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Death and Taxes: Why has the UK Securitised Fiscal Policy in the manner that it has and what does this imply regarding the Coalition Government's understanding of Economic Security?

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The United Kingdom's coalition government has securitised fiscal policy – taxation and government spending – in the aftermath of the 2008 global financial crisis. The nature of this securitisation is in part the result of irreversible increases in interdependence and financial deregulation that characterised the end of the twentieth century and in part politically motivated. The UK's government no longer perceive economic security to be the conceptual handmaiden of more traditional militaristic notions of security. Geo-economic concerns are not visible in this securitisation and the primacy of the military on the security agenda appears to be, at least temporarily, in decline. Using the analytical tool of Balzacq's (2005) revision of the Copenhagen School's securitisation theory, this work will (1) briefly discuss why – politically – Prime Minister David Cameron's government have chosen to securitize fiscal policy, (2) investigate the implications this move has for the field of economic security as it relates to government policy, and (3) evaluate the normative values inherent in the particular method of securitisation implemented. Balzacq (2005, p.192) understands securitisation as 'a strategic (or a pragmatic) practice, as opposed to one of universal pragmatics (speech act),' therefore the context within which the securitisation takes place is of relevance. The prioritisation of the protection of

Britain's AAA credit rating over military, geo-economic, and welfare concerns suggests the an adoption of a financial realist perspective by the coalition government in which the state remains the referent object of security. Also of relevance is the political motivation for the use of securitisation rhetoric in pursuing a programme of austerity. For the sake of clarity it is worth noting that the terms security, securitisation, financial security, and financial securitisation used in this work refer to concepts within security studies and more specifically the Copenhagen School rather than financial processes or assets.

The Securitisation of British Fiscal Policy

Defined as a speech act 'that takes politics beyond the established rules of the game and frames the issue either as a special kind of politics or as above politics' (Buzan *et al.* 1998, p.23), securitisation theory is of particular use when examining policy areas outside the traditional, militaristic, understanding of security. Rather than borrow meaning and significance from historical uses of the term security, security is considered to be 'constituted intersubjectively in a specific field, and it should not be measured against some real or true yardstick of security' (Wæver 1995, p.51). As Wæver (1995, p.55) puts it, 'security is not of interest as a sign that refers to something more real; the utterance itself is the act'. However, securitisation theory, as presented by the Copenhagen School, is not without its limitations. Thierry Balzacq (2005, p.171) criticises the notion that the speech act itself removes its subject from the political sphere and grants it apotheosis, placing it upon the security agenda. Indeed, since invoking security is as much a persuasive as it is a nominal act, the process of securitisation must be expanded to encompass factors such as political context, strategic purpose of the

securitising actor, and audience, if it is to remain a useful analytical tool. Balzacq (2005, p.173) recasts securitisation theory as 'a field of power struggles in which securitising actors align on a security issue to swing the audience's support toward a policy or a course of action'. Whilst linguistic acts remains the focus, this revised securitisation cannot be said to be an entirely 'self-referential practice' as it is defined by Buzan, et al. (1998, p.24). The temporal world does not consist entirely of linguistic structures or utterances. Rather our perception of reality is influenced and altered by its use. Thus the analysis of security problems requires an appreciation of the context of, and external constraints upon, a securitising act (Balzacq 2005, p.181).

George Osborne – then Shadow Chancellor – emphasised the existential threats of a sovereign debt crisis and a downgrading of the UK's AAA credit rating in the months prior to the general election in May, asserting that 'Britain's credit rating is under threat,' and that 'some commentators think a downgrade is inevitable' (Osborne 2010a). His speeches were unambiguous; the United Kingdom's national debt and budget deficit were putting the entire economic recovery at risk. The security of the UK's credit rating was rhetorically linked with the security of people's jobs and small businesses (Osborne 2010b) in the hope of winning public support for historic cuts to public spending. Prime Minister David Cameron reiterated this sentiment, stating that:

> if, in Britain, investors saw no will at the top of government to get a grip on our public finances, they would doubt Britain's ability to pay its way. That means they would demand a higher price for taking our debt, interest rates would have to rise, investment would fall. If that were to happen, there would be no proper growth, there would be no real recovery, there would be no

> substantial new jobs because Britain's economy would be beginning a slide to decline. (Cameron 2010)

Cameron followed this by using Greece's sovereign debt crisis as a warning as to what the future might hold and finally he stressed the sine qua non nature of dealing with the threat to Britain's credit worthiness, stating that 'we are doing this as a government because we have to, driven by the urgent truth that unless we do so, people will suffer and our national interest will suffer too' (Cameron 2010). Thus began the securitisation of fiscal policy through the exaggeration of the threat and immanence of a sovereign debt crisis.

Helen Nesadurai (2005, p.5) observes that economic security has conventionally been viewed as a measure of the ability of individuals to weather unexpected income variation via provisions stemming from the welfare system. The coalition government's decision to securitize fiscal policy, resulting in a reduction of social security provisions such as housing benefit and the abolition of the universality of child benefit, is in direct contradiction to this individual-focused interpretation of economic security. There exists a trade-off between human economic security and financial security. Nesadurai recognises this, stating that:

> economic security for the individual […] could well detract from the collective economic security for the national community by going against the logic of a market economy and consequently, undermining national economic growth prospects. (2005, p.10)

Faced with a maelstrom of financial insecurity, why then did the coalition government choose to securitize the economy in the specific manner in which they did? In other words, why sacrifice individual welfare – in the form of cuts to state benefits and job losses in the public sector – in order to protect Britain's credit rating?

Opposition voices within the UK – including trade unions, the Labour Party, student bodies, and devolved governments in Scotland, Northern Ireland, and Wales – accuse the government of ideological motivation, interpreting the cuts not as a defensive move in the face of danger but as an aggressive assault on the welfare state and those that depend upon it, cloaked in security rhetoric. Such a view is supported by the fact that whilst the relationship between government debt and its national credit rating is well established (Johnson 1999, p.243), the threat of a sovereign debt crisis was not as unambiguous as coalition rhetoric suggested. Whilst a Morgan Stanley report speculated that a downgrade leading to a fiscal crisis was possible, it stated that such speculation would only become a reality under extreme circumstances (2009, p.14). King & Sinclair (2003, p.348) emphasise the fallibility of credit rating agencies; both S&P and Moody's are perceived to have issued misleading ratings during the Mexican and Asian financial crises of the 90s and like other agents in the financial industry often struggle to keep ahead of the constant evolution of financial markets and assets. Rating agencies are also entirely unaccountable, democratically and legally. They are able to abdicate financial liability by claiming that the product they offer is an opinion on creditworthiness rather than a scientific evaluation and are thus protected by freedom of speech legislation (King & Sinclair 2003, p.352). The threat of a credit rating downgrade was certain according to coalition rhetoric, but the true danger faced by Britain in the early months of 2010 remains unclear. What is unambiguous is the profit that a scaling back of the deficit meant for wealthy investors (Edmunds 1996, p.130). Regardless of the likelihood of a credit rating downgrade or a sovereign debt crisis and the true challenges this would present the UK economy, this

threat was put to the British public as real and imminent by the coalition government.

The use of powerful security rhetoric is politically prudent in the context of the retrenchment of the welfare state. Such a move can be problematic as distinct societal groups who receive benefits are likely to become organised in defence of what they have historically received from the state (Pierson 1996). Trade unions and other groups such as pensioners are 'better placed than others to speak on behalf of their societies' (Wæver 1995, p.70). This securitisation could be interpreted as a way to weaken the positions of these groups and reduce the likelihood of solidarity of general opposition within the wider British public. Indeed, the justification given for these severe cuts to public spending is comparable to various European administrations' decisions to cite external pressures of globalisation or EU integration when embarking upon a course of reforming the state's involvement in the economy and its welfare responsibilities (Hay & Rosamond 2002). Though Pierson is correct in asserting that entitlement programmes create powerful interest groups, Clayton & Pontusson (1998, pp.84-96) challenge the notion that this fact leaves welfare programmes invulnerable. Pierson (1996, p.163) attributes this exception to resilience against retrenchment to the ability of governments to reform social spending in an indirect manner, without openly attacking recipients of specific benefits. Equally powerful in pursuing an agenda of spending cuts is to convert the concentrated-losses-for-diffuse-gains formula into a question of universal disaster. The UK coalition's political incentives to securitise fiscal policy are clear, given the difficulty elites generally have in convincing their electors to support spending cuts. Whilst the motivations for securitising areas of policy are rarely as pure as

securitising actors would have the public believe, seeking to interpret the implications of securitisation remains relevant and valuable.

Financial Security

The securitisation of the UK's fiscal policy has a bearing upon more than the ease with which the coalition government can pursue their agenda. It is indicative of a shift in focus of economic security. Economic security was once understood as the accumulation of wealth and technology, sufficient to maintain a state's military might. This school of economic security thought – dubbed geo-economics by Cable (1995) – gained much ground in the 1990s, especially in the United States. Imposing neorealist notions of anarchic competition between states via economic policy, 'geo-economics [...] replaced geo-politics as the central pre-occupation of the major powers in the 1990s, with economic power recognised as crucial in determining the primacy or subordination of states in the international system' (Nesadurai 2005, p.4). Such an approach is characterised by state support and protection for domestic industries in competition with foreign producers (Cable 1995, p.307).

Increasing integration by states into the global market has been a challenging development for security studies scholars. From a neorealist perspective, the increased economic interdependence of nations threatened the sacred sovereign power of the state, thus reducing their security by increasing the cost of exercising their will on the international stage. Increased economic linkages have reduced the foreign (and in many cases domestic) political autonomy of states wishing to benefit from engagement with world markets (Crawford 1995, p.153). The lines separating sovereign states – the fundamental units of analysis that security studies traditionally concerned itself with – have been weakened and blurred. Crawford (1995, p.149)

characterises a state's position in the post-Cold War, globalised market system as a new security dilemma, which entails threats to the state's ability to independently conduct warfare and also to the welfare of society if international competitiveness decreased. Whilst there is now a paucity of direct, known, military enemies, the sense of susceptibility to the wills of others is increased. As Crawford asserts:

> The intensity of these fears [was] on the one hand, a function of the position of the state in the military realm and, on the other hand, a function of the position of the state in international markets (1995, p.151).

States were faced with a choice between a loss of wealth that isolation from the global market entailed, and a loss of autonomy as markets were allowed a hand in guiding the course of nations. However, due to that traditional partner of security studies – the military – retaining (at least to an extent) its primacy within the subject of fiscal securitisation, many security scholars and much of the rhetoric of government has focused on alleviating the decline of self-reliance.

The securitisation of UK fiscal policy has been concerned with economic security of a wholly different nature. This is unsurprising given that Cable, now a prominent member of the coalition government, has described geo-economics as 'doomed to frustration, since technological catch-up and liberal policy reform mean that emerging market economies are almost certainly bound to grow faster than the US (or EU)' (1995, p.312). He is dismissive of prominent examples of economic policy dressed in the rhetoric of competitiveness, stating that in reality they have been steps towards deregulation and market liberalisation (Cable 1995, p.311). He is equally critical of the notion of securitising the development of

strategic technologies, expressing doubts over the state's competence and ability to pursue such a course of action. Edward Luttwak's observed that:

> under geo-economics, private commerce […] would have to precariously exist with the currently subsidised exports, government tended technology programmes, enticing low interest credit, one-sided licensing […] of states bent on economic aggrandisement (Luttwak 1990, cited in Cable 1995, p. 312)

This view is reflected in the dominant modern foreign economic policies of the developed world.[1]

The trend of globalisation, particularly the globalisation of finance, is not one easily reversed. The wealth creation opportunities that such openness affords make a return to geo-economic practices or re-regulation extremely unlikely without the some radical – and as yet unforeseeable – alteration to the international stage. Even the global recession – caused by an asset price crash and spread internationally through the global finance system – has not lead to either the coalition government or their opposition, the Labour Party, to shrink from Britain's integrated position within the global economy. Because financial agents exploit any opportunity for arbitrage (buying a good in one market to be sold immediately at a higher price in another) re-regulation would trigger a race to the bottom to the benefit of those economies that remained most open and economically liberal (Dobrowski 1998, p.12). As Wæver says, security is 'more than just a word, since one must have in hand the means to block a development deemed threatening' (1995, p.58). Even at the height of geo-economic rhetoric regarding competitiveness and neo-mercantilism there was little incentive in

[1] For examples of this, see Simmons & Elkins (2004, p.171), Dobrowski (1998, p.8-13), Peterson (1995) and Strange (1996).

terms of wealth accumulation for developed nations to halt the flow of globalisation, and this reality has become manifest in the rhetoric and policy of the coalition government. Closure of the state's financial borders is no longer a discussable option. Economic openness has been ingrained by over two decades of market liberalisation, to the extent that securitisation language now recognises that reality.

Implicit in the securitisation of UK fiscal policy is a rejection by British policy makers of the notion that the goal of economic security should be to preserve – as much as is possible in the globalised world of the 21st century – the independent sovereignty and military self-reliance of the state. Indeed, contained within the coalition's comprehensive spending review was a reduction of military spending which led to the complete loss of certain military capabilities such as aircraft carriers and carrier-borne fighter planes. In the eyes of the British government, increasing interdependence – defined by David Baldwin (1980, p.489) as a situation where the benefits of economic linkages outweigh the implicit cost to autonomy – has reduced the fear, and thus the rhetorical power, of military threats. Global finance, defined by John Stopford & Susan Strange as 'the system under which credit is created, allocated, and put to use' (1991, p.35), has fundamentally altered the context within which economic security theory operates, and this change offers a substantial explanation for the focus of coalition government policy. As Miles Kahler puts it: 'globalisation, after undermining the old definition of economic security, is found at the centre of a new definition that emphasises the risks of unexpected shocks and economic volatility' (2004, p.23). It is now widely accepted that the volatility and uncertainty of global markets is the price that must be paid to avoid stagnant growth or recession (Kahler 2004, p.29).

Financial security gained some attention following the Asian financial crisis of 1997-98. Subsequent to this crisis, 'economic vulnerability to other governments no longer loomed large among security threats' and 'vulnerability to international markets and an awareness of the economic and political volatility imported through those markets became central to a redefinition of economic security' within the region (Kahler 2004, p.27). The coalition government's acceptance of this as truth is self evident in the UK's response to the crash of 2008.

Military concerns have receded in the British consciousness but this may be a transitory development. The academic debate regarding the possibility of peace through interdependence remains unresolved (McMillan 1970) and coming to any kind of conclusion as to whether globalisation fosters peace or war in the long run is beyond the scope of this work. For the purposes of this essay it is enough to say that British policy makers have fully embraced openness to international finance markets and manifestly consider threats to the state's position within that structure as more of direct and immediate threat to sovereignty than military attack by a rival. Indeed, whilst sudden and fiery death remains a threat to individuals from terrorism, military threats to a state's sovereignty no longer preoccupy the governments of the developed world. Much stronger, in fact, is the threat to sovereignty from sovereign debt crises such as those recently experienced by Greece and Ireland. Both of these European states have had to sacrifice a portion of their sovereignty to the European Union in order to receive financial aid in the form of bailouts. Security studies have traditionally dealt with the preservation of a state's sovereignty from outside interference – not just its protection from total annihilation. It is debatable whether the magnitude of the threat to sovereignty is comparable to that of

international military action, but the principle behind the comparison is crucial; the budgetary requirements and public sector reforms demanded of Ireland and Greece represent externally enforced barriers to their fiscal autonomy.

The securitisation of current British fiscal policy is indicative of an increased prevalence of what Dent (2007, p.212) calls finance-credit security. Dent describes financial security as a challenging subset of economic security due to the inherent difficulty in placing states within a framework that is dominated by ephemeral cross border flows of capital and non-state actors. The ascendancy of financial security is corollary of the manifest benefits of fuller openness to – and integration into – the global marketplace. Simmons & Elkins (2004, p.171) emphasise the historic significance of the pervasive reduction of economic barriers between most of the world's states that has characterised the last quarter of the twentieth century. Almost two decades ago, Aaron Friedberg posited that 'resisting the tendency towards globalisation could have considerable and perhaps unbearable costs' for the developed world (1991, p.271).

Three decades of financial deregulation in the developed world has fundamentally altered the manner in which states become wealthier. Edmunds highlights an important distinction between wealth generation – the 'investment in buildings, machinery, and technological change,' whereby 'societies accumulated wealth slowly over generations' – and wealth creation through the securities market which 'requires that a state find ways to increase the market value of its stock of productive assets' (1996, p.118). Nations are now able to reach and maintain higher rates of growth than was considered possible a generation ago. Wealth creation occurs when money enters the capital market of a state and raises the value of its securities by competing for profitable assets, thus raising their price through

increased demand and increasing the relative value of the state's currency (Edmund 1996, p.199). Resultantly, for a state, the benefits of holding production facilities for a specific piece of strategic technology within its borders are now massively outweighed by the benefits of an open economy.

This metamorphosis of the costs and benefits of financial globalisation explains why the coalition government's securitised fiscal policy shows more concern for maintaining Britain's attractiveness to investors via the preservation of its AAA credit rating than it does with geo-economic concerns. Even the mechanism with which the UK's financial security was to be secured – reducing the budget deficit – is made more attractive by the ability to create rather than generate wealth. In the past there was little incentive to cut a modest deficit. Today a lower expected rate of inflation reduces the discount rate (the added value to their investment an investor would expect over a given period of time) thus causing an upward re-pricing of a state's capital stock (Edmunds 1996, p.130). The recent financial crisis and the more long-term influence of financial globalisation and liberalisation are the key factors in creating the context in which the securitisation of UK fiscal policy became possible.

Financial Realism

Securitised coalition fiscal policy strongly supports the rise of what might best be described as financial realism. Bislev suggests that whilst globalisation and interdependence have reduced armed conflict between western democracies in the present, they have not yet 'produced actors with the same kind of effectiveness and decisiveness' as militarised western states like the UK used to claim (2004, p.284). Whilst interdependence is assumed to 'entail the

development of supranational and transnational forces outside the control of national governments' (Bislev 2004, p.283-4), the focus on the protection of Britain's credit rating shows that the coalition government's understanding of security remains a state-centric one. Indeed, the lack of competitiveness theory and geo-economic concerns within this securitisation belies an essentially realist understanding of international relations.

International cooperation with regards to regulation or the much discussed (but as yet ephemeral) levy on bankers is difficult given the extreme mobility of financial capital. There is a constant incentive to deregulate and offer financial agents and institutions relatively favourable conditions due to the immense gain in wealth such a move entails. The intractable financial position of states in today's global financial markets is much like a neorealist's interpretation of a state's position in terms of international cooperation. Keohane & Milner (1996, p.257) observe that the escalation of financial capital mobility has created an anarchically structured international system. Within the understanding of economic security inherent in the coalition's fiscal policy – or at least the rhetoric surrounding it – a state's credit rating has become the measure of a state's economic strength comparable to military might in more traditional understandings of security.[2] Just as military might is central to the traditional protection of a state's sovereignty, a state's credit rating – or more fully, its creditworthiness and ability to service its debt – is now the key measure of strength within the context of financial security. The normative implication of coalition government's securitisation move is that a state's financial stability should be the referent object of economic security. Their prioritisation of financial stability over the economic prosperity of

[2] However, it should be noted that this is in terms of the place it occupies within a neorealist security framework, not in terms of material importance.

citizens parallels neorealism's prioritisation of the defence of sovereignty over the lives and security of individuals.

Wæver argues that security studies' traditional preoccupation with military strength and threats exist primarily because, in the past, 'if defeated, a state would find itself laid bare to imposition of the conqueror's will', stating that 'if some overturning of the political order can be accomplished by economic or political methods, these, too, will constitute security problems' (1995, p.52). He asserts that war is characterised by the urgency of the threat or challenge to its sovereignty that a state faces, rather than the presence of armed men and technologies of destruction. His description of war as an 'unconstrained situation in which the combatants each try to function at maximum efficiency in relation to a clearly defined aim' (1995, p.53), is as reflective of the modern state's position in a world of globally mobile finance as it is of any war. Financial security provides strong support for Wæver's belief that 'it is a coincidence that military means have traditionally been the ultimo ratio' (1995, p.53). Notions of international anarchy and states-as-actors essentially stem from a Hobbesian conception of the state of nature. Central to Hobbes's theory is a fear of death. This mortal dread is what unites populations into sovereign states and sets them at odds with their international counterparts. Echoes of this simultaneously unifying and divisive fear still influence the concept of security. As Der Derian (1993, p.104) puts it:

> the fear of the other is transvalued into the "love of the Neighbour" […] and the perpetuation of the community is assured through the internalisation and legitimation of a fear that lost its original source long ago (1993, p.104).

Whilst this fear remains a very real one in some parts of the world, it is also symbolic of an epistemological fear, or as Huysmans asserts, 'a

fear of uncertainty, of an undetermined condition' (1998, p.235). Spain, Portugal, Greece, and Ireland have suffered economically for a variety of reasons and that suffering had been accompanied by a downgrade of their credit rating. When Standard & Poor (S&P) – one of the "Big Two" credit rating agencies – threatened to downgrade the UK's credit rating as the government debt burden grew (Mnyanda 2009), the coalition government was presented with a mechanism by which the uncertainty of possible financial contagion spreading through Europe could be turned into a definable enemy: national debt and the budget deficit. It was in this context that the coalition government were able to implement their fiscal policy goals under the guise of protecting national financial security. Security has never truly been focused on 'elimination of enemies but at the destruction of strangers, or more generally strangehood' (Huysmans 1998, p.242). In the past, the unknowable intentions of foreign powers provided this strangehood. Today – within the context of economic security – 'the ability of individual investors to undermine public monetary institutions and of rogue traders to destroy respected private financial firms' has adopted this role (Dobrowski 1998, p.1).

Conclusion

The securitisation of UK fiscal policy set out a programme of austerity aimed at securing Britain's AAA credit rating thus protecting the state's financial strength and resilience. Despite this securitising move representing a substantial broadening of the security agenda in the UK, the referent object remains strongly the state rather than the individual. The relevance and significance of financial security in the current economic climate hardly needs restating but its primacy is likely to fade if a global recovery is

successful. It is unlikely to maintain a dominance of the security agenda for decades in the same manner as deterrence theory but, as John Galbraith says, it does not take long 'for the recollection of one disaster to be erased and for some variant on previous dementia to come forward to capture the financial mind' (1993, p.87). Without a seismic shift in the nature of global finance, concerns over financial security are likely to be recurring if not continual. The use of the securitisation of fiscal policy for the justification of social spending cuts has implications for the future resilience of the welfare states of the world as well as the economic recovery of nations that choose to embark on programmes of austerity – or are convinced of their necessity – soon after economic growth is re-established. As with any securitisation, the true motivation behind such a move is ambiguous and whilst the rise of financial security has made economic security a more coherent field than it was under the reign of geo-economics, there remains the question of whether such a move is a positive one. As Wæver states, 'security and insecurity do not constitute a binary opposition' (1995, p.56), and the economic welfare of large numbers of British citizens has been made less secure.

There are other matters relating to the securitisation of fiscal policy which would benefit from further study. These include the European Union's response to financial insecurity, since states within the EU have a unified monetary policy and their fiscal policy is at least nominally limited by the Stability and Growth pact. The relationship between prosperous elements of the EU, such as Germany, and economically weaker states with whom they share a currency has already become strained following the 2008 crash. Indeed, financial securitisation on a global scale might be of use in gaining consensus on a tax on bankers that – whilst much discussed – is unlikely to emerge without large-scale multilateral cooperation. A

study of the United States's approach to economic security during this period would also be valuable, since Barack Obama has expressed concern over the speed and depth of European budget cuts. America has a history of consistently high national debt and current account imbalances but benefits from the international use of its currency for trade and as a store of value. Finally, the implications of the rise of financial security for the developing world should be investigated. Just as the Cold War arms race impacted on their peace and prosperity, the effects of a widespread, fearful securitisation of economic policies in the developed world may adversely affect the future prospects of nations already in weaker economic positions.

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