income households. (The Economist October 16th 2008)

The housing market was fuelled by inexpensive mortgages guaranteed by the two government-sponsored mortgage agencies, Freddie Mac and Fannie Mae. The two agencies formed the backbone of the U.S. loan market as they issued guarantees for outstanding housing loans. Freddie and Fannie even guaranteed the lender interest and repayment if the borrower would default. This insurance was financed by lucrative fees paid ultimately by the borrower. As the government guaranteed that lenders would get their investment back, the risk was transferred from banks to the taxpayers. As a consequence this system promoted even lower lending standards. (The Economist October 16th 2008)

⁴ \$600 billion

By pushing market interest rates down and encouraging banks to lend more freely, the number of households with access to the loan market increased dramatically. These new loans were offered to borrowers with insufficient funds for down payment, poor credit history, no income, and incorrect information regarding their personal finance. The adherent risk with offering these kinds of loans is clearly that borrowers may default on their credit. (Gorton 2009:12)

When housing prices started to decline in 2006, house values dropped below the size of the mortgage for low-income families. This meant that borrowers had a good reason to default on their mortgage in order to escape negative equity⁵. The increasing number of foreclosures intensified house-price falls by adding to the stock of unsold houses. (The Economist Oct 23rd 2008)

1.2.4 Governments intervene

The British bank Northern Rock had adopted a business model that relied heavily on wholesale funding and securitisation of its mortgages. The business model required regular access to both capital and money markets in order to fund the bank's activities. Thus, it could not endure a long freeze in money markets. (Mizen 2008:548) In 2007 funding problems finally emerged as the international credit squeeze became evident. As customers started to withdraw their deposits Britain witnessed its first significant bank run since the 19th century. The Bank of England and the U.K. government considered three options to address the problem. The first option was to let the market resolve the liquidity problem, the second was to find a suitable bank who was willing to buy Northern Rock, the final option was to rescue the bank using public money. Initially, attempts were made to rescue the bank without the use of public money, but when all efforts to find a liquid buyer failed the government had to intervene. In September the bank was brought into public ownership at a cost of £25 billion in loans and other guarantees. (BBC News 22.02.2008) The unusual response by the U.K. government was perceived as an attempt to limit the damage of the credit crunch. However, Northern Rock was not the only financial institution to suffer from the financial crisis.

In March 2008 it became clear that U.S. investment bank Bear Sterns would not be able to meet its financial obligations. The bank which had pioneered in securitisation and asset backed securities markets had invested heavily in structured finance products. As Goldman Sachs provided recommendations that hedge funds should not take exposure to Bear Sterns, investors abandoned the ailing bank, reducing the bank's ability to finance its activities. To avoid bankruptcy of the critically important bank, the Federal Reserve revealed that a takeover would be necessary. The U.S. government soon arranged a takeover through a shares purchase by JP Morgan Chase. The Federal Reserve provided a

⁵ According to U.S. law the lender is only entitled to reclaim property associated with the outstanding mortgage.

\$29 billion loan to secure the takeover. The actions to avert a financial crisis were thought to be successful but the magnitude of the credit crunch had just been revealed. (Mizen 2008:549)

In July 2008 Freddie Mac and Fannie Mae received support from the U.S. treasury after failing to raise new funds through auction. Freddie Mac and Fannie Mae held MBSs that they had issued in their own name or bought to encourage loans to low-income households. Many of these loans were sub-prime mortgages and when house prices dropped defaults increased dramatically. The problem was further compounded considering that many pension funds, money market funds and banks held Freddie Mac and Fannie Mae debt securities and used them as collateral. In order to avoid setting off a wave of bank failures the U.S. government placed the two government-sponsored mortgage agencies under conservatorship⁶. The rescue effort was one of the most sweeping government interventions in private financial markets in decades. (Washington Post 07.09.2008)

With growing sense of crisis in U.S. financial markets woes spread across the globe. In September 2008 Lehman Brothers declared bankruptcy after huge losses accrued in sub-prime and other lower-rated MBSs. The demise of the fourth biggest investment bank prompted the largest U.S. bankruptcy in history. (BBC News 20.09.2008)

As U.S. policy makers and bankers pondered the collapse of Lehman Brothers a new threat emerged. American International Group (AIG), the world's largest insurance firm announced that they suffered a liquidity crisis following the downgrade of its credit rating. The insurance company had incurred sever losses after exposure to credit derivatives⁷. The business plan was originally intended to diminish risk, but with increasing mortgage defaults auditors raised questions about how the firm valued its holdings. (The New York Times 27.09.2008) By September AIGs credit rating was downgraded and the U.S. government was forced to intervene to resolve the liquidity crisis. As a bankruptcy of the insurance company was perceived as a critical threat to the international financial system the U.S. government provided a rescue package, comprising \$153 billion in capital injections and loan facilities.⁸ (Economist 13.11.2008)

1.2.5 Quo vadis?

A number of factors provided conducive conditions for an economic and financial crisis. First of all, financial innovations such as MBS introduced greater complexity, higher yields, and weaker underlying assets. This allowed financial institutions to issue an increasing amount of loans, and repackage them as low risk products, and sell them to unsuspecting investors. (Mizen 2008:564)

⁶ A legal status similar to "Chapter 11" (bankruptcy protection).

⁷ Derivates is a financial instrument that insures debt holders against defaults.

⁸ The AIG rescue package was the largest bail-out of any form during the international credit crisis

Second, sub-prime mortgages were introduced to enable financial institutions to provide credit to borrowers that did not meet prime underwriting guidelines. MBSs based on sub-prime mortgages were perceived as secure investments and thus bought by banks, insurance companies, asset managers, and hedge funds to improve risk management. However, this created a situation where the link between the default risk and the movement of house prices was not fully appreciated by investors. (Mizen 2008:564)

Third, no one anticipated that house prices would drop in the United States - this was not built into the models designed to assess risk. When house prices did fall, and defaults increased in the sub-prime sector, investors reappraised the risks associated with these high-yielding residential MBSs. Thus, the rapid decline in residential prices was followed by a liquidity crisis. Soon, financial institutions across the globe started to collapse due to the freeze in money markets. (Mizen 2008:564)

The failure of a number of financial institutions spurred a reaction in the financial markets and banks of all kinds withdrew from lending in money markets. Financial authorities in both Europe and the U.S. decided to act to provide liquidity to the markets and funding for financial institutions of critical importance. By late September 2008 it became clear that these efforts were not enough to avoid a systemic collapse of the international financial system. (Mizen 2008:564)

2 Research methodology

I will now address methodological questions related to both the theoretical framework and the empirical analysis. The following section will bring forth a consecutive presentation of the methodological background of security studies. Thus, this section begins with a brief discussion on the constructivist approach employed in this study. The constructivist approach will be followed by a presentation of methodological considerations regarding the course of action, the ontology of the referent objects, and the empirical material. The methodological discussion will provide both a logical basis for the theoretical approach and serve to facilitate a relevant empirical analysis.

2.1 Constructivist epistemology

The general discourse within social science could be described as an elusive debate concerning the definition and essence of social facts. Traditionally the field of thought could be categorised as a polemic between two influential theoretical camps; realism and idealism. Realists accept the existence of social facts, which means that the primary objective of the research is to test assumptions that are “indisputably” proven by the empirical evidence. This implies that objectivism is the defining methodological element of realism. Idealists however deny the very existence of an objective reality as they perceive subjectivity as a crucial source for generating knowledge. (Tassinari 2004:83)

Constructivism rejects the dialectic discourse characterizing the traditional field of thought. Instead constructivism perceives “the manner in which the material world shapes and is shaped by human action and interaction depends on dynamic normative and epistemic interpretations of the material world”. (Adler 1997:323) Hence, constructivism maintains a middle ground by emphasizing the ontological reality of inter-subjective knowledge and methodological and epistemological implications of this reality. Constructivists underline that the study of International Relations is primarily based on social facts. These facts should be perceived as the outcome of human agreement. (Adler 1997:323)

Constructivism, unlike realism and idealism, does not make any effort to develop or formulate a political theory. It should rather be seen as a social theory on which constructivist theories of international relations are based. In *Seizing the Middle Ground*, Emanuel Adler presents a complex conceptualisation of the theoretical relationship between realism, idealism and constructivism. “*Constructivism challenges only the ontological and epistemological foundations of realism and idealism. It is not anti-liberal or anti-realist by ideological conviction; neither is it pessimistic or optimistic by design*” (Adler 1997: 323).

Consequently, constructivism can be seen as an effort to generate a synthetic theory that emerges from the middle ground between relativism and absolutism.

Constructivism scrutinizes social facts according to how they are displayed in reality. This assumption has led to criticism regarding the theory being insufficient for making predictions. If deliberation is achieved through observation of events, then deliberation is only possible regarding social facts that have already occurred. Social facts that have yet to occur could hardly be predicted using constructivism. In other words, “constructivism is better at describing the past than anticipating the future”. (Tassinari 2004:83) However, constructionists argue that the theory indeed enables prediction of the future. The construction of social reality is in fact subject to a continuous process of learning. This means that the origin of social facts, their unfolding and their possible future developments are sequentially connected. This assumption is generally referred to as cognitive evolution. (Tassinari 2004:83) Cognitive evolution, according to Adler, means that “*at any point in time and place of historical process, institutional or social facts may be socially constructed by collective understandings of the physical and the social world that are subject to authoritative (political) selection processes and thus to evolutionary change*”. Adler argues that cognitive evolution should thus be perceived as a process of innovation that creates the inter-subjective understanding on which the behaviour of governments is based. (Adler 1997:339) This enables constructivism to explain change and indicate possible scenarios for the future on the basis of earlier experience. In other words, the analyst ability to predict the future depends on what has happened in the past. (Tassinari 2004:84)

As this study involves financial authorities’ historical behaviour, it makes no assumption about future developments. Albeit, it’s important to underline that the validity of the study rests on the constructivist assumption about cognitive evolution. The basis of the analysis is determined by the audience acceptance of future scenarios in form of threat uttered by the securitizing actor. The success of the speech act is determined by inter-subjective understanding of reality. Hence, constructivism constitutes the methodological basis for this study.

2.2 Methods and Sources

In order to analyse the economic crisis through a security perspective we first need to establish a methodological course of action. There are several considerations we have to address in order to apply a relevant course of action in a security study. Proponents of the Copenhagen School argue that security analysis entails three essential methodological elements.

1. *Referent object*
2. *Method*
3. *Material and sources*

2.2.1 Referent object

The general discourse in social sciences is based upon a division of disciplines. This practice reflects a general understanding that the economy, politics, and society are somehow different. The practice of separating the field of research is usually not explicit but the researcher acknowledges that the particular activity in every sector is analytically significant. As this thesis will focus on a wider agenda we need to consider what sectors are relevant. (Buzan et al 1998:7)

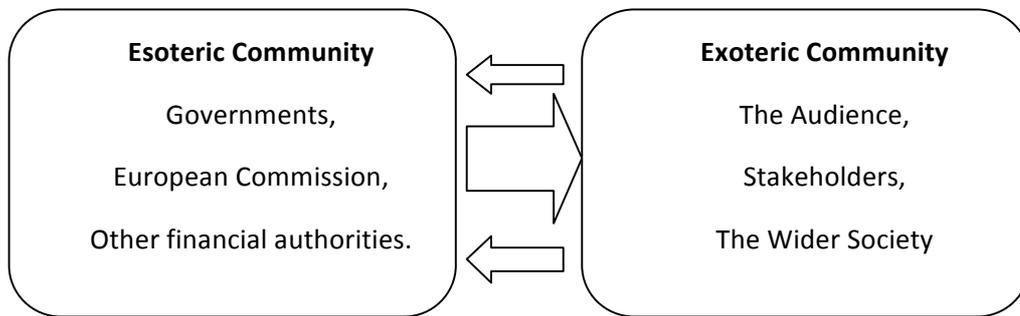
The purpose of using sectors is to identify items that share a context or distinctive pattern of interaction. In social sciences items are usually dependent on a context and lack the quality of independent existence. Sectors may be identified as a distinctive context but they will in fact remain inseparable parts of a complex whole. Thus, it's important to underline that the purpose of selecting the sector is simply based on reducing the complexity in order to facilitate a relevant analysis. In essence, sectors reduce the number of variables in play and demarcate the scope of the research question to more manageable proportions. (Buzan et al 1998:7-8)

The complex nature of the economic and financial crisis makes it difficult to identify the relevant sector. Traditionally security analysis adopts a realist perspective of security issues. Generally political security concerns organisational stability of states, system of governance and the ideology that offers them legitimacy. Economic security concerns the access to resources, markets and finance necessary in order to sustain welfare and state power. (Buzan et al 1998:7-8) However, in order to analyse the financial crisis through a security perspective it is important to move away from central placement of the state as the main object of referral in all sectors. Thus, in this study, the role of the state should not be regarded as absolute or exclusive. Many different types of actors may in fact play a significant role in the process of securitisation. To be able to identify these actors we need to approach the ontology of security.

Security should be perceived as a social construction that communicates the state of a particular situation. If the audience accepts a security claim as social fact we may have successful securitisation. Hence, the very conception social fact is highly relevant in the process of identifying referent objects. In "Genesis and the development of scientific facts" Ludwig Fleck introduces a unique set of tools to conceive the production and circulation of social facts. Fleck argues that the conceptual creation of social facts is the outcome of a complex process of social consolidation. These thought products are never finalised as they may undergo transformation through intra-collective or even inter-collective interaction. (Rochel de Camargo 2002:829)

Fleck introduces two important epistemological concepts: the "thought collective" and "thought style". He describes the thought collective as "a community of persons mutually exchanging ideas of maintaining intellectual interaction" (Fleck 1979:39), and thought style as "a definite constraint on thought" (Fleck 1979:64). Within the thought collective, Fleck identifies two

different communities. The esoteric community comprised by experts producing social facts, and the exoteric community which is comprised by the wider society, interpreting and accepting social facts. (Fleck 1979:13)



Fleck argues that social facts are transformed through the mutual interaction between the esoteric community and the exoteric community. (Fleck 1979:40) Thought should therefore not be perceived as a constant or an objective process. Social fact within a thought community is itself conditioned by social structures, and follows a path that establish the terms on which actors proceed. (Erickson 2005:140) In this remark threats should be seen as a product of a thought process. Thus, in a security context, the social structure of a thought community establishes the rules of the game as well as who has the authority to make decisions.

In this study the esoteric community is comprised by Governments, Parliaments, European Commission and other financial authorities. Within the esoteric community these actors are perceived as legitimate to make security claims. However, security claims or social facts are conditioned by the social structure within the thought community. Governments, in general, are perceived to hold a dominant position within the esoteric community. As they are also perceived as the accepted voice of security within the exoteric community they constitute the main referent object in this study.

Within the esoteric community we can also identify non-state actors such as the European Commission, OECD, IMF, and the World Bank. These, actors although essentially different, play a significant role in the production of security within the esoteric community. However, the crucial difference between these institutions concerns how their position is perceived by the exoteric community. The wider public may not perceive financial institutions, such as IMF or the World Bank, to have any real authority when it comes to security matters. However, concerning the European Union and especially the European Commission, the situation appears to be different. The state-like features of the Union has created a situation where governments are challenged by the European Commission as the dominant voice of economic security within the Community. This development could be explained by the political role and the judicial authority of the Commission. Traditionally, the European Commission has been perceived as the legitimate voice of the Union. The Commission was set up to act as independent supranational authority that would represent the interests of the Union rather than the Member States. The Commission is generally regarded as the driving force

behind the fundamental restructuring of the prevailing economic order in Europe. The most distinguishing example of this development is the creation of the Single European Market which was launched after an initiative by the Commission.⁹ (Stubbs & Underhill 2006:309)

The creation of the European Single Market and the introduction of the Single Currency have transferred competence from Member States to the Union. The transferral of power indicates that Member States accept the Commission as a legitimate actor in certain matters, notably regarding areas such as finance and economy. The commission has encouraged this development and acted as a policy activist to further the interests of the Union. Albeit, the Commission in many ways is perceived by the esoteric community as a dominant voice of security in economic matters, the exoteric community has an ambiguous perception of its authority. The wider audience perceive the government, rather than the Commission, as the dominant voice of security. The Commission is thus a subordinated actor within the exoteric community. However, as the Commission clearly constitutes a political and financial authority within the esoteric community it should be regarded as a referent object in this study.

2.2.2 Method

Discourse, in general, refers to the actual practise of communicating in speech or writing. However, in a methodological context the use of the term is somewhat more specific as it refers to “interrelated set of texts, and the practise of production, dissemination, and reception, that brings an object into being”. (Phillips et al. 2002:3). This means that social reality is produced through discourse between actors. Consequently, social interaction cannot be fully understood without analysing the discourse that gives them meaning.

Discourses are embodied and enacted in a various forms of texts. Their existence goes beyond the scope of the individual text as it holds an intrinsic communicative element. Texts could thus be considered a material manifestation of discourse. (Phillips et al. 2002:4) The communicative perception of texts suggests that they are not meaningful individually. Instead, it is the interconnection with other texts that make them meaningful.

In 1952 Zelling Harris introduced a method to analyse the interconnection of speech and writing. Discourse analysis helps us to understand the process how social reality is created, performed and displayed through our language. (Paltridge 2007:2) This social constructivist approach explores how texts are made meaningful and how they contribute in the construction of social reality. (Phillips et al. 2002:4) Discourse analysis thus explores the interaction between social groups and complex societal structures which is embedded in the discourse. By ascertaining the constructive effect through the structured and systematic study of

⁹ This initiative later became known as the Single European Act of 1987

texts discourse analysis constitutes a powerful method for studying social phenomena. (Phillips et al. 2002:4-5)

Securitisation analysts argue that security issues are constructed by the dialectic between the securitising actor and the accepting or rejecting audience. Security is mediated by a stock of discourse that is characterised by urgency and exceptionality. (Neal 2006:3) Hence, the effect of the discourse, both in terms of securitisation and the outcome of a security move, (i.e. the speech act, and the acceptance of the audience), presuppose the utility of discourse analysis. (Tassinari 2004:91) Subsequently, discourse analysis constitutes the main methodological instrument in this study. However, in order to analyse the security discourse we must first indicate the methodological criterion behind the choice of texts.

The first defining criterion is based on the distinction between hegemonic and competing discourses. This concept, originates from the work of Chantal Mouffe and Ernesto Laclou, and later adopted by the Copenhagen School. Fabrizio Tassinari and Isil Kazan refer to this approach as “intra-discourse analysis”. (Tassinari 2004:92, Kazan 2003:112-113). Intra-discourse analysis involves a discourse taking place simultaneously at different levels of a society. In this study, intra-discourse analysis refers to what is said, and by whom, at the regional and the European level, at a certain point during the crisis. Thus, the spatial and temporal dimension of the discourse is quintessential to the validity of the analysis.

The second defining criterion concerns the determination of hegemonic and competing texts. Hegemonic texts refer to a dominant ideology or an inter-subjective understanding about social reality, while competing texts refer to those that do not support or correspond with the dominant ideology. However, it is important to emphasize that the categorisation will not depend on the normative assumption regarding the ideological position of the text, instead preference will be granted on the basis of the audience acceptance of a securitising move. In other words, hegemonic and competing texts are defined solely on the basis of the successful securitisation.

The third defining criterion refers to Wæver’s distinction between official and debated texts. By distinguishing between official and debated texts the focus remains on the intra-discursive dimension, but differentiates between actual and competing policies. The two concepts should thus be perceived as complementary as it is merely an adaptation to the security context. (Tassinari 2004:91)

2.2.3 Material and Sources

According to proponents of the Copenhagen School, “*security experts usually draw upon a varied repertoire of sources, newspapers, conversations, theories and other academic writings on the case, which all come together in their skilful judgment*” (Buzan et al. 1998: 178).

In the light of the Copenhagen School, the subsequent primary source employed in this study includes official documents, selected speeches and

statements from major policy makers. This category is also comprised by policy documents from governments and the commission. Both types of texts should be considered dominant/hegemonic, as they derive from actors that the audience perceive as financial authorities. A politician or a senior official, from either the European Commission or a Member State that publicly express a judgement regarding the security situation within the EU, provides an indication of the terms by which the political establishment in the EU perceives the threat. (Tassinari 2004:91) However, there are certain limits to the analysis of speeches and public statements mainly concerning the sequential order in which past events occurred, and inescapable technical limitations. Concerning the former limitation, I have acknowledged the temporal aspects of speeches and statements by policy makers. As the crisis developed rather swiftly during the course of the autumn these sources is analysed within the scope of its chronological occurrence. The second limitation is more challenging as it concerns the linguistic heterogeneity of the discourse. The number of languages limits the degree of comparability of different speeches and statements. However, as the primary sources in this study have been translated by professional interpreters, the content and the inclination is preserved. Additionally, every utterance has been compared to other sources in order to avoid miss-interpretations.

3 Defining security

In the traditional mode of security analysis, international security refers to how human collectives relate to each other in terms of threats and vulnerabilities. The dynamic relational nature of security is central as it includes security dilemmas, power balances and security regimes. In this article the security refers to a traditional military-political understanding of the term. The concept of security basically refers to survival. Waever defines security as “*when an issue is presented as posing an existential threat to a designated referent object (traditionally but not necessarily, the state, incorporating the government, territory, and society)*”. This form of security threats justifies the use of extraordinary measures that would under normal circumstances be considered impossible. By invoking security threat the government declares a state of emergency, thus claiming the right to take necessary measures to impede a threatening development. (Buzan, Waever & de Wilde 1998:21)

When analysing political discourse and measures it is important to make a distinction between a normal process of politicization and the process of securitization. Existential threats are not necessarily based in on what threatens individual human lives but the particular character of a certain situation. In other words, the definition of what constitutes an existential threat depends on the sector and level of analysis. (Buzan, Waever & de Wilde 1998:21-22)

In the political sector, existential threat traditionally refers to state sovereignty. The sovereignty of the state can be threatened by anything that challenges the recognition, legitimacy, or governing authority of the state. In this context it is important to recognise the increasing interdependence and institutionalisation of international relations. This especially concerns the European integration as the Union increasingly manifests authority. Events that might undermine the process of integration may also be considered as an existential threat. (Buzan, Waever & de Wilde 1998:22-23)

In the economic sector it is important to differentiate between private firms and governments. While private firms may be existentially threatened by bankruptcy, states are seldom faced with such a situation. However, national economies may be threatened by an inability to sustain a welfare state. In a wider security context existential threats in the economic sector may undermine rules, norms and institutions of the regime. (Buzan, Waever & de Wilde 1998:22-23)

3.1 Inter-subjective security

Researchers dealing with security analysis have noted that it can be approached both objectively and subjectively. However, it's important to underline the respective strengths and weaknesses associated with each approach.

An objectivist approach to security analysis may lead to arbitrary or premature conclusions, if not the circumstances offers an immediate and explicit threat. As such circumstances seldom occur it's difficult to distinguish real threats from "duds", as it would demand an objective measurement of security. Even if security theory would offer such a measurement it is unclear if an objectivist approach would be useful. Different states appear to have different disposition regarding threats. What some countries perceive as an existential threat may in fact be perceived as an ordinary situation in other countries.¹⁰ (Buzan et al 1998:29-31) This is especially evident in the economic sector.

Security in the economic sector normally involves some form of economic threat. The existential threat is generally based on economic data, theories and policies. Adopting an objectivist approach would mean that economic analysis could predict some undesirable event and thereby avoid or moderate that event through economic policy. However, economic policy is usually applied to problems after they arise. The economic policy is thus adopted to achieve a more desirable situation. It's important to emphasize that both the existential threat and the desirable situation is not determined by a universal set of values but by the particular norms and values of the actor and the audience. Economic data, theories and policies do not create the threat nor the desirable situation as it merely describes a specific situation. (Campbell, McConnell & Brue 2005:8-10) It is the stakeholders that interpret the information as a threat and enact measure to resolve the undesirable situation. For example, economic data, theories and policies shows that high inflation rate may lead to a sharp decline in the economy. To resolve the undesirable situation the government securitises the inflation rate and define it as an existential threat to the welfare state. If the audience accept this subjective interpretation the securitised move could be determined as successful.

The distinction between objective and subjective is useful for underlining the fact that security is determined by actors, and in this respect is subjective. Successful securitisation is determined by the inter-subjective acceptance of the audience. In this context, the referent object in securitisation is something that the audience perceive as vital and that it should survive. By referring to an object that the audience want to save, the securitising actor could legitimise certain measures. The audience accepts the security speech act and tolerates or supports measures that otherwise would be dismissed. Hence, successful securitisation is not decided by the securitising actor but by the inter-subjective acceptance of the audience. (Buzan et al 1998:29-31)

3.2 Securitization

One of the most important contributions to the theoretical discourse on securitisation has been the works of the Copenhagen School. In "Security - A New Framework for Analysis" Ole Wæver and Barry Buzan presents a controversial conceptualization of the term securitization. The Copenhagen

¹⁰ Starvation, terrorism etc.

School defines securitisation as a successful speech act *“through which an inter-subjective understanding is constructed within a political community to treat something as an existential threat to a valued referent object, and to enable a call for urgent and exceptional measures to deal with the threat”* (Buzan et al 2003: 491). In other words when the particular character of the argument refers to an existential threat, and it achieves a sufficient effect, the securitising actor may circumvent rules or procedures. (Buzan et al 1998:25) If a discourse could link an object of referral to an existential threat it doesn't necessarily mean that it is securitisation. However, this could be characterised as a securitising move. Hence, the issue could only be considered securitised if and when the audience accept it as an existential threat. The comprehensive theory rests on three central aspects:

- 1) The relationship between the securitising actor and the audience, and
- 2) the speech act, and
- 3) facilitating conditions that influence the success of the securitising move.

3.2.1 The relationship between securitising actor and the audience

Security refers to public issues that are framed as extraordinary event or as above everyday politics. Security moves the issue beyond the conventional scope of politics. Securitisation can thus be seen as a more extreme version of politicisation. (Buzan et al 1998:23)

The distinction between politicisation and securitisation is vital in this context as it reveals the core of securitisation. A public issue may be non-political if there is no public debate.¹¹ If a public issue is politicised it means that the issue is a part of public policy, requires a government decision and some form of resource allocation.¹² If a public issue is securitised it means that the issue is presented as an existential threat that justifies the state to take extraordinary measures, that would be considered impossible under normal circumstances. The framing of public policy depends on the nature of the object of referral. There is a substantial difference between sectors as well as states as the framing may be based on norms and values that are historically important. (Buzan et al 1998:23)

Securitisation of a public issue is not necessarily based on a real existential threat but rather if the issue is presented as such a threat. The state refers to such an issue as more relevant than any other issue, and if the state does not address the issue properly everything else will be irrelevant. This enables the government to legitimise extraordinary measures that go beyond what is seen as conventional in a democracy. These measures may include levying taxes, conscription, restricting inviolable rights, expropriation or hostile aggression. (Buzan et al 1998:23-24)

Acceptance is thus crucial for successful securitisation. The audience has to be convinced that the threat is real and harmful. However, in a liberal democracy the securitising argument may be contested by other actors. Stakeholders may argue

¹¹ e.g. this could be the case concerning public organisation of public institutions etc.

¹² e.g. issues concerning welfare

that the threat is not existential and that the securitising actor exaggerates the potential threat. But if securitising argument or move gains enough resonance it's possible to legitimise measures that otherwise would not be considered possible. (Buzan et al 1998:25)

Securitisation is not based on breaking conventional rules or solely by referring the issue to an existential threat. Securitisation is only fulfilled by referring an object as an existential threat that legitimises the breaking of rules. Thus, it's important to underline that the real scale and significance of a threat is not relevant in successful securitisation. A securitising move concerning existential threat to the culture may not include a threat to other sectors. The threat may of course have implications on other sectors but the audience may in fact only acknowledge that the culture is on stake. Thus, successful securitisation is not based on scale or significance but on the audience accepting that the threat is existential as it would be difficult to assign degrees of importance to referent objects and sectors. (Buzan, Waever & de Wilde 1998:26)

However, in empirical studies it may be difficult to determine which, when or why an audience is relevant. Inter-subjectivity implies voluntarily acceptance by the audience, as opposed to repression and silence. In a democratic regime, securitisation may be seen as necessary to legitimise certain measures, while an authoritarian regime may already possess the power to infringe certain rights whiteout portraying the issue as an existential threat. At the same time, it may be difficult to determine if the audience acceptance in an authoritarian setting is the result of repression or silence. This means that it may be difficult to analyse authoritarian regimes through Buzan & Wævers conceptualisation of successful securitization. (Stritzel 2007:363)

3.2.2 The Speech act

The defining feature of the Copenhagen School approach to security is that it recognises speech act theory as an important element in securitisation. The articulation of "security" entails the claim that a valuable referent object is under threat. The existential character of the threat legitimates extraordinary measures that go beyond the established rules of normal politics. Hence, this put an actor in a very strong position to deal with the problem. By uttering security, a securitising actor defines an event as extraordinary, and thereby claims a special right to stop the threatening development. Security utterance is thus marked by survival, urgency and the pre-eminence of action. (Wæver 1995:55)

Wæver's conceptualisation of security is based on a realist understanding of security. The realist concept of security refers to the idea of national survival. Hence, by successfully uttering security the issue is transformed to something exceptional. This transformation means that the word security, as a sign of referring to something more real, is not interesting. It is the utterance itself that is the act. Thus, the mechanism of this transformation is based on John L. Austin's concept of performative utterances'.

Austin argues that “*the uttering of a sentence is, or is a part of, the doing of an action*”. (Austin 1962:5-7) The sentence does not describe, verify or report the doing of something, but the sentence is the act itself. This means that performative utterance falls outside the conventional true or false dichotomy. Thus, the sentence is not dependent on a truth condition but on felicity condition. If this condition is met, the speech act may be accepted even despite the fact that it’s not true. This means that performative utterance have the potential to create reality. (Austin 1962:5-7)

By applying Austin to security studies the very utterance of security means the doing of an action. This moves the focus from whether the threat is actually “true” to what happens because of the speech act. For the Copenhagen School this means that performative utterance facilitates the audience acceptance of the alleged threat, and thus enables the securitizing actor to enact extraordinary measures. In other words, the audience tolerates the breaking of conventional rules because of performative utterance. (Stritzel 2007:361)

3.2.3 Facilitating conditions

The relationship among actors is not equal or symmetrical. The possibility for successful securitisation is rather dependent on the position held by the securitising actor. The particular position of the actor determines if the actor could be regarded as the accepted voice of security. This means that the actor who holds that position may have the power to define security. However, this power is never absolute as the position does not guarantee the ability to make people accept a security claim. The securitising actor may also be challenged by other actors articulating alternative security claims. In other words, no actor holds the conclusive power of securitisation. (Buzan et al 1998:31)

The Copenhagen School acknowledges that in concrete analysis it is important to be specific about who is more or less privileged in articulating security. The success of a security utterance is determined by both internal and external facilitating conditions. The introduction of these conditions emphasize that both power and the inter-subjective establishment of a threat are important to understand securitising speech acts. Inspired by Austin they refer to the facilitating conditions as:

Internal facilitating conditions:	External facilitating conditions:
<p><i>1. The demand internal to the speech act of following the grammar of security</i></p>	<p><i>2. The social conditions regarding the position of authority for the securitizing actor — that is, the relationship between speaker and audience and thereby the likelihood of the audience accepting the claims made in a securitizing attempt, and</i></p>

3. Features of the alleged threats that either facilitate or impede securitization.

(Stritzel 2007:364)

The internal conditions of a successful speech act concerns the form and grammar of the utterance. The speech act has to follow the security form, the grammar of security, and include a referral to an existential threat. The securitising actor has to present the imminent threat as a point of no return and offer deliverance through action. The general grammar of security has to be based on the particular dialect of the sector (e.g. if the nature of the threat is economic, the securitising actor has to adopt a similar language or dialect as the economists). (Buzan et al 1998: 33)

The external conditions that facilitate a successful speech act concerns the social capital and the position of the securitising actor. (Buzan et al 1998: 33) This condition does not refer to moral virtue or the general disposition of the actor, but to the audience perception of the stature of the securitising actor. Generally this includes that the particular position held by the actor is regarded as the accepted voice of security. This position should not be confused with an official position (e.g. a head of state in a constitutional monarchy may not be seen as a legitimate voice if the audience have embraced democratic values).

The second external condition concerns the threat itself. Securitisation is more likely to succeed if the actor refers to objects that are historically or generally perceived as threatening (mass-unemployment, bank-panic, weapons of mass destruction, hostile sentiments, global warming). The Copenhagen School emphasize that objects like this never should be seen as necessary for successful securitisation as they merely facilitate the process. (Buzan et al 1998: 33) However, it's difficult to ignore that the Copenhagen School conspicuously moves away from an inter-subjective approach, and reveal an implicit inclination of objectivism. By accepting that there are objects that are historically or generally perceived as threatening, Wæver hints that there may be something else mediated through language. Weaver acknowledges this weakness by stating that *“this part of the theory is highly sensitive because it can lead to a re-introduction of objectivism”* and *“it is necessary to be very precise about the exact status of the different elements of the theory”*. Although, Wæver seem to be aware of this problem he doesn't offer a way forward. (Stritzel 2007:364) The main focus of the security analysis is thus shifted from the inter-subjective acceptance of the speech act to the acceptance of objects that are historically or generally perceived as threatening. Albeit, it is important to underline that this assumption does not automatically lead to the acceptance of an objectivist approach that would enable an objective measurement of security. The securitizing actor may in fact refer to a normative inter-subjective perception of what may be regarded as existentially threatening. Hence, in order to avoid an objectivist approach to security we now have to consider if there are inter-subjective objects that are generally perceived as threatening.

A frame is a persuasive device constructed to *“fix meanings, organize experience and alert others that their interests and possibly their identity is under*

threat and propose a solution to the threatening situation". (Payne 2001:43) Frames provide a singular interpretation of a particular situation and put it in a broader social or historical context. According to cognitive consistency theory in psychology the audience is more likely to accept a claim if they are shown to be similar to already accepted ideas. In more general terms, an actor frame issues so that the audience can see how well the claim coincide with already accepted ideas. (Payne 2001:43)

In security context the speech act includes a linkage between the threat claim and already accepted ideas of threats. If the audience accept that the existential threat is similar or resonates with objects that are generally or historically perceived as threatening, we may have successful securitisation. The idea of frame resonance potentially explains both the success of the security speech act and the social function of referring to already accepted ideas. However, objects that are generally perceived as threatening are not determined by the securitising actor but the inter-subjective perception of the audience. Thus, the audience have to accept that the alleged threat is similar to their understanding of general or historical threats. (Stritzel 2007:364)

Individuals evaluate moments in terms of pleasant or awful. As economic matters may affect both the individual and the community there is a distinct linkage between the two levels. Regarding security analysis, this means that both the audience and the securitising actor are affected by significant economic events. Hence, the audience and the actor spontaneously evaluate events and situations and store them in the form of "likes" (pleasant) and "dislikes" (awful). (Kahneman & Tversky 2006:502) E.g. poverty, unemployment and other adversities are generally stored as "dislikes", while winning the national lottery, wealth and abundance are generally stored as "likes". In "Choices, Values and Frames", Daniel Kahneman and Amos Tversky identifies certain criteria's based on empirical research about the process of evaluation. (Kahneman & Tversky 2000:693)

The first criteria concern the audience perception of an event in terms of gains and losses. "*Endowment is valued differently, depending on its relation to the original state from which it has been reached.*" (Kahneman & Tversky 2000:693) In a security context this means that the audience perception of threatening objects are generally determined by how much they lost in relation to their original state. E.g. the audience evaluation of sharp increase in unemployment is dependent on the level of employment before the increase.

"Global judgements of fictitious episodes or lives are highly sensitive to trends of improvement or deterioration and radically incentive to duration." (Kahneman & Tversky 2000:693-694) In a security context this means that the perception of a historical threat that is not based on personal experience is highly sensitive to trends of improvement or deterioration. E.g. the perception of a failed economy may either improve or abate as the audience take part of fictitious accounts. Fictitious accounts of previous episodes are generally created by media. However, it is important not to neglect those accounts that are transmitted between individuals in a more personal setting.

“Retrospective evaluations of affective episodes are strongly influenced by the affect experienced at singular moments, notably the moment at which affect was most extreme and the final moment.” (Kahneman & Tversky 2000:693-694) Specific extreme events in a sequence or development may retrospectively affect how the audience perceive the threat. E.g. is a region were suddenly struck by unemployment it may determine the audience perception of the downturn. The audience may in fact exaggerate the scale and impact of the recession due to a specific extreme event.

“Forecasts of the long-term effects of circumstances on subjective happiness tend to neglect the likelihood of adaption and therefore exaggerate the long-term benefits or costs of life changes.” (Kahneman & Tversky 2000:693-694) The audience may exaggerate the impact of a recession if their life situation has become worse. On the other hand, if their subjective perception of their individual situation has improved they may devalue the effect of the economic turmoil.

The evaluated outcome of a historical threat is more likely to be made up of a college of impressions and affective reactions associated with the most salient parts of the experience. (Kahneman & Tversky 2000:694) Thus, successful securitisation includes a referral to a previous threat that is determined by a college of negative impressions. In other words, if the securitising actor includes a referral of a previous threat in to a speech act the audience may accept the securitising move.

4 The Concerted European Response

The objective of this chapter is to assess the concerted European response to the economic and financial turmoil. Official documents, speeches and statements issued by leading policy makers are indicative of the defining trend in addressing the global and European crisis. Hence, in a security perspective, they constitute the most significant sources for analysis and form an essential part of the theoretical analysis.

To facilitate the analytical approach the texts are divided into two distinct categories. The first category includes official documents, issued by the European Council and ECOFIN, and verbal statements uttered by European leaders. The texts will span diachronically in order to observe the evolution of European efforts to address the crisis. I also wish to re-emphasize that the purpose of the analysis is not to provide an account of the crisis management policy of each Member State. The purpose is rather to provide a constructivist assessment of the “security threat”, and the materialization of a concerted European response to the economic and financial crisis. Hence, the analysis of the texts, regarding the crisis, will provide an empirical framework which will facilitate a theoretical security analysis of the concerted European response.

A few more explanatory remarks should also be made to account for the manner in which I approach the empirical material. Utterances have been selected on the basis of the theoretical framework. These texts may be pertained to the linguistic and contextual change between successive points in time. Hence, texts employed in this study reflect the materialization of the concerted European response from the adoption of the European Action Plan¹³ by the euro group, to the adoption of the Economic Recovery Plan¹⁴ by the European Council.

4.1 European Action Plan

On 12 October 2008, the euro group adopted a rescue plan for the European financial system. The European Action Plan confirmed the commitment of the euro area countries to act together in a decisive and comprehensive manner in order to restore confidence and proper functioning of the financial system. The aim of the rescue effort was to restore appropriate and efficient financing conditions for the economy. The declaration on a “concerted European action plan of the Euro area countries” states: (Independent 13.10.2008)

¹³ Paris, 12th October 2008

¹⁴ Brussels, 12th December 2008

“Millions of depositors have trusted their wealth to our financial institutions. The consequences of the current financial market crisis jeopardize the crucial economic role of the financial system.” (EC 13.10.2008)

In the first paragraph of the official document, the euro group establishes that the credit crisis is both a financial and an economic threat, as it jeopardizes the financial system. By referring to millions of depositors the group moves to expand the concept of the financial threat to include the exoteric society. In other words, according to the euro group the financial crisis jeopardizes the wider society as the economic role of the financial system is threatened.

“Further concerted action is urgently needed given the persistent problems of bank financing and the contagion from the financial crisis to the real economy.” (EC 13.10.2008)

The euro group continues by stating their commitment to act together in a decisive way. Thus, the group declares that the coordination of measures is crucial in order to restore confidence and proper functioning of the financial system. The euro group presents the financial crisis as an imminent threat, a point of no return, and offer deliverance through concerted action.

“We confirm today our commitment to act together in a decisive and comprehensive way in order to restore confidence and proper functioning of the financial system, aiming at restoring appropriate and efficient financing conditions for the economy. In parallel, Member States agree to coordinate measures to address the consequences of the financial crisis on the real economy, in line with 7th of October Ecofin conclusions. In particular, we welcome the EIB’s decision to mobilise 30 billions € to support European SME’s and its commitment to step up its ability to intervene in infrastructure projects.” (EC 13.10.2008)

The following paragraph establishes the exceptional circumstances of the crisis, and urges the Commission to act quickly and apply flexibility in state aid decisions. This article frames the crisis as an extraordinary event and above everyday politics. The group emphasizes the independent role of the European Commission within the esoteric community, while urging them to continue to uphold the principles of the single market.

“In the current exceptional circumstances, we stress the need for the Commission to continue to act quickly and apply flexibility in state aid decisions, continuing to uphold the principles of the single market and of the state aid regime.” (EC 13.10.2008)

The euro group underlines, due to the exceptional circumstances of the crisis, the importance of coordinated implementation. If Member States would fail to coordinate their response, measures taken to avoid escalation of the crisis, will create distortions in the banking market. Hence, the importance of swift concerted response is once again emphasized in the official document.

“While acting quickly as required by circumstances, we will coordinate in providing these guarantees as significant differences in national implementation could have a counter-productive effect, creating distortions in the global banking markets.” (EC 13.10.2008)

The purpose of the rescue plan is to avoid the failure of relevant financial institutions. The wording refers to avoid the collapse of major banks and financial institutions that play a critical role in the financial system. Measures stated in this paragraph refer to credit guarantees and part-nationalisation of relevant financial institutions. Using public money to rescue ailing bank is generally perceived as an extraordinary measure within the Community. The failure of financial institutions of critical importance is perceived as existential threat within the esoteric society. Hence, the official document includes a linkage between threat claim and already accepted ideas of a threat among financial authorities.

“Governments remain committed to support the financial system and therefore to avoid the failure of relevant financial institutions, through appropriate means including recapitalization. In doing so, we will be watchful regarding the interest of taxpayers and ensure that existing shareholders and management bear the due consequences of the intervention. Emergency recapitalisation of a given institution shall be followed by an appropriate restructuring plan.” (EC 13.10.2008)

The exceptional circumstances of the financial crisis require constant and immediate monitoring of rescue efforts. The exchange of information between Member States and the Council and the Commission has to be strengthened in order to facilitate an efficient concerted effort. The euro group continue to emphasize the exceptional circumstances of the crisis require a degree of extraordinary measures to facilitate an efficient concerted response.

“In such circumstances, efficient crisis management requires constant and immediate monitoring. We will therefore set up and strengthen procedures allowing the exchange of information between our Governments, the President of the European Council, the President of the European Commission, the President of the European Central Bank and the President of the Euro group.” (EC 13.10.2008)

The sweeping rescue plan which moves to guarantee, refloat and partially nationalize banks was endorsed by all EU Member States. (Eurostat 20.04.2009) The plan frames the financial crisis as a real and significant threat to the financial

system and the economy. The threat is imminent and relevant authorities have to enact extraordinary measures to avoid the situation to deteriorate. In a statement after the meeting in Paris President Nicolas Sarkozy described the concerted efforts as:

"a coordinated and ambitious response to the worst financial crisis for 80 years." (Independent 13.10.2008)

The statement by French President should be perceived as a securitizing move as he links the economic crisis to the "Great Depression". In other words, the security utterance transforms the issue to something exceptional as it refers to the economic turmoil of the 1930s. The reference constitutes a linkage between the current situation and an earlier episode that is inter-subjectively held as threatening. However, within the thought community, few individuals have personal experience of the adversities of the depression. The social function of the reference should thus be perceived as a linkage between the current crisis and fictitious accounts of the economic turmoil 80 years ago.

During the summit Premier Gordon Brown commented on the crisis by emphasizing the extraordinary situation and the vast consequences decisions taken in the near future.

"Important moment for the world economy...decisions that we make in the next few days are decisions that will affect us for many years ahead." (Independent 13.10.2008)

The UK Premier does not make any reference to previous threats nor does he specify the consequences of the ongoing crisis. Instead he emphasizes the importance of decisive action. This means that the sentence does not describe, verify or report the doing of something, as the sentence is the act itself (the pre-eminence of action). The issue is thus transformed and moved beyond the conventional scope of politics, in order to legitimize extraordinary measures.

4.2 A corollary response

During a summit held on 15 and 16 October the European Council confirmed their commitment to the rescue plan that was put forward by the euro group to meet the international economic and financial crisis. The European Council approved to act in a concerted and comprehensive manner to protect the European financial system and depositors. (EC 2008:59416)

"Faced with the financial crisis, the European Council affirms that it is determined to take coordinated and thorough action to restore the smooth running of the financial system, thus ensuring the normal and effective financing of the economy and returning to the path towards

growth and employment.”(Council of the European Union 2008:14368)

The European Council affirms that the community is determined to take coordinated actions to restore the effective functioning of the economy. The Council underlines that in all circumstances the community must enact necessary measures to preserve the stability of the financial system. The official document goes further than the euro group by stating that Member States should support “major” financial institutions from bankruptcies. This means that the exceptional situation has to be addressed by extraordinary measures.

“The European Council reaffirms its commitment that in all circumstances the necessary measures will be taken to preserve the stability of the financial system, to support the major financial institutions, to avoid bankruptcies and to protect savers' deposits”.
(Council of the European Union 2008:14368)

In the following article, the council underlines the importance of swift and flexible actions. The Council also confirms the independent role of the Commission and recommends them to continue to apply the principles of the single market on the system of State aids. The potent and independent role of the Commission is particularly emphasized in articles concerning the single market.

“In the current exceptional circumstances, European rules must continue to be implemented in a way that meets the need for speedy and flexible action. The European Council supports the Commission's implementation, in this spirit, of the rules on competition policy, particularly State aids, while continuing to apply the principles of the single market and the system of State aids.” (Council of the European Union 2008:14368)

The Council gives special emphasis on remuneration of company executives. This measure is indicative as it refers to government interference in private remuneration policy. By implementing rules that states remuneration should be based on actual contribution to the success of the company, Member States aim to regulate excessive risk-taking and short-term objectives. Arguably this should be considered as an extraordinary measure as it involves extensive government interference in the private sector. However, it is difficult to determine if such regulations could have been imposed during normal circumstances.

“It emphasises that the real performance of company executives should be reflected in their remuneration, including their severance pay (“golden parachutes”), which should be in line with their actual contribution to the success of the company. Likewise, care should be taken to ensure that earnings from stock options or the system of remuneration, especially in the financial sector, do not lead to

excessive risk-taking or extreme concentration on short-term objectives.” (Council of the European Union 2008:14368)

In the last section of the official document the Council calls for a comprehensive reform of the international financial system. In order to cope with the international economic and financial crisis the Union must work with its international partners. The new regime, according to Member States, must be an all-encompassing reform based on the principles of transparency, integrity and international governance. Hence, the council anonymously declares the necessity to adopt exceptional measures to address the crisis.

“The European Union must work with its international partners on a genuine, all-encompassing reform of the international financial system based on the principles of transparency, sound banking, responsibility, integrity and world governance.” (Council of the European Union 2008:14368)

Ahead of the Council meeting European Commission President Jose Manuel Barroso appealed to EU leaders respond to the escalating situation.

"to adopt unprecedented European Union action to calm markets and prevent a deep recession across the continent.” (EC 2008:59416)

The President of the Commission urges Member State to adopt unprecedented actions to prevent a deep recession in Europe. The economic and financial crisis is presented by the President as a threat to a valued referent object. As the rescue plan refers to restore the functioning of the financial system the referent object should be interpreted as the financial system itself. The security utterance is clearly a securitising move as it refers the financial crisis as a threat and offers relief through unprecedented action by the European Union. This form of security threats justifies the use of extraordinary measures that would under normal circumstances be considered impossible. By invoking security threat the President declares a state of emergency, thus claiming that the Member States have the right to take necessary measures to impede a threatening development.

The French President Nicolas Sarkozy made a similar remark as he announced the rescue plan before the parliament. Sarkozy said:

"Nothing will be spared to prevent the crisis getting any worse"
(EUObserver.com 14.10.2008)

President Sarkozy states that nothing will be spared to prevent the crisis from escalating. The threat justifies the state to take extraordinary measures that would be considered impossible under normal circumstances. Thus, the President legitimise the adoption of extraordinary measures.

During a briefing at the start of the summit UK Premier Gordon Brown underlined the importance of reforming the international financial system. Brown said:

"As we rebuild our global financial institutions, we also ought to seize the opportunity of a trade deal [...] the message must go out that this beggar-thy-neighbour approach of the past is of no use," (Irish Times 16.10.2008)

The British Prime Minister refers to the reform of the global regulatory framework of the world's financial system. At the same time he sends a message that protectionism is not the right way. By uttering the word "*rebuild*" Brown declares a state of emergency. He indicates that global financial institutions are severely damaged or destroyed. Thus should the measures proposed by the British Prime Minister be perceived as extraordinary and certainly above everyday politics.

After the Council meeting German chancellor Angela Merkel also expressed her support for a new economic regime.

"I explicitly support the idea that we should have a meeting this year [...] to rethink the world's financial system and prevent any repetition of such things". (Irish Times 16.10.2008)

The German chancellor explicitly supports a reform of the world's financial system to prevent any repetition of the financial crisis. She confirms that the financial crisis created a situation where governments have to adopt extraordinary measures to avoid any repetition of the threatening situation. Thus, the German Chancellor moves to legitimise efforts to reform the global financial regime.

4.3 Reforming of the international financial system

Ahead of the international summit on the financial crisis EU leaders met in order to pave the way for reform of the international financial system. The heads of State of government reaffirmed the unity of the Member States as they confront the crisis. The official document that was endorsed by all EU leaders states specific principles and approaches which could be adopted at the summit of 15 November in Washington. (Council of the European Union 07.11.2008)

"The unity of the Heads of State or Government of the European Union in coordinating responses to the financial crisis has been a key factor for responsiveness and effectiveness. Now that it is time to step up that action and devise long term ways of reforming the international financial system, we reaffirm our resolve to work together to that end." (Council of the European Union 07.11.2008)

The first paragraph of the official document underlines the importance of a coordinated response to the financial crisis. Coordination has been a key factor in the European response to the crisis. Thus, the EU leaders seek to step up that action and reform the international financial system. This ambitious effort should be perceived as an extraordinary measure to address “the core of the problem”.

“The international summit on 15 November 2008 must pave the way for reform of the international financial system. Europe must play a major part in it in three respects: common principles upon which to build a new international financial system; a working method to deliver real decisions swiftly; a full set of responses, some of which should be adopted without delay.” (Council of the European Union 07.11.2008)

The Heads of State or Government reaffirm the importance of the extraordinary measures. The new international financial system has to include common procedures to deliver decisions. The reaction to the exceptional circumstances of the financial crisis has moved the issue beyond the conventional scope of politics. Thus, Member States has to be committed to the adoption of extraordinary measures including the establishment of a new financial order.

During the summit President Sarkozy signaled a growing assertiveness by Europe in its dealings with Washington and suggested that the U.S. had a special obligation:

“This is a global crisis and we have to remember where it started.”
(Financial Times 10.11.2008)

The French government believes that the decision to let Lehman Brothers fail aggravated the global crisis. The situation deteriorated as many international financial institutions were exposed to Lehman Brothers through investments in mutual funds. The French President added:

“The time when we had a single currency [the dollar], one line to be followed, that era is over and came to an end on September 18 when responsibility was taken, without our opinion being asked, with the failure of a major banking institution and the consequences that followed.” (Financial Times 10.11.2008)

The failure of the investment bank on September 18 marked the end of an era dominated by the dollar. President Sarkozy provides a singular interpretation of the particular situation and put it in a broader historical context. By framing the failure of Lehman Brothers, as the abrupt end of an enduring fiscal regime, he moves the financial crisis beyond the normal scope of politics. Thus, by giving the issue a broader historical context and underlining the lack of deliberation, the

French President seeks to justify the creation of a new financial order based on coordination of international efforts rather than national interests.

While the French President focused on the failure of Lehman brothers, the President of the Commission underlined the historical importance of the upcoming meeting.

"It has to be a real historic meeting." (EUobserver 07.11.2008)

President Barroso frames the international gathering in Washington as a historical meeting. By underlining that the upcoming event "has to be a real historic meeting" the issue is moved beyond the scope of conventional politics. The particular character of the utterance refers to the necessity of results in dealing with the threatening situation. Thus, the wording and the particular character of the utterance refer to a state of exceptionality.

4.4 European Economic Recovery Plan

During a summit on 11 and 12 December 2008 the European Council approved a European Economic Recovery Plan, equivalent to about 1.5 percent of the GDP of the European Union. The plan provides a common framework for the efforts made by Member States and by the European Union, in order to ensure consistency and maximising effectiveness of the common rescue effort. (EC 17271/08)

"The economic and financial crisis is a global crisis. That is why the European Union is working together with its international partners. The Summit held in Washington on 15 November 2008 at the initiative of the EU drew up an ambitious programme of work with a view to coordinated recovery of the world economy, more effective regulation of financial markets, better global governance and the rejection of protectionism." (EC 17271/08)

The first paragraph of the official document confirms that the economic and financial crisis should be regarded as a global crisis. Therefore, the Union is working together with its international partners to draw up an ambitious programme in order to coordinate the recovery of the world economy. The initiative also includes improved global governance and the rejection of protectionism. This article refers to the implementation of extraordinary measures on the international level. By declaring that the financial turmoil is a global crisis, the Council justifies measures that go beyond Europe and the conventional scope of politics.

"The EU has determined, in a coordinated manner, the emergency measures required to restore the smooth operation of the financial system and confidence among market players. The European Council

stresses the need for Member States to be able to finalise these measures without delay.” (EC 17271/08)

The Council underlines that the EU has together adopted emergency measures to restore the functioning and the confidence of the financial system. The Council stresses the need for Member States to implement the measures without further delay in order to cope with the ongoing crisis. By invoking the financial and economic threat the Council has declared a state of emergency. In other words, by uttering emergency the council refers to the issue as more relevant than any other issue. Hence, if Member States does not address the issue properly everything else will become irrelevant.

“The financial markets remain fragile. We must remain vigilant and continue to implement, as a priority, measures to create greater stability, supervision and transparency of the financial sector, particularly those envisaged by the ECOFIN Council road map.” (EC 17271/08)

The heads of state and governments express that the situation remains fragile. Thus, the EU has to remain cautious and continue to implement necessary measures to address the situation. The official document states that imminent threat of the financial crisis has subside but the implementation of necessary measures remains a priority. However, as the Council states that the imminent threat of the financial crisis has diminished, they move the focus from the financial crisis to the economic downturn. Hence, the threat has not disappeared but the object of referral has in fact changed.

“The financial crisis is now impacting on the economy. The euro area, and indeed the Union as a whole, are threatened with recession. In these exceptional circumstances, Europe will act in a united, strong, rapid and decisive manner to avoid a recessionary spiral and sustain economic activity and employment. It will mobilise all the instruments available to it and act in a concerted manner to maximise the effect of the measures taken by the Union and by each Member State.” (EC 17271/08)

The Council states that systemic impact of the financial crisis has spread to non-financial sectors. The Union as a whole is currently threatened with recession. Thus, the European leaders will act in rapid, concerted and decisive manner to avoid a recessionary spiral. EU will mobilise all instruments available to maximize the effect of measures taken by the Union and by each Member Sate. Evidently the financial sector is no longer the main object of referral. Instead the focus has shifted towards non-financial sectors. This development should not be perceived as the financial threat has been diverted, but as an indication that the language of security reflects the evolution of the crisis.

The exceptional circumstances of the financial crisis have created a situation where Europe is now threatened with recession. However, the Council moves to further emphasize the threat by referring to it as a recessionary spiral. Thus, the Council claim, in order to sustain economic activity and employment, EU has to adopt extraordinary measures.

During a press conference after the summit Prime Minister Gordon Brown expressed his deep satisfaction with the outcome of the meeting. He said:

“This today, is the answer to those who say just do nothing. This is the answer to those who say just let the recession continue and take its course. This is the answer to those who say fiscal policy should not be used to support monetary policy. This is the answer to those who would like to have public spending cuts at this time. This is the answer because Europe has agreed that we have a responsibility to our peoples. I believe the debate over the last few weeks has ended with the conclusion that fiscal policy must, in this substantial way, support monetary policy and everybody has agreed and signed up to it.” (BBC 12.12.2008)

The British Prime Minister comments on the contested utterances made by other actors within the esoteric community. The particular character of the Prime Ministers utterance signals the perceived legitimacy of the extraordinary measures adopted by the European leaders. He declares that the efficient handling of the financial crisis is the answer to all those who previously have expressed doubts to the rescue efforts. He also states that the agreement among Member States is the conclusion of the debate.

During a plenary session in the European Parliament, the President of the European Commission José Manuel Barroso underlined the significance of the meeting and the importance of the Parliaments’ approval.

"The balance sheet of the last EU summit will go down in history - rarely has Europe been able to express its satisfaction at so many positive results [...] the European Parliament holds the last key to the last door enabling a Europe of the 21st century to start working". (European Parliament 16.12.2008)

Barroso describes the EU summit as a historical moment. Europe has been able to coordinate the rescue efforts in order to meet the challenges of the financial and economic crisis. The president provides a singular interpretation of the rescue efforts and put it in a broader social and historical context. The agreement is the future as it is a manifestation of European cooperation. Without uttering a threat he frames the rescue efforts as the only way forward, as he seeks the approval of the Parliament. The Presidents claim resonates with already accepted ideas of swift and decisive action. However, it is important to underline that the European Parliament is a part of the esoteric society. Thus, the utterance by Barroso should

be perceived as seeking the acceptance of a specific segment within esoteric community and not the wider public.

During the plenary session in Strasbourg, President Sarkozy also expressed his views on the summit and the financial crisis. The President said:

“If Europe's countries and institutions had not taken responsibility, this would have led to the destruction of the European banking system [...] our economies and our political cultures are not the same but we all agreed in the end”. (European Parliament 16.12.2008)

By adopting extraordinary measures the Union and the Member States administer the financial crisis and avert the collapse of the European banking system. The French President also underlines that differences between Member States did not prevent the leaders of Europe to come to an agreement. The blunt remark by the president reasserts the validity of the rescue effort. At the same time, the French president expresses an assurance to the thought communities that the extraordinary measures were indeed necessary to avoid the destruction of the banking system. The existential threat to the financial sector was averted by concerted efforts in a decisive manner. Hence, the President states, the extraordinary measures adopted by EU and the Member States were in fact both necessary and effective.

5 Analysis

The previous chapter analysed the materialization of a concerted European response to the economic and financial crisis. The main lessons learned from this case will be discussed thoroughly in this chapter. The main objective of this chapter is to assess the European response to the crisis by employing a concept of securitization. In order to realize this objective I will first begin to address the security threat. The perception of the “security threat” is crucial in security studies as successful securitization is dependent on the audience acceptance. Hence, I will begin to conduct an assessment of the threat uttered by the securitizing actors. The thorough exploration of the security threat will be followed by a theoretical assessment of the concerted European response. In order to analyse how the extraordinary measures came into being, I will employ a theory of securitization. This part will include an assessment of how securitizing actors justify the adoption of extraordinary measures. Final conclusions will be presented in the following chapter.

5.1 The evolution of the security threat

One of the most important elements of the theory of securitisation is the “security threat”. In the economic sector the threat is generally based on data, theories and policies. It’s important to emphasize that both the existential threats and more desirable situations are not determined by a universal set of values but by the particular norms and values of the actor and the audience. Thus, the securitising actor frames the particular situation as an existential threat. If the audience accepts the alleged threat we may have successful securitisation. Hence, the articulation of a security threat is a crucial element in securitisation. (Campbell, McConnell & Brue 2005:8-10)

During the autumn the perception of the security threat evolved considerably. The evolution reflects both the gradual implementation of measures to address the problems in the financial markets, and the general progression of the crisis. In order to understand this evolution it is important to analyse the development of the security threat throughout the autumn.

5.1.1 The financial crisis

In mid-October the European Action Plan came into being. The rescue plan frames the financial crisis as an extraordinary event and above everyday politics.

The plan moves the issue beyond scope of normal politics and presents the crisis as a threat to the “crucial role of the financial system” (EC 13.10.2008). The threat is thus linked to the financial sector rather than directly to the sovereignty of the state. However, “the crucial role of the financial sector” also refers to a broader and more substantial concept of security. The financial crisis threatens to undermine the state, as tax revenues decrease, and resources are transferred to the ailing financial system. In such a situation the state may no longer be able to fulfil their obligation towards the citizens. Thus, in a wider security context, the crisis poses a threat to the welfare state itself.

The financial turmoil is also presented as an international threat. The particular character of the crisis requires a concerted European response to arrest the threatening development. (EC 13.10.2008) As concerted action constitutes a prerequisite to address the crisis, the concept of security is transformed beyond the state. The crisis reflects a process where the financial sovereignty of the state has become an integral part of the international financial system. At this point the object under threat should thus be perceived as the crucial role of the international financial system. The crisis is presented as an existential threat to the international finance system. If the Union would fail to implement decisive measures to restore confidence in financial markets the crisis may contagion other sectors of the economy. The crisis is presented as an imminent threat, a point of no return, which can only be avoided by concerted, swift and decisive action (EC 13.10.2008). In other words, the crisis poses an imminent and existential threat to the crucial role of the international financial system.¹⁵

5.1.2 The economic downturn

During the autumn of 2008 the perception of the security threat evolved. In the beginning of December the European Council approved the European Economic Recovery Plan which states that the systemic impact of the financial crisis has spread to non-financial sectors. (EC 17271/08)

The Economic Recovery Plan is a clear indication that the security threat has evolved. As the Council declares that the imminent threat of the financial crisis has diminished, they shift the focus from the financial crisis to the economic downturn. Hence, the real economy, instead of the financial sector, becomes the main object of reference. At the same time, the Council makes a new security claim. The new security threat is not the “financial crisis” but a “recessionary spiral” (EC 17271/08). This threat is framed as significant and potentially

¹⁵ *“Millions of depositors have trusted their wealth to our financial institutions. The consequence of the financial market crisis jeopardizes the crucial economic role of the financial system”* (EC 17271/08)

“Nothing will be spared to prevent the crisis getting any worse” (EUObserver.com 14.10.2008)

harmful as it may have severe implications on economic activity and employment in Europe.

The transition from one threat to another reflects how the crisis developed throughout the autumn. At first, European leaders perceived the financial crisis as an existential threat to the crucial role of the international financial system. However, as the crisis evolved and the real economy became affected the threat was redefined as a “recessionary spiral”. In other words, this transition reflects the evolution of the crisis from turmoil in the financial markets to an economic downturn. Although, it is important to emphasize that the threat is socially constructed by the thought producing community. The threat may thus be redefined according to the norms and values of the esoteric community. However, the success of a securitising move is dependent on the audiences’ acceptance. European leader may thus utter security claims but it is the audience acceptance that determines if the situation poses a real existential threat.

5.2 Securitising the crisis

The previous part of this chapter established that the economic and financial crisis was presented as a security threat by European leaders. However, this part will assess, by employing a theory of securitisation, measures taken by the European Union to address the economic and financial turmoil.

Securitisation refers to a public issue that is framed as extraordinary event or as above everyday politics. Securitisation moves a public issue beyond the conventional scope of politics. As European leaders framed the economic and financial crisis as an imminent threat and offered deliverance through the adoption of extraordinary measures, it should be considered as a securitising move. To be able to explain this process and how these measures were adopted by the EU, the following part of this chapter will provide a thorough assessment of the materialisation of the concerted European response.

5.2.1 Articulating the crisis

The speech act constitutes an important element in securitisation. The articulation of security entails the claim that a valuable referent object is under threat. The existential character of the threat justifies extraordinary measures that go beyond the scope of conventional politics. (Wæver 1995:55) During the course of the crisis European leaders frequently made remarks stating the imminent need of extraordinary measures to stop the threatening development. (EC 17271/08) (EC 13.10.2008) (EC 2008:59416)

These remarks by European leaders should be perceived as security utterances as they are characterised by urgency and pre-eminence of action. They refer to the

adoption of concerted, rapid, and strong measures as the only way to avoid a systemic collapse of the economic and financial system. (EC 17271/08) By uttering security the European leaders declared a state of emergency. The only thing that is relevant during a state of emergency is to address the threat or everything else will become irrelevant. Hence, European leaders uttered that the particularity of the present justifies the adoption of extraordinary measures to evade the threat. In other words, security utterance informs the wider public of the seriousness and the exceptionality of the present. Thus, if the audience shares this threatening perception of the present they are more likely to accept the security claim. It is although important to emphasize that European leaders may have perceived the articulation of security as a necessity as the wider public had not yet been affected by the turmoil in the financial markets.¹⁶ In other words, the general purpose of the frequent usage of security utterances should be perceived as a mean to legitimise the adoption of extraordinary measures.

5.2.2 A securitising move

The success of this securitising move is determined by the acceptance of the audience of the existential threat. In this context, both the esoteric and the exoteric community constitute the audience. While the esoteric community includes thought producing actors such as governments, parliaments, academics, civil-servants and other policy makers, the exoteric community includes the wider public. To be able to implement a concerted response, European leaders were dependent on the acceptance of the esoteric society. The Council and the Commission needed the approval of the both the national and the European parliament to implement the extraordinary measures included in the response.¹⁷ Their acceptance was in other words crucial to the success of the securitising move. (European Parliament 16.12.2008) However, the wider audience was not consulted before the implementation of the concerted European response. The exoteric community normally plays an important role in the process of securitisation as they may signal their disapproval during referendums and general elections. However, as the adoption of the rescue efforts were not preceded by a referendum it is difficult to determine whether or not the wider public perceived the extraordinary measures justifiable. In other words, the enactment of extraordinary measures to arrest the threatening development was accepted by the esoteric community, while the exoteric community has not yet been consulted.¹⁸

Furthermore, as the acceptance of the esoteric community was crucial it is important to assess why the thought community accept a security claim. There are several conditions that facilitate the audience acceptance of a securitising move.

¹⁶ However, it is important to underline that the wider public already possessed a profound understanding of the threat as it had been covered by media on a daily basis.

¹⁷ Measures that requires budget allocation.

¹⁸ Surveys may indicate the position of the exoteric society but they are not legally binding to the Head of state and governments and the Commission.

First of all, successful securitisation is dependent on the position held by the securitising actor. The particular position of the actor determines if the actor could be regarded as the accepted voice of security. However, this power is never absolute as the position does not guarantee the ability to make people accept a security claim. The securitising actor may be challenged by other actors articulating competing security claims. (Buzan et al 1998:31) As the Council consists of Heads of State and Government they should be perceived as the accepted voice of security in a crisis situation. Hence, the members rather than the institution should be regarded as the accepted voice of security. The Commission on the other hand is not perceived in the same way. The wider audience perceive the government, rather than the Commission, as the dominant voice of security. However, as the Commission clearly constitutes a political and financial authority within the esoteric community it should also be perceived as an accepted voice of security. As the concerted European response materialised, other actors presented competing security claims. But these actors were not perceived by the audience as legitimate to make security claims. Hence, they failed to stop the adoption of European rescue efforts. In other words, the particular position of power held by the heads of state and government, and the Commission, should be perceived to facilitate successful securitisation.

Secondly, securitisation is more likely to succeed if the actor refers to objects that are historically or generally perceived as threatening. If the audience accept that the existential threat is similar or resonates with objects that are generally or historically perceived as threatening, they may accept the security claim. (Stritzel 2007:364) During the autumn European leaders frequently linked the ongoing crisis to earlier episodes that is inter-subjectively held as threatening, notably “the Great Depression”¹⁹. (Independent 13.10.2008) A referral to the adversities of the 1930s transforms the threat to something exceptional. The reference constitutes a linkage between the current situation and an earlier episode that is inter-subjectively held as threatening. However, within the thought community, few individuals have personal experience of the adversities generally associated with the depression. Kahneman and Tversky underlines that personal experience of singular moments is not necessary to understand previous episodes. A collage made up of fictitious accounts of earlier episodes or lives may in fact bring sentiment to the perception of a specific event. (Kahneman & Tversky 2000:694) Hence, a referral to the economic and financial problems of the 1930s should be perceived as a move to provide a linkage between the inter-subjective sentiment of the depression and the crisis. By linking the Great Depression to the crisis the audience became more likely to accept a securitising move by European leaders. Finally, the economic and financial crisis did not necessarily pose a real existential threat to the economic and financial system²⁰. However, it was presented as such a threat by European leaders. By referring to the crisis as something existentially threatening European policy-makers moved to legitimise measures that during normal circumstances would have been considered

¹⁹ “the worst financial crisis for 80 years” President Nicolas Sarkozy (Independent 13.10.2008)

²⁰ Many academics and policy-maker actually perceived the alleged threat as disproportionate to the factual circumstances of the crisis.

impossible. The Heads of State and Government, and the Commission, thus securitised the economic and financial crisis to justify the implementation of extraordinary measures to arrest the threatening development. The success of the securitised move was determined by the acceptance of the esoteric community. As the rescue plan was adopted by all Member State we may define the actions by the European leaders as partially successful securitisation.

6 Conclusions

After analysing the materialization of a concerted European response to the economic and financial crisis, this chapter concludes and draws out the implications of this study. The main objective of this study was to assess the European response to the economic and financial crisis by employing a concept of securitization. To realise this objective, the analytical aim was twofold. The primary aim of this study was to improve our understanding concerning to what extent the international economic and financial crisis was perceived as a security threat by European leaders. The secondary aim was to provide a constructivist perspective on how we can explain the particular measures taken by the European Union and European Council members to address the economic and financial crisis.

As presented in the introduction, two research questions, and two clarifying subsidiary questions were attached to this formulation of the problem. The answers to these questions have been discussed in the previous chapters and will be summarised in this section.

To what extent is the international economic and financial crisis perceived as a “security threat” by European leaders?

A crucial element in security studies is the “security threat”. Within the economic sector a security threat is usually based on data, theories and policies. This information does not create the threat or a desirable situation, as it merely describes a specific situation. It is the securitising actor that interprets the information, according to his or her norms and values, and defines the issue as a security threat. (Campbell, McConnell & Brue 2005:8-10) During the autumn the perception of the security threat evolved considerably. In mid-October, when the European Action Plan was adopted, the crisis was presented as an extraordinary event and above everyday politics. The European Council moved the issue beyond scope of normal politics and presented the crisis as a threat to the “crucial economic role of the financial system” (EC 13.10.2008). In a broader security context the crisis threatened to undermine the state, as tax revenues may have decreased, and resources were transferred to the ailing financial system. Hence, the European leaders indicated that the crisis poses a threat to the welfare state itself.

The Council and the Commission also emphasized the international character of the crisis. The disruption in the U.S. credit market had spread across the globe and exposed systemic deficiencies in the financial system. Hence, the particular character of the crisis required an international response to remove the systemic risks associated with the threatening development. (EC 13.10.2008) As international concerted action constitutes a prerequisite to address the crisis, the concept of security was transformed beyond the state. The crisis reflects a process

where the economic and financial sovereignty of the state has become an integral part of the international financial system. Hence, European leaders acted in order to remove the systemic threat by reforming the international financial system. (Council of the European Union 07.11.2008) The crisis was framed as an imminent threat: a point of no return. This could only be avoided by “concerted, swift and decisive” international action (EC 13.10.2008). In other words, the crisis poses an imminent and existential threat to the crucial role of the international financial system.

However, during the autumn the perception of the security threat evolved. In the beginning of December the European Council approved the European Economic Recovery Plan which states that the systemic impact of the financial crisis has spread to non-financial sectors. (EC 17271/08) As the Council declared that the imminent threat of the financial crisis had diminished, they changed the focus from the financial crisis to the economic downturn. Hence, the real economy, instead of the financial sector, became the main object of reference. The Council also made a new security claim. The new security threat was not the “financial crisis”, but the “recessionary spiral” (EC 17271/08). This threat is framed as significant and potentially harmful as it may have severe implications on economic activity and employment in Europe.

The transition from one threat to another reflects how the crisis developed throughout the autumn. The crisis was first perceived as an existential threat to the crucial role of the international financial system. But as the crisis evolved and non-financial sectors became affected the threat was redefined as a “recessionary spiral”. This transition reflects the evolution of the crisis from turmoil in the financial markets to recession. Thus, the economic and financial crisis was perceived as an evolving but imminent security threat.

How can we explain, by employing a concept of securitisation, the extraordinary measures taken by the European Union to address the crisis?

In order to implement the extraordinary measures included in the concerted European response the Council and the Commission needed the approval from the esoteric community. Their acceptance was in other words crucial to the success of the securitising move. (European Parliament 16.12.2008) Thus the European leaders framed the crisis as above everyday politics and moved the issue beyond the scope of normal politics. The economic and financial crisis was presented as an imminent threat and the European leaders offered deliverance through the adoption of extraordinary measures. However, there were several factors that facilitated the audience acceptance of the concerted European response.

First of all, the particular position of the actor determines if the actor could be regarded as the accepted voice of security. As the Council consists of heads of state and government they should be perceived as the accepted voice of security in a crisis situation. More significantly it is the members rather than the institution that should be perceived to hold this particular position. However, the Commission is not generally perceived in the same way. The wider audience

perceive the government, rather than the Commission, as the dominant voice of security. In an economic and financial context, the Commission clearly constitutes an authority within the esoteric community. Hence the European institution should also be perceived as an accepted voice of security.

Secondly, a securitising actor is more likely to succeed if the issue is referred to objects that are historically or generally perceived as threatening. If the audience accepts that the existential threat is similar or resonates with objects that are generally or historically perceived as threatening, they may accept the security claim. (Stritzel 2007:364) European leaders frequently linked the economic and financial crisis to earlier episodes that is inter-subjectively held as threatening. (Independent 13.10.2008) By referring the crisis to previous “threats” they acted to provide a linkage between the inter-subjective sentiments of these episodes and the economic and financial crisis. This attachment of negative sentiments facilitated the audience acceptance.

Finally, the economic and financial crisis did not necessarily pose a real existential threat to the economic and financial system. However, it was presented as such a threat by European leaders. By referring to the crisis as something existentially threatening European policy-makers moved to legitimise measures that during normal circumstances would have been considered impossible. The heads of state and government, and the Commission, thus securitised the economic and financial crisis in order to justify the implementation of extraordinary measures to arrest the threatening development. However, the adoption of the concerted European response was not preceded by a referendum. Hence, the wider audience were not consulted before the adoption of the extraordinary measures. It is thus difficult to determine if the securitised move was accepted by the exoteric society. In other words, as the concerted European response was accepted by esoteric community and later adopted by all Member States we may define the securitising move by the European leaders as partially successful. A thorough evaluation of the success of the securitised move should provide more substantial results. However, such a study would have to take into account succeeding elections in all Member States. The final conclusions should thus be that the Heads of State and Government, and the Commission, successfully securitised the economic and financial crisis within the esoteric community in order to justify the implementation of the Concerted European Response.

7 Executive summary

What began as a credit market disruption in 2007 soon led to the most severe financial crisis since the Great Depression. Originating primarily in the United States, the crisis proved to be highly contagious and complex. (Fender et al. 2008:1) Following the collapse of the investment bank Lehman Brother a growing sense of crisis spread across the globe. The investment bank which had incurred huge losses on sub-prime and other lower-rated mortgage backed securities declared bankruptcy after financial authorities refused to intervene. The demise of the fourth biggest U.S. investment bank reinforced the already foreboding atmosphere in the financial markets. (BBC News 20.09.2008) To avoid a collapse of the international financial system, governments all across the world adopted unprecedented measures to arrest the threatening development. As the threat to economic stability was closely related to the problems in the financial sector, policy responses were predominantly focused on banks and financial institutions and markets and the flow of credit to households and businesses. A variety of measures were taken in quick succession to counter threats to the stability of individual financial and banking institutions. Despite the dramatic actions adopted by national authorities the situation deteriorated further and it soon became evident that a concerted European response to economic and financial crisis was inevitable. (Fender et al 2008:13)

This study seeks to assess measures taken by the European Union to address the economic and financial crisis. To realise this objective, the analytical aim was twofold. The primary aim of this study was to improve our understanding concerning to what extent European leaders perceived the international economic and financial crisis as a security threat. The secondary aim was to provide a constructivist perspective on how we can explain the particular measures taken by the European Union and European Council members to address the crisis.

7.1 Theoretical considerations

The theoretical framework employed to assess this process is based on a theory of securitisation. Securitisation refers to a public issue that is framed as extraordinary event or as above everyday politics. Securitisation moves a public issue beyond the conventional scope of politics. Traditionally security analysis adopts a realist perspective of security issues where the state constitutes the main object of reference. (Buzan et al 1995:25) However, in order to analyse the financial crisis through a security perspective this study moves away from this perspective and introduces a new conceptualisation of the referent object.

The theoretical framework incorporates a concept initially developed Ludwig Fleck regarding thought communities. Fleck introduces two important epistemological concepts: the “thought collective” and “thought style”. He describes the thought collective as “a community of persons mutually exchanging ideas of maintaining intellectual interaction”, and thought style as “a definite constraint on thought”. (Fleck 1979:39) Within the thought collective, Fleck identifies two different communities. The esoteric community comprised by experts producing social facts, and the exoteric community which is comprised by the wider society, interpreting and accepting social facts. (Fleck 1979:13) In this study the esoteric community is comprised by Governments, Parliaments, European Commission and other financial authorities. Within the esoteric community these actors are perceived as legitimate to make security claims. However, security claims or social facts are conditioned by the social structure within the thought community. Governments, in general, are perceived to hold a dominant position within the esoteric community. As they are also perceived as the accepted voice of security within the exoteric community they constitute the main referent object in this study. Albeit, the Commission, in many ways, is perceived by the esoteric community as a dominant voice of security in economic matters, the exoteric community has an ambiguous perception of its authority. The wider audience perceive the government, rather than the Commission, as the dominant voice of security. The Commission is thus a subordinated actor within the exoteric community. Nevertheless, as the Commission clearly constitutes a political and financial authority within the esoteric community it is perceived as a referent object in this study.

7.2 Key findings

During the autumn the perception of the security threat evolved considerably. In mid-October, when the European Action Plan was adopted, the crisis was presented as an extraordinary event and above everyday politics. As international concerted action was perceived by the European leaders to constitute a prerequisite to address the crisis, the concept of security was transformed beyond the state. The crisis was framed as an imminent threat: a point of no return. That could only be avoided by “concerted, swift and decisive” international action. (EC 13.10.2008) In other words, the crisis posed an imminent and existential threat to the crucial role of the international financial system. However, during the next few months the perception of the security threat evolved.

In the beginning of December the European Council approved the European Economic Recovery Plan which declared that the systemic impact of the financial crisis had spread to non-financial sectors. (EC 17271/08) As the Council declared that the imminent threat of the financial crisis had diminished, they changed the focus from the financial crisis to the economic downturn. This transition reflects the evolution of the crisis from turmoil in the financial markets to recession. Thus,

the economic and financial crisis was perceived as an evolving but imminent security threat.

In order to implement the extraordinary measures included in the concerted European response the European Council and the European Commission needed the approval from the esoteric community. Their acceptance was in other words crucial to the success of the securitising move. However, there were several factors that facilitated the audience acceptance of the concerted European response.

First of all, the particular position of the actor determines if the actor could be regarded as the accepted voice of security. (Stritzel 2007:364) As the Council consists of heads of state and government they should be perceived as the accepted voice of security in a crisis situation. More significantly it is the individual members rather than the institution that should be perceived to hold this particular position. However, the Commission is not generally perceived in the same way. The wider audience perceives the government, rather than the Commission, as the dominant voice of security. In an economic and financial context, the Commission clearly constitutes an authority within the esoteric community. Hence, the European institution should also be perceived as an accepted voice of security.

Secondly, a securitising actor is more likely to succeed if the issue is referred to objects that are historically or generally perceived as threatening. If the audience accepts that the existential threat is similar or resonates with objects that are generally or historically perceived as threatening, they may accept the security claim. (Stritzel 2007:364) During the autumn European leaders frequently linked the economic and financial crisis to earlier episodes that is inter-subjectively held as threatening. By referring the crisis to previous “threats” they acted to provide a linkage between the inter-subjective sentiments of these episodes and the economic and financial crisis. This attachment of negative sentiments facilitated the audience acceptance.

Finally, the economic and financial crisis did not necessarily pose a real existential threat to the economic and financial system. However, it was presented as such a threat by European leaders. By referring to the crisis as something existentially threatening European policy-makers moved to legitimise measures that during normal circumstances would have been considered impossible. The heads of state and government, and the Commission, thus securitised the economic and financial crisis in order to justify the implementation of extraordinary measures to arrest the threatening development. However, the adoption of the concerted European response was not preceded by a referendum. Hence, the wider audience were not consulted before the adoption of the extraordinary measures. It is thus difficult to determine if the securitised move was accepted by the exoteric society. In other words, the Heads of State and Government, and the Commission, successfully securitised the economic and financial crisis within the esoteric community in order to justify the implementation of the Concerted European Response.

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