INTEGRATING STRUCTURAL CONTEXT INTO THE ASSESSMENT OF POLITICAL LEADERSHIP: REALISM, GORDON BROWN AND THE GREAT FINANCIAL CRISIS

Abstract

How should we assess the performance of political leaders? As many scholars note, it is important to take into account the structural context that politicians govern within when appraising their record in office. However, many existing approaches used to assess political leaders have not integrated a notion of structure into their research in an explicit or detailed way. This paper tries to respond to this gap by first discussing a range of issues involved in undertaking such an exercise. It highlights not only the significance of incorporating structure, but structural change into leadership studies. The paper goes on to develop a theoretical account of structural change utilising philosophical realism, before briefly applying it to the case of Gordon Brown's tenure during the global financial crisis. It concludes by suggesting that, understood through the lens of philosophical realism, the crisis posed a particularly difficult and challenging set of circumstances for Brown and his response to them should be given more credit than it has so far received.

Keywords: Gordon Brown, political leadership, political leaders, prime ministers, statecraft.

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A new wave of scholarship in leadership studies has sought to establish common frameworks and methodologies for evaluating prime ministers. The art of assessing political leaders has been dismissed as 'underdeveloped' and akin to a 'parlor game' with little intellectual merit (Strangio, t'Hart, & Walter, 2013). However, democratic theory argues that elections are the main recruitment tool for citizens in selecting their leaders so it is important that scholarly endeavour considers how successful leaders are at meeting their objectives. Moreover, we should also be sensitive to the possibility that the objectives of office-seeking politicians will not always coincide with the interests of their citizens. Understanding *how* statesmen and women gain and maintain power, as well as the difficulties involved in doing so, is an important element of leadership evaluation.

This article builds on our earlier assessment of the Blair premiership by attempting to integrate a notion of structural context into a judgment of political leaders in a more explicit way. Carrying out such a task poses a number of questions. Can we make statements concerning whether some structural contexts are 'easier' or more 'difficult' to operate in? Doing so implies that structures have an 'objective' quality allowing them to be compared, but is this inference plausible? At the same time, structural contexts will not be static: they will change and become easier or more difficult for political leaders *over time*. However, comprehending structural change is one of the most formidable problems facing social scientists, especially when we remember that politicians will also attempt to construct our perceptions of 'change'.

The discussion in this article proceeds in the following way. The first part reviews a range of approaches that have been used to assess British leaders to date and reflects further on why this literature has failed so far to integrate a notion of structural context more directly into its work. The next section of the article provides an account of structural change, using the theory of philosophical realism. The article then applies this account of structural change to the global financial crisis and asserts that, understood through this theoretical framework, these events posed a particularly difficult challenge to the Brown leadership. The article concludes with a brief assessment of how Brown and his colleagues dealt with this demanding structural terrain.

1. Existing Approaches to Assessing Prime Ministers

Four approaches are commonly used to assess political leaders. All of these perspectives provide enriching insights into the successes and failures of these public figures. That said, while individual politicians are the principal focus of analysis in this literature, how these agents relate to their structural environment remains less clear in this work. The importance of integrating structure into the study of individuals, groups and classes has been repeatedly emphasised by a long tradition of social science research (see below). Yet this broader theoretical debate has so far failed to penetrate the subject area of leadership studies in any systematic way.

Take for example, the work of Fred I. Greenstein on the American Presidency. Greenstein (2000) established six core characteristics against which presidents ought to be evaluated. These are: proficiency as public communicator; organisational capacity; political skill; public policy vision; cognitive style, and emotional intelligence (see also Theakston, 2011). While all of these characteristics clearly relate to a president's agential powers, the role that structural context might play in this framework is less obvious. Different structural contexts are almost certainly going to affect the ability of a president to carry out these functions, so it seems only fair we take them into account. Greenstein has subsequently reflected upon the importance of structural context in some unpublished working papers and personal correspondence (Theakston, 2011: 81-82). However, he is yet to elaborate further on this issue and provide any conceptual practical-analytical vocabulary capable of incorporating structure explicitly into his criteria.

A second approach has been to use expert surveys. Expert surveys were first popularised in the US by the seminal work of Arthur Schlesinger Sr. (1948). However, the approach has now been used in many democracies (see, for example: Azzi & Hillmer, 2013; Strangio, 2013; Theakston & Gill, 2006). As its label suggests, researchers ask a sample of key experts (usually historians and political scientists) to evaluate political leaders using their own criteria. Their views are then recorded, aggregated, leading to an overall judgment or 'score' for each prime minister or president in question. US based studies have asserted that this method is capable of incorporating structure into the assessment of leaders. Nichols (2012) has argued that experts praise or criticise presidents depending on their ability to take advantage of the challenges and opportunities presented to them. However, left to their own devices, experts are likely to make these judgements with a variety of different interpretations of structural context in mind, making it unclear whether such an approach can generate any meaningful comparisons.

Historians have also attempted to assess political leaders. Typically this involves a balance sheet approach in which a leaders' achievements in office are weighed up against their failures. Factors that are often considered include: the trajectory of the economy under their rule; relations with backbenchers and the party in the country; and the management of foreign affairs. Historians can be sensitive to the importance of context when judging different leaders over time. For example, Anthony Seldon has asserted that presiding over a struggling economy and a party split down the middle on the issue of Europe, John Major was faced with a set of circumstances that 'were profoundly adverse' (Seldon & Lodge, 2010). Similarly, Seldon's work on Blair and Brown has demonstrated an appreciation that the former governed in an environment which was more benign than the latter (Seldon, 2004; Seldon and Lodge, 2010; see also Hennessy, 2000: 542-43). That said, even when such factors are discussed, they are done so in the absence of any reference to the broader social science literature on structure and agency. This literature has identified some more fundamental ontological and epistemological issues which, if incorporated into this empirical work, would give it a stronger theoretical foundation.

Finally, we have suggested that the statecraft approach associated with the work of Jim Bulpitt can also be utilized to assess British political leaders (Buller and James, 2012). Statecraft evaluates leaders first and foremost in terms of how many elections they win, but consideration is also given to how well four supporting functions are carried out. These are: (1) the establishment and conservation of an image of governing competence, particular in relation to issues of most concern to the electorate; (2) successful management of the party, so that a semblance of unity and coherence is maintained; (3) victory in the battle for 'political argument hegemony', by convincing the public that the party has the most credible ideas for resolving the problems facing the country; (4) a winning electoral strategy (Bulpitt, 1986). We have argued that this criteria is important for judging political leaders because winning elections is ultimately what politicians are in business for (see also Buller 2013; James, 2012; 2014).

Towards the end of his career, Bulpitt became more interested with integrating a notion of structure into his assessment of whether party leaders were performing these statecraft functions. In particular, Bulpitt advanced the proposition that the structural context facing leaders will grind out a 'natural rate of governability' (NRG) that will make their life easier or more difficult. Put a different way, the relative autonomy that leaders will have to pursue their interests is related to, '…the degree to which they can choose which aspects of the NRG they will prioritise…' (Bulpitt, 1996: 1096). The less choice, the more their behaviour will be constrained. One problem with this discussion is the term NRG remains ambiguous. How does it differ from the related concept of 'structure'? Indeed, why do we need the NRG at all? Bulpitt argues that the concept of structure is too abstract and, as a result, it is difficult to link it to 'agency' in a way that is helpful for empirical research. The NRG is supposed to help in this context: it is a concept that links structure to the behaviour of individuals and groups operating within their environment. But why should the NRG be any easier to define? Bulpitt provides no answer to this question and, because of this, the case for this additional variable is not proven.

It should also be noted that, while all the above approaches accept the need to incorporate structure into the evaluation of political leaders, they gloss over the awkward fact that structures can change. The context facing politicians will vary over time, and our assessment of them should *also* try to take account of this dynamism. For example, we might hypothesise that it will be easier for a political leader to achieve his or her objectives if s/he is faced with a structural context that is stable and predictable. Such stability should help leaders to clarify the precise contours of their environment, allowing them to better exploit the rules of the game for his/her advantage. Conversely, a structural context that transforms suddenly and unexpectedly can be expected to be more challenging. With all or most of the 'markers' or features of a familiar structural landscape washed away, leadership in such circumstances will be uncertain and prone to mistakes. Mistakes, in turn, may impact adversely on a leaders' reputation and, ultimately, his or her political position.

2. Incorporating Structure into Leadership Assessment: Some Problems of Analysis.

It might be worth reflecting for a moment why it is that more progress has not been made injecting an awareness of structural context into leadership studies. To state that some structural environments are easier or more difficult to govern in implies that we can imbue these environments with an objective, material quality that can be meaningfully compared across time and space. Yet, intuitively, much of what we know about the way leaders interact with political institutions conflicts with this assumption. Politicians may find themselves constrained by the circumstances they operate in, but they will not always 'accept' these circumstances, especially if it is not in their interests to do so. They will try to discursively construct the electorate's understanding of these circumstances in such a way as to make them look good (or better) and their opponents worse. If we accept this statement, it would appear to at least partially undermine the notion of objectivity that would seem necessary to our conception of structural context if we are to use it to assess different leaders. At the very least, leadership studies needs to try and make a distinction between the 'real' or material properties of structures and the stories that political leaders want to tell about them. For the purposes of empirical research, this will be a difficult task to undertake.

These observations correspond to what we know more generally about the structure-agency issue in the social sciences. Should researchers give precedence to actors or structures when it comes to accounting for social and political phenomena? After a keen and protracted debate, academics have 'settled' on the position that it should be both. Agents are potentially purposive entities whose ideas and behaviour can reproduce and transform the society in which they live. At the same time, society is made up of institutions that constrain the interactions between actors. To put this point differently, both actors and structures are necessarily interdependent entities, exhibiting a relationship of 'duality' (on the structure-agency debate, see Hay, 2002: pp. 89-134; McAnulla, 2002). It follows then that in particular spatial and temporal moments, political leaders and the environment they operate in will be co-constituted. But such a statement makes the task of judging whether one structural context is more challenging than another even trickier. It begs a preliminary question: to what extent is the leader under investigation *actual responsible* for the structural context that is also being researched empirically?

Even if we accept that structures have a real and material quality, allowing us to say that some contexts are more challenging than others, can we say much more for the purposes of assessing political leaders? Put a different way, it may be possible to make *qualitative* judgments asserting that some contexts are more difficult to govern in, but it seems implausible that we might be able to arrive at *quantitative* evaluations concerning *how much more* arduous one context is compared with another. For example, were the circumstances facing the Heath government twice as demanding as those facing the Churchill government in the 1950s? Was the environment facing Blair three times as easy as that facing Attlee? Instinctively, these questions seem like the wrong ones to ask. Structural contexts are complex and nuanced: trying to place some kind of numerical value or grade on them maybe so crude and arbitrary as to be unhelpful. But if we cannot rank structural contexts in this way, then decisions about how much to 'compensate' leaders governing in difficult contexts when we judge them, would appear to be nigh on impossible. If this is the case, one wonders what the added intellectual value of the whole exercise might be. We have already noted that bringing a notion of structural context into our assessment of political leaders is not without significant problems. Is it really 'worth the candle'?

These are difficult questions to answer, but a three-fold response to these objections can be marshalled. It is of course undeniable that the impact of the material is mediated by ideas and narratives (held by agents) about these material properties. Yet, such discourses are only likely to become influential if they clearly resonate with the direct experiences of individuals who are subjected to them. As Hay (1999) has convincingly argued, the 'Ungovernability' thesis became a particularly influential interpretation of societal group (especially union) power in 1970s Britain because it simplified and distorted certain trends. Yet this interpretation would have enjoyed much less credibility had there been no strikes or violence at this time. Put a different way, it may be concept-dependent, but we can conceive of a world that is 'out there' and independent of our knowledge.

If this point is accepted, the notion of integrating structural context into leadership assessment in a way that allows for meaningful comparisons across time and space may not be a lost cause. We might begin by asserting that a structural context will be more or less challenging depending on how commensurate it is with the objectives of the political leaders under study. A structural context that compliments the ideas and preferences of those presidents/prime ministers being investigated can be said to be more favourable than one that frustrates or undermines them. Bearing in mind our interest in developing the statecraft approach, in this article we will define the objectives of political leaders as winning elections through the achievement of a reputation for governing competence. But it is worth noting right from the off that conceptualising leadership objectives in this way is contentious. For many British political scientists, leadership is at least partly about the pursuit of beliefs or values, especially those that pervade the ideological tradition of the party that they head. Indeed, scholars adopting such a stance have been persistently critical of the Labour party's record in office, especially its failure to implement a more left-of-centre policy programme. This criticism has extended more recently to Gordon Brown's handling of the 'Great Financial Crisis' , the subject of our case study below (see for example Coates, 2008; Shaw, 2012).

We can go further and suggest that a structural context which changes, especially one that alters suddenly and in a way that adversely impacts on the objectives of the political leader under investigation, may be more testing than one that remains broadly stable. An assessment of Gordon Brown's leadership will obviously allow us to investigate this hypothesis further but additional questions flow from this proposition. If it is true (as we suggest above) that agents and structures are interdependent or mutually constituted, to what extent can Brown be held responsible for the financial crisis that impacted on British political economy after 2007? As author of the regulatory system which largely failed to spot the unfolding crisis as it hit the UK banking system, should Brown be held culpable for the credit crunch and recession that swept Britain in 2008 and 2009? Should he have at least anticipated these developments, or were the various forces driving them so complicated and intertwined that nobody could realistically be expected to understand the problems as they were unfolding? When it did strike, how well did Brown manage the impact of the crisis on the UK economy? If Brown and his colleagues are to blame for not doing more to foresee and mitigate the effects of the crisis, then our assessment of him should arguably be less generous than if he was largely a victim of circumstance. To answer this question, we need an account of structural change and the role of agency in this process.

So far, this article has considered some of the problems involved in incorporating a sense of structural context into any assessment of political leaders. One question requiring further discussion is that of structural change. The environment facing politicians will not be static. Sudden changes in the circumstances facing leaders may make it considerably more difficult for them to achieve their objectives, although if leaders themselves are partly responsible (through their own behaviour) for this state of affairs, then we might be minded to be less sympathetic in our assessment of them. The next section of this article turns its attention to the question of structural change. It argues that philosophical realism is best placed to help with this task.

3. Philosophical Realism and Structural Change

As we have seen, many social scientists have settled on the ontological assumption that agents and structures are mutually constituted in a dialectical relationship that unfolds across time and space. Agents (including political leaders) are reflexive, purposive beings, whose actions can reproduce and, on occasion, transform the society in which they live. However, society is also made up of structures that can constrain the interaction between individuals and groups. Arguably, one of the defining features of realism as a philosophical position is its concern with developing some methodological guidelines for helping us to research this apparent seamless flux.[1] To cut a long story short, realism's answer to this question is to *analyse* structures and agents *as if* they were separate, even though they are not. In this context, structure (which is activity-dependent in the past tense) is assumed to pre-date action, although as suggested, agents can then shape and alter this structural terrain. Any structural reform or elaboration will then post-date such strategic action. Just to re-state, realists accept that ontologically, structure and agency are at work together continuously, but this analytical ploy allows us to break into this 'flow' at various points and study it, depending on the problem at hand (Archer, 1982).

It follows then that, using realism to understand change requires us first to elucidate this approach's conception of structure. Realism defines structure as social relations that constitute the world. Social relations refer to: '…sets of internally related objects or practices' (Sayer, 1992: 92). These internal or 'necessary' relations specify a situation where one object or practice would not take the form that it did unless another was related to it in the way that it was. For example, a tenant is not a tenant without a landlord. Internal or necessary relations should be distinguished from external or contingent ones. The latter describes a set of circumstances where one object/practice can exist without the

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[1] Realism as a philosophical tradition (as opposed to a theory of IR) is clearly a broad school. It is *not* being claimed here that our understanding of this approach can be reduced to the observations in this article. Rather, because we are focusing on the issue of structural change, our discussion emphasises the work of some authors over others. The argument below relies particularly on the work of Margaret Archer, Andrew Sayer and Colin Wight.

other, although if they become related, that combination may have significant social effects. For instance, human beings interact with the environment and that behaviour may damage the eco-structure, but such a relationship *does not have to* take place (Wight, 2006: 169-70; Joseph and Wight, 2010). Within structures (social relations) there will also be particular positions, associated with certain roles occupied by human beings (agents). It is important to distinguish the occupant of a position from the position itself. Human beings inhabiting these social roles may often change, while the roles themselves may persist over long periods of time.

It is when realism combines this definition of structure with the associated concepts of 'stratification' and 'emergent properties' that we can begin to appreciate how it might explicate the dynamic and unpredictable context facing political leaders. For realists, the world is contoured or *stratified*. The interaction of various groups rests on a social and political landscape that is made up of a number of strata or 'layers'. These layers (which will contain multiple, interacting structures) are the product of previous strategic battles between groups, all competing to further their interests within the structural environment that surrounded them. At any one time, agents (including political leaders) will be in contact with one or more of these layers, just as the layers will implicate each other. However, such stratification can lay the foundation for change in that contingent combinations of structures (of various ages and different 'biases') across layers may produce novel effects leading to tensions and contradictions and pressure for reform (Sayer, 1992, 118-21; see also Sayer, 2000).

Realism encapsulates this idea of previously unrelated structures coalescing to yield novel effects through the concept of *emergent properties*. Such properties 'emerge' from the internal relations that comprise structures but cannot be explained simply with reference to their origins or component parts. In other words, emergent properties come into existence through social combination. Once created, they can generate change in conjunction with other external or contingent relations, including agents. For example, the power of water cannot be explained by its core constituents (hydrogen and oxygen) because both, on their own, are highly flammable. However, their combination yields different properties (water), which can then be used by fireman (agency) to save lives. Of course, when it comes to examining a particular event or process, there will be numerous structures, combining across strata in a pattern that will be complex and difficult to interpret. Since, as social scientists, we can rarely isolate structures for the purpose of causal explanation, we always need to be careful not to attribute influence to the wrong ones (Sayer, 1992, 118-21; Archer, 1995).

For realists then, causality and change is not a relationship between discrete things or events (i.e. cause and effect) as positivists' have asserted. Nor is causality and change related to the amount of times such a relationship is observed to have occurred. Instead, causality and change is about the powers that objects (structures) possess. These powers may not be directly observable. They will also exist independent of any particular pattern of events. They will be activated in a process that may lead to change when a combination of objects come together with agents. This combination may be complex and take place only once – a unique moment, never to be repeated. Understanding such change will not be achieved by stripping down this process and reducing it to its component parts. *It is something about the way these parts combine as a whole that generates the precise trajectory of change that takes place* (Bhaskar, 2008).

In short, philosophical realism comprehends the world as stratified or layered with multiple, sometimes contradictory structures. But to make this point is not to suggest that there is (or can be) no pattern to the world. At times, agents may find themselves in strategically selective environments that favour certain positions or preferences (Jessop, 2001: 1223). As agents (including politicians, investment bankers, and ordinary savers) appropriate institutions for the purpose of strategic action, they may activate emergent properties embedded within these social relations, which in turn combine with other structures and agents in novel ways to generate outcomes that are unanticipated and difficult to control. Eventually of course, these actors and structures will co-evolve over time and space to produce new strategically selective terrains. These may be biased towards different interests and groups.

4. Philosophical Realism and the Global Financial Crisis: Making Sense of the Structural Dynamics Facing the Brown Leadership.

How then might realism help us to make sense of the changing structural context facing the Brown leadership after 2007? What was the precise nature of this structure, including the internal (necessary) relations that comprised it? Perhaps the first point to note in this context was the Brown leadership was faced with a *capitalist* economy. Capitalist economies are by their very nature based on the profit motive and, as such, are constantly on the lookout for new ways to make money. At the same time, such economies can be prone to stagnation in that, they usually generate more wealth (savings) than they are able to invest. This problem of stagnation was certainly perceived to be the case in the late 1960s and 1970s, when the international economy experienced a decline in productivity rates which, in part, was related to a downturn in capital investment (Currie, 1983). Falling productivity had an adverse impact on output, growth and employment. For some writers, the 1970s represented a crisis for capitalism and its existing mode of accumulation.

As a result, the structure of capitalism (and the internal/necessary relations that comprised it) altered from the 1970s onwards. Some writers have labelled this changed the 'financialisation' of capitalism. To solve the accumulation problems noted above, the financial sector stepped in to develop a whole range of products (objects) allowing capitalists increasingly to make money from money. The financial system resembled a giant casino, where speculators played for bigger and bigger 'stakes' in an ever riskier set of 'games' or activities. A market in derivatives was created: derivatives are financial products whose value derives from some other asset (e.g. a bet that the price of a particular stock would be greater than a certain value (say £10) at a certain time. There was the increasingly popular practice of short-selling, where an investor would sell borrowed stock then buy it back at a certain time in the future, hopefully for a lower price (thus generating a profit). At the same time, the futures market (which had long been a feature of the capitalist economy) grew ever wider and deeper. One noteworthy feature of these products was that they allowed banks to hide significant amounts of losses on bad lending by moving it off-balance sheet. *Banks were able to increase their leverage surreptitiously and inflate financial bubbles without politicians fully realising it* (Landau, 2009; Lewis, 2010)

Mortgage backed securities (MBS) are a financial product (object) that is central to our understanding of the global financial crisis and the *structural change* facing the Brown leadership, so it is worth spending a little bit more time describing their role. MBS were viewed at this time as a method of spreading the risk that large numbers of sub-prime mortgages being sold in the US would default. As has been widely documented, in the first half of the 'noughties', American banks pumped out large numbers of loans, often aimed at families with a poor credit history. The official justification for this practice was that it would spread the benefits of home ownership to those on lower incomes, especially as property prices had been rising annually since the second half of the 1990s. But of course, these mortgage products also helped to accumulate a lot of capital for banks and other financial institutions. Individuals were initially tempted into these loans by the offer of 'teaser' rates that were hiked up significantly after a period of time. Those that were worried about the extra interest they would have to pay were reassured that the value of their homes would go up even faster. At this time, banks were usually generous in allowing families to re-mortgage, as that meant extra fee income (Bellamy Foster and Magdoff, 2009: 27-38).

How were MBS thought to be a helpful way of managing the risks of default on these sub-prime loans? MBS involved slicing and dicing up this debt into smaller chunks and packaging it together. By bundling together mortgages from diverse geographical regions, it was thought very unlikely that all of them would experience the same problems at the same time. These mortgages were then combined further with top quality debt (securities) as a way of making them more attractive to investors (see for example, IMF 2006). This broader principle of 'securitisation' can be viewed as an *emergent property*, and we will return to its role in generating the global financial crisis (and recession in the UK) below. Suffice it to say that, by 2007, these MBS accounted for one third of the US$27 trillion bond market. By the end of 2007, US$1.3 trillion was defined as 'sub-prime' (Cable, 2009: 30).

Financial speculation (and the practice of securitisation) was of course global, and it is important to recognise the transnational nature of this structural property and its particular relationship to the UK financial system. At this time, a number of British (and continental European) banks also attempted to boost their profits by adopting the same sort of strategy that could be witnessed across the Atlantic. One notable example in this context was Northern Rock, who aggressively expanded into the UK mortgage market by offering loans of up to five or six times the size of an annual salary. To fund this activity, Northern Rock relied more and more on finance from the international wholesale markets. By 2007, 75 per cent of Northern Rock's funds (and 40 per cent of all new mortgages in the UK) were bankrolled in this way (National Audit Office, 2009). When these international wholesale markets seized up (as they did in 2007) Northern Rock and other British banks found that they had massively over-extended themselves.

This practice (social relation) of financial speculation was *necessarily related* to another transnational practice (social relation) associated with this economic structure – debt acquisition. At this time, banks took on unprecedented amounts of debt for the purposed of speculation which, in turn, fed and exacerbated these debt levels. On the surface, it looked like MBS and other financial products had created a wider pool of capital that could be tapped for new investment purposes. In reality, a relatively small amount of debt was leveraged with larger and larger amounts of debt, much of which was not visible on the balance sheets of these financial institutions. For example, in the US at the start of the 1970s, the value of outstanding debt was one and a half times that of the national output; by 2005, the figure was three and a half times. The proportion of debt taken on by US financial institutions relative to total debt increased from 10% to nearly a third during the same period (Bellamy Foster and Magdoff, 2009: 45-48).

This transnational economic structure was supported by certain external or contingent relations, which sustained this mode of capitalist accumulation. Most noteworthy in this context was the rise of the so-called BRIC (Brazil; Russia; India; and China) countries at this time. The rapid growth of these emerging economies, especially in the area of manufactured goods pushed down the cost of these products in world markets. As these cheap imports increasingly flowed into the west, they helped those western countries maintain low and stable inflation in the second half of the 1990s and the first half of the 'noughties'. This trend, in turn, allowed interest rates to be kept low, and this monetary policy underpinned the rapid expansion of credit and debt noted above (Cable, 2009: 88-93).

But these trends (external relations) helped to support this capitalist accumulation strategy (based on speculation and debt) in another way as well. As these emerging economies became wealthier and generated more and more savings for investment, they became a significant source of capital inflow into western financial systems. In 2008, the US's current account deficit (the mirror image of the net inflow of foreign capital into its economy) was estimated to be $700 billion; in the UK the equivalent figure was approximately $100 billion (Cable, 2009: 94). These capital inflows helped to support the consumption led growth that became such a distinctive feature of these Anglo-American economies at this time. By investing in government securities and other financial products, these BRIC countries helped to sustain the easy credit facilities that were available. Banks could continue to finance riskier mortgages because they access to these funds via the international wholesale money markets (see also Obstfeld and Rogoff, 2009).

However, by the mid-2000s a contingent event impacted on this structure, generating a range of outcomes that were sudden and unexpected. From 2003 to early 2006, the US Federal Reserve raised interest rates from one per cent to 5.25 per cent. Large numbers of borrowers with sub-prime mortgages could no longer afford their monthly payments and defaulted.[2] House prices in the US plummeted by 25 per cent on average from their peak in the summer of 2006 to the autumn of 2008 (Stiglitz, 2010: 87). That said, it is important to note (as Vince Cable does) that this increased mortgage default should not on its own have produced such a profound impact on the financial markets. The sums of money involved in the sub-prime losses did not justify the collapse in confidence that followed. Cable assumed for the sake of argument that approximately one third of the total US sub-prime debt eventually had to be written-off. This figure equates to $400 billion, only 3 per cent of the total mortgage debt. The question remains: how exactly can we explain the credit crunch as it developed from 2007 onwards (see also Taylor, 2009; Greenspan, 2010)?

This contingent event (rise in interest rates) combined with an emergent property (securitisation) in the particular set of social relations (capitalist

[2] Another contingent event that exacerbated this trend was a significant take up of variable rate mortgages by the American public at this time. The chairman of the Fed, Alan Greenspan, had actually encouraged this process, arguing that it was a good way for individual families to save money (Stiglitz, 2010: 87).

economic structure) noted above to set off this global financial crisis. As we have seen, securitisation was supposed to diffuse the risk that mortgage default would threaten the financial system as a whole. However, precisely the opposite happened: by splitting up this low quality debt and dispersing it so widely, it became increasingly difficult to trace. In particular, securitisation broke the link between borrower and lender, a key component of traditional banking before the 1960s. Because mortgages were no longer funded by deposits that banks received, there was less incentive for those bankers to worry about default. Thorough credit assessments were skimped on, and typically purchasers of MBS knew much less than those who had created these packages of debt. By 2007, nobody knew who really owned the sub-prime mortgages and as a result, banks became increasingly nervous concerning the quality of their loan books (Davies, 2010: 133-37). As mortgage default grew apace in the US, panic spread out of all proportion to the actual losses that were being incurred.

As has been widely documented, this panic led to the drying up of funding from the wholesale markets, as banks gradually stopped borrowing from each other. In February 2007, specialist US sub-prime lenders reported losses on the back of mortgage defaults and New Century (the second largest) filed for bankruptcy. In May 2007, UBS was forced to take over its in-house hedge fund after it ran up heavy losses. In the UK, September 2007 saw the collapse of Northern Rock, which was eventually taken into public ownership in February 2008. The following month, the US government rescued Bear Stearns, before selling it on to JP Morgan Chase at a knock down price. In September 2008, the Bush Administration decided to let Lehman Brothers go bankrupt, a decision that sent shock waves through the financial system. Bradford and Bingley collapsed shortly afterwards and had to be part nationalised, while Halifax-Bank of Scotland was absorbed by Lloyds to ensure it escaped the same fate. In October 2008, the Brown government introduced (among other measures) a plan to recapitalise the British banking system, which both Lloyds-HBOS and the Royal Bank of Scotland tapped into directly.

What initial conclusions might we draw from this account of the rapidly changing structural context facing the leadership of Gordon Brown? First, the theoretical lens of philosophical realism helps us to highlight the genuine complexity of this domain. Securitisation, in particular, added to the labyrinthine nature of these structural conditions by binding together a multitude of transnational social relations, processes and agents in an ever tighter and dense web. At the same time, securitisation also fostered the opacity of this structure. As noted above, MBS were consciously designed to lack transparency, partly to circumvent the scrutiny of regulators (not to mention politicians). Indeed, some commentators have noted that investment bankers themselves (armed with their 'Value at Risk' models) did not fully understand the financial products they had created. Andrew Haldane's likening of the system to a 'financial cat's cradle' is a nice summary description of this environment (Haldane 2009; Davies, 2010: 102).

Bearing this characterisation in mind, it seems unduly harsh to single Brown out for blame when it comes to diagnosing the reasons for the credit crunch as it enveloped Britain from 2008 onwards. Of course, the Brown leadership made mistakes. The tripartite structure of regulation (whereby the Treasury, Bank of England and Financial Services Authority shared responsibility for financial supervision) has been heavily criticised since the crisis broke (see for example HC 56-I, 2008). The FSA has since disavowed its 'light touch' style, while Alistair Darling afterwards accepted that, as Chancellor, he was too slow to guarantee all Northern Rock deposits (leading to a 'run' on this bank). However, because of the complicated, turbid (and transnational) properties of this structural terrain, no regulatory regime in the west foresaw the extent of this crisis, or was able to insulate its domestic economy from the adverse impact. Few economists or financial journalists predicted the ensuing disaster. Even Vince Cable could be seen in 2006 giving an address to a lunch of the Association of Foreign Banks praising the achievements of the City of London and warning of, '…the dangers of "the current clamour for regulation of financial products"' (cited in Darling, 2011: 9).

It is also worth remembering that the 'Great Financial Crisis' broke in successive waves on the UK economy and this temporality also needs to be borne in mind. Indeed, once the Brown leadership had rescued Northern Rock, the problems facing the financial system seemed to disappear (Seldon and Lodge, 2010: 33). In the spring of 2008, organisations such as the OECD and the IMF continued to forecast growth for the British economy (Peston, 2012: 12), whereas, Darling reports finally feeling in control of events at this time (Darling, 2011: 67). As it was, the 'second wave' of the crisis later on that year was triggered by an external shock that the Brown government could do nothing about - the wholly unexpected decision to allow Lehman Brothers to collapse. Both RBS and HBOS were heavily dependent on US funds and their share prices plunged as a direct result of this unanticipated action.[3] The UK Treasury was certainly aware of the deteriorating situation at both these banks but was powerless to stop the disaster that followed from this chain of events. On 'meltdown Monday' (6th October) the FTSE 100 experienced its biggest one-day points fall on record: £100 billion was wiped off the share value of some the UK's biggest financial institutions (Seldon and Lodge, 2010: 141-44).

Finally, we noted above that the ease or difficulty of a structural context could partly be judged according to how commensurate it was with the objectives of

[3] Bradford and Bingley's shares had also fallen dramatically, but this decline had taken place steadily over a twelve month period.

the political leader under investigation. From a statecraft perspective, the environment sketched out above could be considered relatively demanding in that it undermined Brown's strategy for achieving an image of governing competence on which its electoral fortunes were believed to depend (Clarke, Sanders, Stewart, & Whiteley, 2009). Historically, 'New Labour' (under Brown's stewardship at the Treasury) adopted a twin-track strategy in pursuit of these goals. First, they 'depoliticised' the conduct of monetary policy by separating the formulation of decisions from their implementation, and then hiving-off the latter to an independent Bank of England. Second, they presided over sustained investment in public services (especially in health and education) albeit constrained by a Code of Fiscal Stability containing rules relating to levels of government borrowing and debt. Brown's constant refrain contrasting this 'investment versus Tory cuts' (underpinned of course by this broader image of financial stability) has been widely credited as one of the key factors behind Labour's election victories in 2001 and 2005 (Butler and Kavanagh, 2001: 74-75, 240-41; Butler and Kavanagh, 2005: 57-58, 75, 182; Whiteley et. al. 2005). The economic recession from 2008 onwards destroyed this tactic, whereas exploding government deficit and debt levels gave the Conservatives an opportunity to pin responsibility for Britain's deteriorating public finances on (yet another) profligate Labour government.

5. Conclusions

To conclude, this article has contended that it is important to take into account structural context when assessing the performance of political leaders in different temporal and spatial moments. Using some of the theoretical postulates of philosophical realism, it has claimed that the governing environment facing the Brown leadership was more challenging than some commentators have suggested. If this assertion is accepted, how well did the Brown leadership cope? Clearly its statecraft objectives as described above were not achieved. Labour lost the 2010 general election and Brown led them to their worst result since 1983. However, in other ways, Brown's handling of events, especially from the autumn of 2008 to the spring of 2009 was both bold and original. While a full exposition of this argument is a subject for another paper, the following three examples can be deployed to provide a brief illustration of it.

First, Brown was able to demonstrate international leadership through the development of a bank recapitalisation plan that eventually became a template followed by a number of other countries.[4] Three factors appear to have

[4] The main features of this bank recapitalisation plan were a recapitalisation fund of £50 billion, of which £37 billion was drawn by RBS, Lloyds-TSB and HBOS and a Credit Guarantee Scheme, where in return for a fee, banks were given guaranteed sources of funding to encourage them to start lending to one another, and to the wider economy. This plan was followed up with an Asset Protection Scheme

contributed to this leadership role. It was Brown before most other senior politicians at this time who grasped the financial problems facing banks were as much about their capital shortfalls, as their lack of liquidity.[5] Second, the bank recapitalisation plan that the UK authorities eventually produced provided a convincing solution to the question of how banks might be persuaded to accept the need for more capital when they were unwilling to admit in public (and in some cases in private) that they were sitting on significant losses and bad debts. The answer to this conundrum was to make access to government liquidity (which banks accepted they did need) contingent on banks raising capital to prescribed levels (Seldon and Lodge, 2010: 164-65). Finally Brown was at pains to keep EU and US politicians informed of his proposals. Although Brown never convinced his counterparts of the merits of this bank recapitalisation plan *before* it was introduced in the UK, this consultation ensured these leaders were more predisposed to copy it when they came round to the idea that further action was needed (Brown, 2010: 43-65). It was certainly the case that the financial situation in the UK only began to stabilise *after* other countries followed Brown's lead (Thal Larsen and Parker, 2008; Benoit, Guha and Thal Larsen, 2008; see also Wood, 2009).

Brown's leadership at this time certainly compares well when contrasted with his American counterparts. The US Treasury first conceived its Troubled Asset Relief Programme (TARP) as a response to the credit crunch. A $700 billion fund composed of taxpayers' money would be made available to purchase bad loans held by banks that were stopping them from borrowing and lending money. Having purchased these 'toxic assets', the government would then attempt to value and sell them off. TARP was initially rejected by Congress after provoking a range of criticisms. It was unclear how the US Treasury would determine the price of these assets, when as noted, very few understood how they were put together and valued in the first place. Other commentators wondered exactly who would buy these assets? If banks currently holding them could not sell them on, why would the government necessarily be more successful in attracting buyers? Some suspected the government would have to significantly lower the price of these assets to make them more appealing, but if this was the case, would ailing financial institutions be able to take the resulting hit on their balance sheets? The Bush Administration eventually got a revised plan through the House and the Senate, but TARP was soon quietly

(February 2009) where, in return for a fee, the Treasury would insure financial institutions against losses incurred by holding 'toxic' assets. The bank of England began its Quantitative Easing programme in March 2009, whereby it purchased high quality assets (especially guilts) from banks to help improve liquidity (Thain, 2009: 443).

[5] In coming to this conclusion, Brown was helped (and listened to) Jonathan Portes, Shriti Vadera, Jeremy Heywood and Jon Cunliffe. This group encouraged him to research and think about the contrasting experiences of the Japanese and Swedish banking systems in the 1990s. Brown also read Ben Bernake's essays on the Great Depression of the 1930s and this historical parallel remained prominent in his mind at this time (Brown, 2010: 37; Seldon and Lodge, 2010: 145)

dropped as the US authorities eventually followed the British lead by focusing on recapitalisation.

Finally, Brown's actions can also be viewed favourably when compared with those of the heads of government in the eurozone. In the early stages of the crisis, Europe's leaders were slow to react, arguing that the problems were confined solely to 'Anglo-Saxon capitalism'. The responses when they did come were unilateral, un-coordinated and undermined attempts at this time to arrive at a common position. On 30th September 2008, the Irish government announced without consultation its decision to guarantee, not just ordinary depositors money, but almost all the debts of Ireland's five domestic banks (Kluth and Lynggaard, 2013). When those banks subsequently required funds to cover their losses, the Irish government could not reciprocate and had to turn to the IMF and EU for a 67.5 billion euro bailout. It was this chain of events that was at least partly responsible for the decimation of Fianna Fail's electoral support and its dramatic loss of power in 2011.

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