1. From ‘market correction’ to ‘global catastrophe’: framing the economic downturn

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1. Economic rhetoric in times of turbulence

The global downturn that followed the collapse of major US financial institutions is no doubt the most significant economic crisis of our times. Its effects on corporate and governmental balance sheets have been devastating. It destroyed the employment and compromised the wellbeing of tens of millions of people. At the time of writing, it continues to pose major challenges to public policymakers and economic actors around the world.

Although it had been bubbling away for more than a year in the form of a US-based ‘credit crunch’, the crisis deepened and widened to a truly global and whole-of-economy phenomenon during a number of critical months in 2008. This volume studies how public policymakers in a range of polities responded to the cascading problems in financial institutions and their growing impact on the ‘real’ economy. In particular, our focus is on how these public leaders described and explained the downturn to the public and sought to persuade it of the courses of action they proposed to tackle the crisis.

Ours is, therefore, a study of crisis rhetoric, embedded in a broader perspective of the challenges of leadership and governance in times of crisis. When nagging problems such as financial-sector instability escalate, policymakers face the challenge of switching from ‘business as usual’ into ‘crisis management’ mode. Doing so entails much more than turning to emergency plans and invoking emergency powers. The very act of perceiving a certain set of events as a ‘crisis’ and publicly labelling it as such involves numerous judgment calls. When are economic conditions considered to be so bad one can start using the otherwise dreaded ‘r’, ‘c’, or ‘d’ words (recession, crisis, depression) to describe them? What does using those words do in terms of public perceptions and emotions? How does one use the language of crisis without sounding defeatist or opportunistic? How does one persuade audiences not just that a crisis is occurring, but that it has done so for particular reasons and should be met with particular responses?

These are questions in which issues of fact, speculation, values and interests are intimately intertwined. Policymakers will grapple with these problems in their

own minds, particularly when situations are fast moving, uncertain, ambiguous or when different bodies of evidence and advice seem to pull them in different directions. At the same time, however, policymakers can seldom afford to wait until they really know what's going on before communicating about it publicly. In the case of economic turbulence, for example, markets, media and mass audiences will be talking about the issues constantly, and if the voices of key leaders are absent from those debates, governments will be on the back foot and will in effect lose credibility.

Risk and crisis communication is a tricky business in any sector—witness the recent dilemmas regarding the global 'swine flu' outbreak: how should one respond to and talk to the public about a virus with ominous potential but whose current manifestations are quite mild? Such communication is especially tricky in the world of finance and economics. If, as is often observed, economics is essentially about psychology, then the ill-considered use of terms such as crisis, recession or depression by authority figures can generate self-fulfilling prophecies. That is a scary thought in an age when truly massive capital flows can be redirected across the world in a matter of seconds. If, however, key economic or political elites maintain an upbeat, business-as-usual facade when public sentiment is already heading south, they might look out of touch, inept or impotent—which will create a backlash in markets in a different way. Talking up the economy makes sense for public leaders only when there is at least some basis in fact and when the intended audience has not already made up its mind in the other direction. Timing and the tone of conveying both good and bad news about the economy in an overall climate of uncertainty and anxiety are, therefore, crucial.

2. A leadership perspective on economic crisis management

This volume analyses the economic rhetoric of key government figures during the escalation of the US and later global financial crisis in 2008–09. Its chief analytical tools come not from economics but from crisis research—an interdisciplinary body of work dealing with how individuals, groups, organisations and societies prepare for and respond to unpleasant, unscheduled and uncertain events. In particular, we draw on insights about the recurrent challenges and patterns of public leadership in times of crisis. Since our main objects of interest are public office-holders, we focus on how crises can affect their political capital and policy commitments. We focus on these leaders in turn and examine how they try to shape debates about crises to achieve their political and policy aims.

There is wide agreement in the literature that crises can be said to occur when the problems confronting a society are widely perceived as threatening and urgent, yet also involve high levels of uncertainty (Boin et al. 2005). First, there must be a feeling that core values or the vital systems of a community are under

threat. Think of widely shared values such as safety and security, welfare, health, integrity and fairness, becoming shaky or even meaningless as a result of (looming) violence, destruction, damage or other forms of adversity. This explains why the prospect of war or natural disasters (floods, earthquakes, hurricanes, heat waves) usually evokes a deep sense of crisis. The threat of death, damage, destruction or bodily mutilation violates deeply embedded societal values of safety and security.

Physical damage is, of course, only one type of threat that can trigger a crisis. As the global financial crisis amply demonstrates, if the key institutions on which an economic system relies are threatened, then a sociopolitical crisis can follow, particularly if the job security of citizens is threatened. The size of the threat, however, cannot be derived by counting the numbers of bodies, jobs or dollars affected. Psychological or societal impacts of threats are functions of cultural expectations of levels of order, predictability, security and prosperity, which can vary within and between different communities and polities (Douglas and Wildavsky 1982).

Crises furthermore induce a *sense of urgency*. If leaders ignore or downplay potential threats—for example, the Bush Administration's stance on al-Qaeda before 9/11, levee protection in southern Louisiana before Hurricane Katrina or climate change—the message is: 'there is no crisis.' While experts and activists might worry and attempt to push their concerns up the political agenda, many political leaders do not lose sleep over problems with a horizon that exceeds their political life expectancy. Conversely, public policymakers can feel a great sense of threat and time pressure when they or their organisations become the subject of intense and critical media or parliamentary scrutiny, even when the issues involved do not necessarily hold major importance for actors outside that policy arena. Sometimes, however, time pressure is hard, direct and non-negotiable. So, when former US President, George W. Bush, and Congressional leaders were told in 2008 that if they did not act immediately, 'we may not have an economy on Monday', they paid attention. The sense of time pressure can, however, also be self-generated: in cases of conflict and negotiation, every policymaker that seeks to pressure demonstrators, terrorists or states by setting a deadline or issuing an ultimatum also puts pressure on themselves to 'deliver' on time. When that deadline approaches with no solutions in sight, the sense of urgency may quickly become overwhelming—as is often the case with international trade negotiations or dispute-resolution summits.

In a full-blown crisis, the perception of threat is accompanied by a high degree of *uncertainty*. This uncertainty pertains to the nature and the potential consequences of the developing threat: what is happening? How did it happen? What's next? How bad will it be? More importantly, uncertainty clouds the search for solutions: what can we do? What happens if we select this option?

How will people—or markets—respond? Again, uncertainty can be inherent in the situation at hand but also in institutional responses to it. For example, when decision makers consult various radiation experts on the risks associated with an accident at a nuclear facility, such experts often disagree on the nature and depth of these risks or on the measures that need to be taken (Rosenthal and 't Hart 1991)—and they work with an exact science! Despite its modelling prowess and the unrelenting certitude conveyed by some of its best-known practitioners, the field of economics is anything but an exact science. So, by inference, in managing globalised national economies under conditions of unprecedented turbulence, expert disagreement is the norm and is, in fact, an additional source of uncertainty rather than a mechanism for helping policymakers cope with it.

In sum, crises are the combined products of unusual events and shared perceptions that something is seriously wrong. That said, it is vital to the perspective of this volume to remind ourselves that no set of events or developments is likely to be perceived in exactly the same way by members of a community. Perceptions of crisis are likely to vary, not just among communities—societies experience different types of disturbances and have different types and levels of vulnerability and resilience—but within them, reflecting the different biases of stakeholders as a result of their different values, positions and responsibilities (Rosenthal et al. 1989; 't Hart 1993; see further Chapter 2).

When perceptions of crisis are widespread, key public leadership challenges arise, regardless of the specific sector or context in which the events take place (Boin et al. 2005, 2008, 2009, 2010). The way in which these challenges are taken up, when and by whom greatly determines how crises will run their course in the systems in which they occur, and what sort of impact they will have on those systems. Prudent crisis leadership might not guarantee complete mitigation or total control of the problems. It is, however, a necessary condition for ensuring that the problems are addressed in a sensible, orderly fashion, which is understood and accepted by the maximum possible share of stakeholders, journalists and the general public. Moreover, effective crisis leadership is necessary to make sure that crises do not turn into messy blame games or give rise to ill-considered knee-jerk policy reforms (Boin and 't Hart 2003). The key challenges of crisis leadership are:

1. The challenge of *sense making*: diagnosing confusing, contested and often fast-moving situations correctly.
2. The challenge of *meaning making*: providing persuasive public accounts of what is happening, why it is happening, what can be done about it, how and by whom.

3. The challenge of *decision making*: making strategic policy judgments under conditions of time pressure, uncertainty and collective stress.
4. The challenge of *coordination*: forging effective communication and collaboration among pre-existing and ad hoc networks of public, private and sometimes international actors.
5. The challenge of *delimitation*: managing public expectations of the nature, scope and duration of crisis support that will be provided and determining principles for targeting and rationing such support among often ill-defined social and territorial 'victim' communities.
6. The challenge of *consolidation*: switching the gears of government and society back from crisis mode to recovery and 'business as usual', yet doing so without a loss of attention and momentum in delivering long-term services to those who are eligible.
7. The challenge of *accountability*: managing the process of expert, media, legislative and judicial inquiry and debate that tends to follow crises in such a way that responsibilities are clarified and accepted, destructive blame games are avoided and a degree of catharsis is achieved.
8. The challenge of *learning*: making sure that the organisations and systems involved in the crisis engage in critical, non-defensive modes of self-scrutiny and draw evidence-based and reflective lessons for their future performance rather politics-driven and knee-jerk ones.
9. The challenge of *remembering*: acknowledging that many crises are traumatic experiences for victims, responders and the organisations and communities involved and accommodating their desires that they and others should 'never forget'.

Most of these challenges are readily visible in the management of economic crises including the current global downturn. For example, the big *sense-making* challenge was obviously seeing it coming before it really happened. Very few policymakers, or economic forecasters for that matter, actually did. Once the problems had started to bite, the sense-making challenge was to gauge correctly what would happen next, which economic institutions and sectors were at greatest risk and how deep the eventual recession would flow. This was a daunting task. Those who were in the middle of it recall it as an experience that was bewildering, sobering and shattering all at the same time: absorbing a seemingly never-ending stream of indications (including rumours) that the problems were serious, bigger than before, bigger in fact that many could conceive of—and then going on to once again revise down one's own diagnosis and medium-term estimates.

Knowledge begets action. During the course of the crisis, national and international policymakers faced several critical *decision-making* junctures regarding interest rates, bailouts, the size and type of stimulus packages and,

early on, what to do after the Irish Government's announcement of bank deposit guarantees. These were big calls, often to be made in the course of days or even hours, when under less extreme circumstances decisions such as these would have been under consideration and scrutiny for weeks or months.

Because of the interconnected nature of financial markets and indeed the global economy as a whole, *coordination* challenges were manifold. The need for politicians and central bankers to carefully align their words and actions was highlighted. The crisis also saw remarkable features of transnational coordination, including concerted interest rate moves by national banks, an unprecedented EU-wide crisis-recovery plan and intensive G7/G8/G20 summitry. All these efforts were made in full awareness that, as political parties like to remind themselves periodically, 'disunity is death'. Even more so, in a fast-moving international financial crisis, lack of coordination in governmental signals to market actors can fatally undermine their effectiveness and risk wastage of billions of (borrowed) taxpayer dollars.

Once governments got into the business of bailing out banks and other corporations threatened with collapse, key challenges of *delimitation* arose. Which corporations were deemed 'too big to be allowed to fail', and on what grounds? Why give emergency aid to banks or car manufacturers and not to retailers or aircraft manufacturers? What if corporations receiving support kept coming back for more? Questions such as these generated robust public debate as well as significant disagreement among policymakers within and across different countries.

Issues of *consolidation* become poignant when the financial sector has stabilised and stock markets are buoyant again, but many sectors of the 'real economy' keep struggling and unemployment figures remain high. Does one accept that each recession leaves a residue of hundreds of thousands, if not more, people who will never make it back from the dole to a job? Or does one continue to define it as a crisis and treat it as such in terms of the commitment of political attention and government resources?

Meeting these challenges requires an approach to crisis response that is truly strategic, looking beyond the here and now of the operational challenges that can seem all consuming at the time and that dominate the daily news stories. In this volume, we focus on one particularly pivotal leadership task in the response to economic crises: the challenge of *meaning making*—how to communicate an unprecedented economic downturn to the public. This focus on crisis communication hardly exhausts the possibilities for analysing leadership responses to the global economic crisis, particularly regarding sense making ('why did they not see it coming?'), decision making and learning. Some accounts are already available, mostly by economists advancing particular theses about why the crisis became as big as it did (for example, Morris 2008; Shiller 2008;

Taylor 2009). At present, however, much of this analysis is premature, as events are still unfolding and information about the inner workings of corporate and governmental crisis-response machineries remains inaccessible to researchers. Meaning making, on the other hand, by definition takes place in public, and the signals sent by leaders and their reception in the public sphere can be easily gauged from readily available sources. Let us explain more what meaning making in crises entails, why it matters and how we propose to study it in the context of the 2008–09 financial crisis.

3. Meaning making in economic crises: frames and counter-frames

Arguably, the way in which problems are defined publicly permeates most of the other crisis leadership challenges. For example, if a crisis is seen as a case of pure misfortune, triggered by factors that none of the relevant policymakers could realistically have been expected to foresee or control, the debates about accountability and learning will be shaped quite differently from instances in which the crisis is widely seen to have been predictable and avoidable (Bovens and 't Hart 1996). Past research suggests that when critical contingencies unfold, politicians and senior public policymakers (as distinct from operational incident managers, who face more hands-on questions) are expected to provide answers to the same recurrent questions:

- how bad is the situation?
- how did this occur?
- who or what is to be held responsible for it?
- what if any changes to our current ideas, policies and practices are required to deal with it?

Clearly, answering each of these questions in the public arena is bound to be a matter of judgment and, more often than not, controversy. As implied above, how these questions are being answered in any given crisis has political and policy consequences. Politically, the ways in which causes and responsibilities are framed can have a severe impact on the public support for key actors and institutions. When something bad happens in a society, someone or something will be held to account. Apportioning blame is an integral part of contemporary politics in times of crisis (Bovens and 't Hart 1996; Brändström and Kuipers 2003; Furedi 2005; Boin et al. 2008). In policy terms, the very occurrence of significant crises (rather than run-of-the-mill incidents or slow-burning problems) raises acute questions about the effectiveness and robustness of current policies and institutions. In doing so, crises are threatening to the proponents of the status quo and provide opportunities for those committed to change and innovation. All parties will therefore seek to mould and exploit emerging crises in ways that suit their interests.

With the stakes of crises so high, the very act of defining and interpreting them constitutes a crucial battleground for stakeholders in the political and policy struggles that crises invariably unleash. In this volume, we study how public leaders in nine jurisdictions engaged in such 'framing contests' and how their attempts to interpret the cascading events of the economic downturn were received in the media. The *central question* of this volume is: how did key heads of government, finance ministers and national bank presidents publicly interpret the severity, causes, responsibilities and policy implications of the emerging global economic downturn and how were their framing attempts received publicly?

In Australia, for example, Prime Minister Kevin Rudd was conspicuously engaged in this politics of crisis exploitation. In an essay published in February 2009 in the magazine *The Monthly*, Rudd (2009) took the view: that the global economic downturn amounted to the biggest economic collapse since the Great Depression of the 1930s; that it was caused in large part by speculation and greed, which were allowed to reign free by the laissez-faire approach to economic regulation propagated and institutionalised by proponents of 'neo-liberalism'; that responsibility for the downturn should therefore rest with governments who allowed this to happen on their watch, in particular governments of the neo-liberal ilk (such as the government led by Rudd's predecessor, John Howard) that actively aided and abetted a 'let the market rule' philosophy, the credibility of which had now entirely collapsed; and that Australia needed a paradigm shift away from neo-liberalism and towards a rejuvenated form of social democracy in which the State was no longer seen as part of the problem but rather as a pivotal part of the solution when it came to creating and sustaining prosperous and fair societies.

Rudd's essay was also published in *Le Monde* and distributed among the participants of the 2009 G20 summit on the crisis. Within Australia, it was sharply criticised by the Liberal opposition and hotly debated in newspapers, the 'blogosphere' and subsequent issues of *The Monthly*. Whatever the intellectual merits of Rudd's argument, his framing attempt no doubt shaped the terms of Australian public debate about the underlying causes and wider implications of the crisis (see further Chapter 9).

In this volume, we look at Rudd as well as many of his counterparts internationally. We also look at other key office-holders in economic crisis management, particularly treasurers/finance ministers and national bank governors. How did other heads of government and other key managers of the national economy frame the unfolding events? How did these frames seek to accomplish their political and policy aims in dealing with the crisis? How persuasive were their accounts believed to be by key media and public opinion at large?

Theoretically, this study sits at the intersection of the fields of political communication, leadership and crisis management. Understanding political elites through rhetorical analysis is a tried and tested genre in political science and has found itself a new lease on life in the age of television and the Internet (Edelman 1977; Tulis 1987; Hart 1989; Hinckley 1990; Gaffney 1991; Uhr 2002, 2003). We are also not the first to study the economic rhetoric of leaders—in times of crisis or otherwise (see Wood 2007). Many scholars of political rhetoric stress its significance in making or breaking leaders' careers, as well as in influencing their effectiveness as agenda setters, legislators and policymakers, although there are indications that this influence should not be overstated (Edwards 2003; Canes-Wrone 2006; Curran 2004; Wood 2007:10–13). As described, the field of crisis management studies is vast and interdisciplinary, but studies that take a rhetorical perspective on it are few and far between in political science, though more common in business studies (cf. Bostdorff 1994; Kiewe 1994; Kuypers 1997; Fearn-Banks 2002; Millar and Heath 2003). The present study is, however, unique in examining the economic crisis rhetoric of leaders in the context of a broader, political theory of crisis leadership, which will be outlined in Chapter 2.

4. Overview and acknowledgments

The centrepiece of this volume is a series of structured and focused case studies of leader rhetoric about the economic crisis during its critical escalation stage (April 2008 to March 2009) and media and public opinion responses to that rhetoric. The volume comprises five parts. *Part I* sets the stage of the research project as a whole and continues in Chapter 2 with the presentation of the analytical framework underpinning all the national case studies. *Part II* looks at North America and is a study of contrasts. The crisis originated in the US sub-prime mortgage market and eventually swept up that country's entire financial system as well as destroying significant parts of its 'real' economy. The challenge for US leaders was therefore to read the writing on the wall and somehow get on top of a mountain of bad tidings and offer a realistic pathway out of the crisis, without themselves being consumed by the widespread public despair and disenchantment that accompanied the downturn. In Canada meanwhile, the Harper Government long stuck to a story of optimism about that country's economic resilience even while its neighbour—with whose giant economy Canada's was intimately intertwined—was coming unstuck economically and psychologically. In both countries, the escalation of the financial crisis coincided with elections, shaping the way in which old and new incumbents talked about the issues. In the United States, the voters punished the Republican Party; in Canada, the incumbent government managed to consolidate its mandate.

Part III switches focus to Europe. It contains case studies of the crisis rhetoric of the leaders of the United Kingdom, France, Ireland and the European Commission and the European Central Bank. The crisis hit hard and fast in the United Kingdom and Ireland. In both countries, long-serving governments struggled to switch from an initial facade of optimism to acknowledging the depth of the problems, yet sidestepped questions about their own responsibilities in exposing their financial systems and national economies to the risks of 'irrational exuberance' (Shiller 2006). In France, the relatively new President, Nicolas Sarkozy, did not labour under that kind of pressure. His rhetoric suggested that he saw the crisis as an opportunity for financial and economic reform, while not denying the grave threat it posed to the French economy and the already tenuous employment figures. Sarkozy furthermore had to combine roles as national leader with that of (rotating) President of the European Council, and thus carefully balance French national and supranational perspectives in his crisis rhetoric. In the final chapter of this part, we look at the leaders of the European Commission and the European Central Bank. The leaders of the former knew they were facing a stern test given the chequered history of attempts at keeping member states united in the face of major emergencies and crises, including the conflict in the former Yugoslavia, the wars in Iraq and Afghanistan and major veterinary emergencies including the outbreak of *Bovine spongiform encephalopathy* (BSE, or mad cow disease) (Van Selm-Thorburn and Verbeek 1998; Gronvall 2001). The global economic crisis thus became an exercise in demonstrating European crisis management capacity (cf. Boin et al. 2006)—one that EC President, José Manuel Barroso, seemed to embrace wholeheartedly in an oft-repeated public mantra that stressed European unity, opportunity and strength.

Part IV goes on to examine the leaders of three countries in the Asia-Pacific region: Singapore, Australia and New Zealand. The first is of special interest for three reasons: it is the only country in the set that had relatively recent experience of responding to a financial meltdown (the 1997–98 East Asian crisis); it is the only country without a free media (although the European Union does not as yet have its own public sphere either, but for a different set of reasons); and it has an extremely open economy highly dependent on foreign investment (like Ireland's). During the period studied here, Singaporean leaders consistently stressed their country's sound fiscal and monetary policies and pointed their fingers towards 'the West' as the cause of all the problems. Australia and New Zealand make for an interesting pair-wise comparison. In late 2007, Rudd's Labor government assumed office in less than ideal circumstances, taking charge of the national economy at the very moment when the financial crisis gained momentum. For that very reason, however, the crisis also presented the government with major opportunities for heroic posturing, sweeping policy packages and heaping blame on predecessors. Helen Clarke's three-term New

Zealand Labour government, in contrast, was facing a much more difficult political situation: a more vulnerable national economy, a strong and vocal opposition challenging its economic policy competence and a looming election deadline. This proved too much to handle; Labour lost the election. With the economy in ever more dire straits, the new National Party coalition government led by newcomer John Key faced severe policy predicaments but fertile political ground for advocating reforms.

Finally, *Part V* places the case studies in a broader perspective. It contains a number of thematic reflections by invited experts. Taking the focus away from executive government, Brendan McCaffrie looks at the role of opposition leaders during the crisis. Arjen Boin reflects on the limits of rhetoric and considers other critical challenges for leaders when faced with an economic crisis. Allan McConnell offers some thoughts on the place of framing and meaning making in leaders' broader strategies for remaining politically competitive and achieving the policy outcomes they seek to attain. Finally, Bengt Sundelius's chapter takes the form of a prescriptive memo to a government leader, reminding him/her of the broad array of challenges as well as opportunities that contemporary trans-boundary crises tend to present.

In the concluding editorial chapter, we review the fruits of this volume and offer some reflections triggered by the similarities and differences that can be observed in the ways in which leaders within and across the different jurisdictions go about the work of framing the global meltdown. We identify a number of contextual factors that we suggest shape their perceptions of the crisis and make them prefer some framing tactics to others. We also show that much of the rhetoric of the leaders followed a pattern of 'staged retreat': from denying the magnitude of the crisis, through acknowledgment, through various forms of blame deflection and, occasionally, some forms of contrition or at least public self-reflection. Finally, we review the public reception and political effects of leader rhetoric in this crisis. While it is clearly too early to produce a final assessment, one thing we note and reflect on is the remarkable absence of anything remotely resembling a 'rally around the flag effect' in the media or public opinion at large. The financial meltdown and the recession that followed it were, by and large, divisive issues that tended to play out along the lines of government versus opposition. Despite the magnitude and universal nature of the threat, no leader or government in the countries studied managed to construct a truly national coalition in tackling the crisis.

This volume is an exercise in quick-response research: a concerted effort to employ tools of social science research to shed light on key issues of politics and public policy and publish the results at the time when the events in question are still unfolding. The idea for devoting a volume to leader rhetoric on the financial crisis was born when the participants in Paul 't Hart and Karen Tindall's

honours course on crisis leadership showed extraordinary ambition and application in conducting their empirical research assignments. Their sustained efforts form the backbones of parts II–IV of this volume, and they deserve our thanks for their first-class work. An auditor to that same course, experienced journalist Garry Sturgess, kindly commented in detail on all the papers that later became the chapters in this volume. His input was highly valued. The senior scholars featured in Part V responded quickly and positively to our call for them to contribute a thematic essay to this volume—and to do so fast. Fitting this into their busy schedules was an act of exemplary collegiality that we gratefully acknowledge. The Dean of the Australia and New Zealand School of Government, Professor Allan Fels, kindly provided instantaneous financial support for this exercise, without which we could never have produced a volume of this kind within three months. Finally, John Butcher of the Political Science Program at The Australian National University's Research School of Social Sciences was the ever-reliable conduit between us and ANU E Press, which kindly fitted us into their already tight production schedule. We thank John and the press for their assistance and flexibility.

Box 1.1 Global shockwaves and global initiatives, July 2007 – April 2009 [1]

July 2007: After rival banks decide not to bail out Bear Stearns, investors are told that they will get back little of the money invested in two hedge funds. Federal Reserve Chairman, Ben Bernanke, warns that the US sub-prime crisis could result in losses of $100 billion.

9 August: Investment bank BNP Paribas announces liquidity problems. The next week sees the European Union inject €200 billion into the banking market and the beginning of intervention by the US Federal Reserve and the Bank of Canada.

14 September: A BBC report that Northern Rock has requested emergency assistance from the Bank of England sparks the largest run on a British bank in more than a century.

October: Citigroup, Swiss bank UBS and Merrill Lynch all announce massive losses ($5.9 billion, $3.4 billion and $7.9 billion, respectively) from sub-prime related investments.

13 December: Five major central banks offer banks loans worth billions of dollars in a move coordinated by the US Federal Reserve.

9 January 2008: The World Bank predicts a slowdown in global economic growth during 2008.

21 January: Global stock markets experience their most significant falls since 9/11.

22 January: Global stock markets recover from massive falls the day before. In an attempt to avoid a recession in the United States, the Federal Reserve makes its largest rate cut in a quarter of a century.

10 February: Leaders of the G7 put the potential losses from the US sub-prime crisis at $400 billion.

17 March: JP Morgan Chase acquires Bear Stearns in a deal backed by $30 billion of central bank loans.

8 April: The International Monetary Fund (IMF) puts the figure for potential losses from the crisis at $1 trillion and warns the sub-prime crisis will likely affect other sectors of society.

14 July: Financial authorities in the United States intervene to assist the two largest lenders, Fannie Mae and Freddie Mac, after their share prices freefell the previous week.

4 August: HSBC, a major European bank, records a profit fall of nearly one-third.

7 September: After determining that the downfall of Fannie Mae and Freddie Mac poses a systemic risk to the stability of the US economy, the government rescues the two mortgage lenders in one of the largest bailouts in the country’s history.

15 September: Lehman Brothers becomes the first major bank to collapse since the crisis began.

16 September: With an $85 billion rescue package, the US Federal Reserve attempts to save AIG, America’s largest insurance company, from bankruptcy.

28 September: Fortis, a major European banking and insurance company, is partly nationalised. Lawmakers agree on the $700 billion rescue plan for the US financial sector, which is to be put forward for approval by Congress.

29 September: The US House of Representatives rejects the $700 billion rescue plan. The decision has major negative repercussions on Wall Street.

30 September: The Belgian, French and Luxembourg governments bail out European bank Dexia.

3 October: The US House of Representatives passes the $700 billion rescue package.

8 October: An emergency interest rate cut of 0.5 of a percentage point is made by the US Federal Reserve, the European Central Bank, Bank of England and the central banks of Canada, Sweden and Switzerland.

11 October: Washington, DC, hosts a meeting of the G7 finance ministers, who issue a plan of 'decisive action' to reinvigorate the frozen credit markets.

6 November: The IMF approves a $16.2 billion loan to the Ukraine.

14 November: The eurozone is officially in recession after a third-quarter contraction of 0.2 per cent. Washington, DC, hosts a meeting of the G20 leaders to discuss the global financial crisis, short-term solutions and possible long-term reforms.

20 November: After Iceland's entire banking system collapsed in October 2008, the IMF approves its first loan since 1976 to a Western European nation.

25 November: The IMF approves a $7.6 billion loan to Pakistan. The Federal Reserve plans to inject another $800 billion into the US economy.

26 November: The European Commission announces a €200 billion economic recovery plan.

31 December: In 2008, the FTSE 100 dropped 31.13 per cent, the Dax in Frankfurt fell 40.4 per cent and the Cac in Paris lost 42.7 per cent.

28 January 2009: The IMF warns that world economic growth is likely to decrease to 0.5 per cent in 2009. The International Labour Organisation (ILO) warns that up to 51 million jobs could be lost worldwide in 2009.

17 February: US President, Barack Obama, signs into law 'the most sweeping recovery package in our history'—a $787 billion economic stimulus plan.

14 March: G20 finance ministers announce that they will work together to bring the world out of recession.

2 April: London hosts a summit of G20 leaders, who agree on $1.1 trillion worth of measures to deal with the global financial crisis.

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Endnotes

[1] The chronology is based on several sources but is drawn primarily from the BBC timeline (‘Credit crunch to downturn’, *BBC*, viewed 20 June 2009, http://news.bbc.co.uk/2/hi/business/7521250.stm). Unless otherwise stated, dollar values refer to US dollars. Thanks to Michael Jones for compiling the global chronology.