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Mediation, Financialization, and the Global Financial Crisis

An inverted political economy perspective

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Introduction

This chapter looks at two distinct but related phenomena: the expansion of financial and business news, and the growth of financialization in Anglo-Saxon-style, free-market economies. Both of these postwar trends have been documented in different scholarly fields. The questions are how, if at all, are these developments related and, what, if any, have been the possible consequences of this relationship?

The chapter adopts what I elsewhere call an *inverted political economy of communication framework* (Davis 2007). This critical approach still assumes power originates, is played out, and recorded in material forms. However, it chooses to reverse the traditional, critical media political economy line, which explores how powerful groups and institutions, and political and economic factors shape media content and public understanding in a top-down way. Instead, it takes those sites of power, elite actors and processes, operating at the tops or centers of political and economic power, and then asks the following: What is the part played by media and culture in the activities of those actors and in the evolution of those processes?

Employing this perspective, the chapter focuses on the communicative and cultural mechanisms that link established economic and political elites to processes of financialization. The key argument is that the significance of financial media has lain in its ability to disseminate a series of discourses, narratives, and myths, about finance itself, to *financial and associated stakeholder elites*. A combination of such general discourses and more specific narratives have supported a series of high-level policy and investment decisions that, over time, have aided the growth of financialization and its dangerous creations. Ultimately, these trends have both destabilized the financial sector

and sucked the resources of States and ordinary individuals into financial markets. The mechanisms and consequences of these long-term developments became painfully apparent as the financial system began to collapse in 2007 and a global recession resulted.

The chapter focuses on developments in the United States and the United Kingdom. These two countries both have overinflated financial centers, produce extensive financial news media and trading information, promote a particular brand of global, finance-led capitalism, and have suffered strongly from the recent financial crises. The chapter has four sections. The first charts the parallel, postwar growths of finance, financialization, and financial media. The second discusses how such developments are related. It makes the case that the focus of this relationship should be on *financial and associated stakeholder elites* and the *elite discourse networks* that link them. The third details larger financial market discourses and narratives and their impact on financial and associated elites. The fourth looks more closely at the recent market crises in internet company shares, property, banking, and financial products, and speculates further on the role of financial media in those.

The rise of financialization and the rise of financial media

Banking and financial centers have always been key components of large-scale capitalist societies. Over time they have come to provide vital functions for the state, corporations, and the general public. From governments balancing their books and controlling the money supply to corporations raising investment capital, to retail banking for ordinary citizens, they have a central role to play in capitalist democracies.

However, in recent decades, things have changed. A process of financialization has taken place. The term “financialization” has varying definitions. In its broader descriptions (see e.g. Philips 2006; Palley 2007), financial sectors have come to play a more dominant part relative to the economy as a whole, swallowed up and come to control significantly larger amounts of capital than either governments or nonfinancial corporations, and have been increasingly influential in government policy-making with regard to social, economic, and industrial policy. Thus, where once financial institutions made profits from servicing the financial needs of their economy and society, now they have become large-scale entities that increasingly influence the very workings of those economies and societies.

So, for example, in 2007, the gross domestic product (GDP) of the United Kingdom was estimated to be £1.24 trillion (IMF 2008), and the total managed annual expenditure of the UK government was £587 billion. However, in that same year, members of the UK-based Investment Management Association controlled £3.4 trillion worth of funds (IMA (Investment Management

Association) 2007). Also, in 2007, US\$3 trillion worth of currency was traded on international exchanges daily (Steger 2009: 49), and the international banking system operated funds of US\$512 trillion or 10 times the GDP value of the entire world economy (Cable 2009: 30, 146). Under such circumstances, the financial sector has outgrown the economies and states they once served. According to pre-2007 critical accounts (e.g. Strange 1986, 1998; Dore 2000; Soderberg, Menz, and Cerny 2005; Zorn, Dobbin, Dierkes, and Kwok 2005; Froud, Johal, Leaver, and Williams 2006), the processes of financialization have, by virtue of this power, contributed to a number of worrying political and economic developments. These include a decline in the power of democratically elected governments to manage their economies, being a driving force of neoliberal economic policy from antiunion legislation to deregulation, a spur to global trading imbalances, the crude imposition of IMF/“Washington Consensus” economic policies on developing economies, the destruction and/or drastic reshaping of traditional industries and the erosion of welfare systems in developed economies, a source of unstable currency and commodity values, and a cause of economic instability, bubbles, and crashes. In post-2007 accounts (e.g. Krugman 2008; Bootle 2009; Cable 2009; Elliott and Atkinson 2009; United Nations Centre for Trade and Development (UNCTAD) 2009), the financial crisis and world recession that has followed are directly tied to an out-of-control financial and banking system, led by a particularly “Anglo-Saxon” model of finance-led capitalism.

A parallel but distinct development has been the rise of financial media. Business and financial news has been circulating, in the press and newsletters, since the establishment of financial centers, largely in the eighteenth and nineteenth centuries (see Parsons 1989). For many, such forms of news expanded substantially in advanced economies after the Second World War and then, again, from the late 1970s onward (see Curran 1978; Newman 1984; Berkman and Kitch 1986; Davis 2002; Kjaer 2010). A mixture of interest from a wealthier public, and a strong rise in financial advertising, spurred this expansion. Financial advertising tripled in the period 1975–83 (Newman 1984: 221). By the late 1980s, Jones (1987) and Tunstall (1996) were concluding that the financial press had become the leading news sector in the United Kingdom’s serious press. Similar expansions were noted in the US press and in broadcasting and specialist media in both countries (Tumber 1993; Shiller 2001; Cassidy 2002). Most recently, online financial news, information feeds, blogs, and other sites have also proliferated (Knorr-Cetina and Bruegger 2002; Sassen 2005; Davis 2006).

Clearly, financialization and financial media have had parallel upward trajectories. The question is how intertwined and codependent have these developments been? Of more central concern to this chapter, how has the growth of financial media contributed to the growth and shape of Anglo-Saxon-style, financialized capitalist economies? Has it had a central role to

play in the most recent bubbles and crashes as well as the evolution of an unstable and unequal financial system?

Explaining the relationship between financialization and financial media

For mainstream economists and liberal/middle-ground media scholars, financial media has had little significant influence. In standard market models and classical economics, media is virtually irrelevant. The same is true of financial market theory, as is generally relayed in subject text books (e.g. Reilley and Brown 2000; Bodie, Kane, and Marcus 2003). The efficient markets hypothesis (EMH, see Fama 1970), which has dominated finance theory and practice in the postwar period, relies on notions of individual rationality and market equilibrium. Prices and equilibrium are reached by the absorption of all market-relevant information by large numbers of rational, self-serving individuals competing to buy and sell. Markets may be affected temporarily by irrational individuals or externals such as media, but ultimately always find their rational equilibrium. Although, it should be noted, with some irony, that many in high finance were happy to blame the media, at least initially, when the financial system began collapsing, domino-like, in 2008. Liberal, reflectionist accounts in media scholarship also present media as having a minimal role in events, society, and economy. Media reporting, including that in finance and business, reflects rather than influences society. In specific accounts of the rise of financial and business news (Gavin 2007; Kjaer 2010; Tambini 2010), it has developed a relatively balanced, autonomous reporting style that responds to the requirements of a more affluent general public. The failure to spot recent market crashes (2000, 2007) or fraudulent companies (Enron, Worldcom) is more to do with the natural limits of reporting practice, rather than any systemic bias or ideological leaning.

Outside mainstream economics, a mix of economic historians, behavioral and left-wing economists and practitioners, have shown rather more skepticism about classical economics and financial market theory (Keynes 1936; Shiller 1989, 2001; Soros 1994; Kindleberger 2000; Krugman 2008; Bootle 2009; Akerlof and Shiller 2009). Each of these accounts focuses on market instabilities and externalities and the irrational behavior (animal spirits) of individuals and groups. In some of these, media have, on occasion, played a significant role in fueling herd behavior, bubbles, and crashes (Shiller 1989, 2001; Cassidy 2002). Critical economists have been joined by critical media scholars. They argue that there are structural and ideological biases deeply ingrained in media reporting and that these favor capitalism and the corporate classes who benefit from them.

This has been the case in relation to media reporting of industrial relationships, economic policy, and high finance (Jenson 1987; Philo 1995; Rampton and Stauber 2002; Dinan and Miller 2007). Certainly, many ordinary people have been encouraged to put their life savings into the purchase of internet stocks at the peak of the dot-com bubble or to buy overvalued homes they could not afford in the long term (subprime mortgages) (see Shiller 2001; Cassidy 2002; Cable 2009).

Arguably, although both perspectives offer useful insights, neither deals adequately with the financialization–financial media relationship. The classical economics/reflectionist media perspective fails to engage with the realities of human behavior, or external social and economic influences, in its abstract modeling of markets and media. As Soros states (1994: 11), financial market theory “is a theoretical construct of great elegance that resembles natural science but does not resemble reality.” Similarly, media are never simply a neutral reflection of society that play a minimal part in social relations.

However, the second critical position rather overplays the weight and influence of media when it comes to financial matters, financialization, and the general public. First, the day-to-day direct impact of the financial media on finance is likely to be limited. The size of the media industries is tiny when set next to those of many industrial and financial sectors. As with all professional occupations in society, those in the financial world rely relatively little on information they pick up from the “amateur” observers working in the media. They have access to a plethora of specialists, information sources, and key players. Second, whatever the intentions of journalists, their ability to investigate or criticize the financial center is limited. Financial reporting, compared to other areas of journalism, is far more dependent on business advertising than general consumer sales and subscriptions. Business and finance are also highly complex topics that most journalists struggle to understand and keep up with (see Davis 2002; Doyle 2006; Tambini 2010). Third, public understanding of, and participation in, financial affairs is also relatively limited. One survey (Tunstall 1996: 217) recorded that only 6 percent of readers of *The Sun*, *The Daily Mail*, and *The Times* in the United Kingdom chose to read “personal finance” sections, and only 4 percent looked at the “business and companies” sections. Goddard, Corner, Gavin, and Richardson (1998) found that public understanding of economic matters was very weak. According to one report (London Stock Exchange 1996), when share ownership was nearing its peak in the United Kingdom, only 3 percent of individual shareholders were active traders, and only 6 percent had ever attended a company annual general meeting (AGM). Thus, to suggest that financial media have had a significant impact on the growth and shape of financialization or on public understanding seems rather far-fetched. To argue that financial media had a starring role in the recent financial market bubbles and crashes of recent decades seems almost absurd.

However, I would argue that financial media has played a significant supportive, rather than primary, role. Its most important influence has been something less obvious, rational, or technically sophisticated. Its impact has lain in its ability to build and perpetuate certain discourses, narratives, and myths among financial and related stakeholder elite groups. Its power has been ideological and cultural, at the elite rather than public level. This is because the discourses, ideologies, and decision-making about the economy, corporate practices, and financial regulation have been decided largely by small elite groups and networks. These activities, in turn, have been aided by a mixture of mainstream financial media and more exclusive forms of communication.

Looking just at financial media, it is financial and corporate elites who are the main advertisers, sources, and consumers of financial and business news (although not on all aspects of the economy, see Gavin 2007). Indeed, several studies (Parsons 1989; Herman 1982; Hutton 1996; Bennett, Pickard, Iozzi, Schroeder, Lagos, and Caswell 2004; Davis 2007; Durham 2007; Corcoran and Fahy 2009) have noted that such media coverage, in effect, revolves around economic elites in dialog and conflict with each other, all to the exclusion of the general public. In Parson's (1989: 2) historical account of the financial press, Keynes, Galbraith, Samuelson, and Friedman have all made their impact on policy-makers through their frequent, public interventions in the financial media. At different times, the financial press have come to "constitute a significant medium through which economic ideas and opinions are legitimated ... a unique interpreter, less of mass opinion than of the views and values of a more limited and narrower elite" (Parson 1989: 2).

In effect, most financial and corporate reporting is produced by and for elites operating in these linked spheres. Yes, many economic and industrial issues do hit the headlines from time to time. However, on a day-to-day basis, the activities and decision-making of financial and corporate elites go largely unnoticed and often unreported. So do the weighty discussions of economic policy of governments, regulatory bodies, and international financial institutions such as the IMF, World Bank, and WTO. If, therefore, financial media has influenced financial and business activities, and contributed to the growth of financialization, it is likely to be among elites. Before exploring this issue, it is worth first clarifying what specific elites and financial media are being referred to.

In terms of elites, the following discussion focuses on financial and *associated stakeholder elites*—those with some form of stake in financialization. Financial elites are those who work at the higher levels of financial and banking institutions, in investment and retail banks, in fund management, as brokers and other intermediaries. Associated stakeholder elites are those in the corporate, political, and regulatory/bureaucratic communities, at both the national and international levels. They relate to financial elites by virtue of a set of dependencies, management and regulatory responsibilities. It would be a mistake to assume these elites act together and with identical goals and objectives. In fact, there are many points of

tension on policy matters and in relationships and dependencies between these overlapping elite networks as well as within them. Each of these networks also makes use of overlapping but distinct forms of media and communication, be it mass media, specialist publications, or electronic exchanges and forums. At the same time, it is important to note that such elites also share important goals, discourses, and media and information sources. In various ways, they have all come to rely on the growth and success of financialization. This combination of a shared interest in financialization but divergent goals, knowledge bases, and information sources is very significant, as explained in the next section.

The relevant mainstream financial media being considered are a select group of financial publications and business channels. These include the *Financial Times*, *The Wall Street Journal*, *International Herald Tribune*, *The Economist*, *Time*, *Newsweek* as well as the financial programs and reporting of BBC World, CNN (CNNI/CNNfn), CNBC, News Corporation, and Bloomberg. As several studies have noted (Kantola 2006, 2009; Davis 2007; Durham 2007; Chalaby 2009; Corcoran and Fahy 2009), these media are widely consumed in all of these overlapping elite networks. Their reporting and commentaries are taken very seriously by both financial and associated stakeholder elites, if only because of the awareness that they are widely consumed among fellow and rival elites. They thus make up an important communicative architecture that supports and links such networks. In theory, such communicative structures are also likely to generate and sustain a variety of discourses, cultures, narratives, and practices.

Therefore, I would suggest that the most important contribution of financial media to financialization has been its provision of cultural discursive networks through which financial and related elites communicate—on both a conscious and an unconscious level. Such an apparatus has played a supportive role in developing a number of key discourses in general support of financialization and neoliberal, free-market economics and particular narratives justifying irrational/unstable trends in regulation and investment.

The creation of financial market discourses and narratives

One such discourse presents the financial centers of the City of London and Wall Street as key engines of growth and prosperity for the United Kingdom and United States, respectively. In today's globalized world, where countries are developing specialist labor markets, the United Kingdom and United States excel in the business of finance. In recent decades, the financial sectors of both nations have grown immensely, bringing employment, large tax revenues, and impressive balance of trade surpluses with other countries. In the United States, in 2007, although the financial sector made up only 8 percent of the economy, it was responsible for 40 percent of domestic corporate profits (Bootle 2009: 113).

In the United Kingdom, at the turn of the twenty-first century, the City employed an estimated 300,000 people, had recorded an average growth of 7 percent per year for 25 years, and a consistent annual overseas trade surplus in the tens of billions (Golding 2004: 10). According to Hutton (1996), Elliot and Atkinson (2009), and Cable (2009), this faith in the UK financial center has been clear across government and financial regulatory services. As Cable puts it (2009: 26), "After the decline of much of Britain's manufacturing industry, the City emerged as a national success story ... an image of buccaneering, innovative entrepreneurship ... Governments were seduced by this narrative." It is also assumed that these profits have then filtered through to the rest of the population, encouraging a sense of financial democracy, greater home ownership, and general prosperity (the "trickle-down effect" of wealth creation and dispersion in the United States). Recent assessments of the UK financial services industry, by Wigley (2008) and Bischoff and Darling (2009), very much repeat and concur with this line of argument, despite the very real costs and problems that have surfaced since 2007 (see CRESC 2009).

A second discourse relates to financial market theory and the EMH (see above). As many critics now point out, EMH-influenced thinking has provided the rational and directive parameters for deregulation of the financial markets since the early 1980s (Pratten 1993; Davis 2007; Akerlof and Shiller 2009; Bootle 2009). In regulatory terms, its credo is, eliminate outside (government or other) interference and markets will always look after themselves. The financial markets have thus become self-managing, almost mythical-like entities that, it is assumed, will always overcome human fallibilities. Such beliefs were regularly recorded in interviews and surveys of fund managers and other participants in London's financial markets (Lazar 1990; Davis 2007). In each case, there was a general expectation that the market, if not always correct in the short term, would be so in the long term.

Third, and related to EMH thinking, there has been a tendency to assume all nonfinancial markets (e.g. industrial, labor) operate best if working like liberated financial markets. Several authors record such thinking among the United Kingdom's financial elite networks (Hill 1990; Lazar 1990; Hutton 1996; Boswell and Peters 1997; Davis 2007). Anything that hinders markets, such as collectivism, strong unions, and greater state intervention, through taxation, regulation, or redistribution, is deemed a hindrance. In contrast, privatization, competition, deregulation, and lower taxes are deemed positive for markets. Consequently, City support for free-market parties, such as the Conservatives or Republicans, is particularly high. In the 1997 General Election, in the face of Labour's landslide victory, 69 percent voted Conservative and only 7 percent voted Labour (MORI 1997). In 2004, some 41 percent of UK fund managers supported the reelection of George Bush, and only 9 percent supported John Kerry (Merrill Lynch 2004). Such thinking and market assumptions are regularly relayed in the financial press (Davis 2000a; Doyle

2006; Kantola 2006). Doyle's (2006: 446) study of financial reporting, in the wake of the Enron scandal, found that "several" financial journalists interviewed "readily acknowledged that passivity in relation to pro-market ideologies is fairly characteristic of the sector."

A fourth discourse revolves around globalization, free trade, and the general freeing up of international markets. This discourse regularly supports the interests of international (often Western-based) financial institutions and investors over national governments and democratic processes. Durham's (2007) analysis of the *Financial Times's* (FT) coverage of the Thai currency crisis in 1997 produced "a consistent ideological position" that elevated IMF accounts and demands over those of the Thai government (see Krugman's 2008 critique). Similarly, Kantola's (2006) analysis of FT content reveals that its coverage of some 32 elections between 2000 and 2005 repeatedly backed candidates who supported pro-market reforms and was critical of democracies, publics, and leaders who did not (see also Kantola 2009). Likewise, Bennett *et al.*'s (2004) study of the reporting of the World Economic Forum at Davos found that the dominant reporting frames strongly promoted the interests and policy positions of such financial elites over those of citizens and activists.

Financial media not only has played a part in the creation and circulation of financial and free-market discourses generally but also has had a significant role in the generation and sustenance of a series of specific market narratives. These have helped spur and justify a lighter regulatory regime and several irrational market movements and investment bubbles in recent decades. Such narratives have supported financial elite actions and persuaded associated stakeholder elites (as well as ordinary citizens) that such activities were safe and, also, to buy directly into these bubbles (see accounts in Kindleberger 2000; Shiller 2001; Krugman 2008; Akerlof and Shiller 2009). From the mystique of the Nobel-prize-winning economists who ran Long-Term Capital Management to the mythologies surrounding the Asian tiger economies, stories have accompanied "rational" actor participation. In each case, such stories and myths have been widely repeated and circulated in the financial media.

One key, recurring narrative that has supported the various bubbles in internet stocks, property, and financial products, since the early 1990s, has been that of the "new economy." Financial and associated stakeholder elites as well as the financial media have frequently referred to "the new-era economy," "the creative" or "knowledge-based economy," and the "end of the traditional business cycle." This narrative is tied to "an era of permanently low inflation and low interest rates," "globalization," the rise of the "service sector," and the "taming of unions and labour inflexibility" (see Shiller 2001; Cassidy 2002; Turner 2008; Krugman 2008). As trading values have become increasingly disconnected from real asset values and historical measures, elements of "the new economy" have been used to justify these discrepancies. For several observers, such narratives have been uncritically relayed and magnified by elements of the

financial press and broadcasting. For Cassidy (2002) and Shiller (2001), *The Wall Street Journal*, the new financial news channels (CNBC, CNNfn, Bloomberg), as well as certain websites and specialist financial journals all fed the earlier dot-com boom and reinforced the rhetoric of “new economy.” Cable (2009) is similarly critical of the media’s portrayal of the property market, as a safe “one-way bet” perpetuated by ever-increasing demand in the new, low-inflation economy of the past decade.

The financial media have not created these mythical discourses and narratives. But they have endlessly circulated them, rarely subjected them to critical scrutiny, and frequently presented them as unquestionable realities. They have spread them to financial insider and outsider stakeholder elites. They have ensured that critics have been marginalized and policy choices limited to those that fit with an ideologically narrow interpretive framework.

Bubbles, ponzi schemes, and crashes: virtual discourses and financial realities

As stated, financial media cannot be held particularly responsible either for the dangerous deregulation of financial markets since the 1980s or for the extreme market bubbles and crashes that have followed. However, it has aided and abetted the creation and circulation of a number of discourses and narratives that have underwritten such developments. These, in effect, have made highly irrational market developments appear quite rational. The consequences have been felt far beyond financial markets and their elite participants. In each case, a series of giant ponzi schemes or chain letters have been facilitated through financial centers. These have centered on internet stocks, property, and financial market products. In each case, large amounts of public and individual money have been sucked into these markets. This has allowed financial elite insiders, at the top of these schemes, to profit and then leave, while outsider stakeholder elites and the public have been left with the losses and debts. As the dust clears, it is becoming apparent that the price of sustaining the financial and banking sectors has been a huge rise in personal and government debt and the destabilization of governments and public institutions.

In the case of the hi-tech bubble of the 1990s, and its collapse in 2000, the part played by creative narratives and fairy-tale accounting is now evident (see accounts in Shiller 2001; Cassidy 2002; Golding 2004; Davis, 2007). From the mid-1990s, stock markets began to boom, driven by the new telecommunication and internet industries. The Telecommunications, Media, Technology (TMT) boom, or dot-com bubble, was talked up by entrepreneurs, financial market participants, and journalists. However, these new industries did not have a trading history, often had no assets, produced no profits or dividends, and therefore,

could not be valued by usual accounting measures. So, instead, stockbrokers, analysts, investors, and companies came up with their own means of evaluation that ignored conventional forms of valuation and historical trading patterns. The stock markets exploded. From 1995 to 2000, the New York Dow Jones more than tripled in value—from below 3,500 points to just under 12,000. The London Stock Market went from just over 3,000 points to almost 7,000 points. The value of stock markets as a whole became entirely detached from long-term, traditional, real-world measures. Prices, relative to company earnings (P/E ratios), tripled in that period and were rather more out of alignment than during the previous record set in 1929, just before the Wall Street Crash (see Smithers and Wright 2000; Shiller 2001). Individual internet company stocks rose dramatically. In 1998 alone, Yahoo!’s value was up 584 percent, Amazon’s, 970 percent, and America Online, 593 percent. Priceline.com, an online company for selling excess airline capacity, was worth US\$150 billion or more than the entire airline industry (figures in Cassidy 2002: 8, 169). Ultimately, in the collapse that began in 2000, both the US and UK stock markets lost over half their value. Many TMT companies became worthless. Crucially, financial coverage failed to adequately question such developments and, in some cases, actively promoted the “new economy” narrative that underpinned them (Shiller 2001; Cassidy 2002; Davis 2007).

The responses of governments and central banks were neither fundamental regulatory reform of the sector nor the enablement of a proper market correction in stock markets. Instead, markets, financial and other, were boosted by low interest rates and other fiscal stimuli, leading to further bubbles. Most obvious among these were the wildly overinflated property markets, including that of the highly risky “subprime” mortgage market in the United States. Once again, by various historical measures, the value of property departed from “real economy” norms quite considerably. From 1995 to 2007, house prices doubled in relation to average earnings, from four and a half to nine times that of earnings. The buy-to-let market went from 1 to 10 percent of the market in a decade (Cable 2009: 14–16). In the United States, rent returns in relation to property values (price/rent ratios) dropped considerably (Krugman 2008: 145). Many buyers, with minimal finance and capacity, were encouraged to join the market with great short-term deals that contained long-term costs they did not understand. Thus, Northern Rock, the first UK bank to fall in September 2007, had been offering 125 percent mortgages at five or six times personal incomes, when three times had been the average.

What made the property and stock market bubbles far more dangerous was what had been happening in the financial and banking communities: deregulation and bubbles in financial products. Financial deregulation had allowed a greater proportion of bank financing to take place outside of the normal regulated banking sector—the “shadow banking sector.” By the time of the collapse, more money was being raised and circulated in this sector than

through normal, regulated and protected, conventional means. According to Cable (2009: 34), the derivatives market, one such area, rose in value over a decade, from US\$15 trillion, to US\$600 trillion or 10 times the total world output. On the basis of these enormous, mythical totals of capital, banks, hedge funds, and private equity companies were able to raise and invest funds far in excess of their capital assets. By the time Northern Rock collapsed, it had assets of £1.5 billion and loans worth over £100 billion, most of which were borrowed from overinflated international money markets (Elliott and Atkinson 2009: 52).

Financial deregulation had also enabled the growth of a multiplicity of complex financial products that were promoted as a means of spreading financial risk and bringing stability but, instead, created more dangerous bubbles. It is through such forms of financial engineering that subprime mortgages could be packaged up into mortgage-backed securities and then further complicated and spliced, using collateralized debt obligations, to hide the risks. This resulted in lots of these packages being given AAA risk ratings by credit rating agencies such as Moody's, Finch, and others. This encouraged normally cautious institutions, such as pension funds, and ordinary banks to buy them. In effect, not only were mortgages sold to the poorest and least educated in society, but they were then repackaged up and sold on in complex packages to elite investors and lenders around the world. When interest rates went up, and subprime mortgage owners began to default in droves, the complex pack of cards and IOUs began to unravel and fall apart. Financial elites, as well as ordinary borrowers, had all bought into the accompanying narratives about property, low interest rates, booming economy, stable financial markets, low risks, and so on.

In 2010, we are still trying to gauge all the consequences of the collapse that followed. First, literally hundreds of banks and related financial institutions have gone under worldwide. Second, private finance debt has been transferred to public debt as large institutions, deemed "too big to fail" (e.g. Freddie Mac, Fannie Mae, AIG, RBoS, Lloyds-TSB, HBoS, Fortis, Dexia, BNP-Paribas, IKB, UBS, Wachovia, Washington Mutual), have effectively been partially or entirely nationalized, at a cost of trillions of dollars of public money worldwide. In relation to the United Kingdom, by 2009, the cost of the bank bailout was £289 billion and rising (CRESC 2009: 6–7). The United Kingdom's external debt rose from £34 billion in 1997 to £319 billion in 2007 or 22.5 percent of GDP. Two years later, after the bank bailouts and fiscal stimulus packages, it had reached 66.5 percent of GDP (Turner 2008: 26, 71). Formerly wealthy countries, such as Iceland and Greece, have become effectively bankrupted and others, such as Spain and Portugal, are struggling under their debts. Third, personal debt has risen considerably and many households have been left in negative equity. During this bubble period, in the United Kingdom, total private debt rose from £570 billion in 1997 to £1,511 billion in 2007. In the United States, it rose from US\$5,547 billion in 1997 to US\$14,374 billion in 2007.

Cable (2009: 130) estimated that 20–30 percent had been knocked off the value of property in the United States, and United Kingdom by 2009. In the United States, by 2008, 12 million households were in negative equity (Krugman 2008: 189). Fourth, pension funds have been devastated and welfare state systems are being severely cut back in order to balance national accounts. Fifth, unemployment has grown considerably and poverty levels are rising.

Many financial elite actors have lost their jobs and/or seen their incomes reduced. However, their salaries, bonuses, redundancy payoffs, and pension schemes, gathered over the good years, have left them very much in the black. This has led many critics to compare what has happened over the past three decades generally, and through these market bubbles, to a series of “giant chain letters” or “naturally occurring ponzi schemes” (Shiller 2001; Krugman 2008; Elliott and Atkinson 2009). In these, financial elite insiders have been the beneficiaries, and stakeholder elites (in governments, central banks, etc.) and the public (through pension funds, property, and savings) have taken on the losses and debts.

As several economists and City practitioners have pointed out (Soros 1994; Shiller 2001; Krugman 2008; Elliott and Atkinson 2009; Akerlof and Shiller 2009; Bootle 2009), much of what has happened has been built on a series of myths, narratives, and discourses, all without sound foundations. Financial news coverage, with a few notable exceptions, failed to question the specific narratives and larger discourses that were used to justify an increasingly risky and unbalanced financial system (Tett 2009; Starkman 2009; Marron 2010; Chakravartty and Schiller 2010). According to UNCTAD (2009: 21) “market fundamentalist ideology” has enabled a state of affairs whereby “Financial markets in many advanced economies have come to function like giant casinos, where the house almost always wins (or gets bailed out) and everybody else loses.” For Bootle, a respected member of the financial elite of London for over 30 years, a lot of the crisis, pure and simple, must be put down to the ideology of the financial markets themselves

the *ideas* that underlay the disaster: the idea that markets know best; the idea that the markets are “efficient”; the idea that there was no good reason to be concerned about the level and structure of pay in banking; the idea that bubbles cannot exist; the idea that in economic matters, human beings are always “rational” ... if you ever questioned, never mind disputed, these ideas, you were regarded as a complete no-no. (2009: 21–2).

Conclusion

As stated, it would be a mistake to simply see financial media as a major contributor to financialization and its Frankenstein-like creations. It would also be a mistake to assume that the media have the power to impose dominant

financial ideologies on the masses, turning the population into unequivocal cheerleaders of capitalism. However, that does not mean that the specialized financial media, or the mainstream media more generally, has had a neutral or negligible role either. Rather, as argued here, financial media has had a significant, supportive function in the development of financialization via its influence within elite discourse networks. This has helped persuade financial and associated stakeholder elites, as to the validity of financial market discourses, narratives, and investment myths. These have become reified through financial media and other communication fora, producing unassailable ideologies of free and financial market logic. These have enabled such markets to grow, become dangerously autonomous and corrupt, to impose crude market thinking on a range of social policy processes, and to suck in public funds and private savings into unstable market bubbles. This has left government accounts, pension funds, and individual savings in high levels of debt and national polities and welfare state programs teetering on the brink.