The role of the media in fiscal consolidation programmes: the case of Ireland

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A number of European countries have implemented austerity programmes since the onset of the current economic crisis. This paper focuses on fiscal consolidation, a central aspect of such programmes, using the case of Ireland. It investigates the significant role of the mass media in presenting such policies to the public, a role which has so far remained unexamined. Conceiving of the Irish experience over the past few decades as a case of neoliberalisation, it uses a critical political economic conceptualisation of news organisations to consider 431 editorials and opinion articles discussing fiscal consolidation in three leading Irish newspapers between 2008 and 2012. It finds that the majority of articles present viewpoints in favour of fiscal consolidation and display a preference for spending cuts over tax hikes, which substantiates the claim that Ireland has adopted neoliberal policies to address the crisis. Only a minority of articles oppose fiscal consolidation. These mostly contest specific spending cuts but usually fail to criticise fiscal consolidation itself by calling for economic alternatives, such as Keynesian stimulus. Differences between newspapers are also discussed, highlighting their ideological cleavages.

Key words: Fiscal consolidation, Media, Economic crisis, Austerity, Ireland
JEL classifications: E62, H62, H63

1. Introduction

A number of European countries have adopted austerity programmes in response to the ongoing economic crisis. Scholars have researched key aspects of such policies, but the role of the mass media in presenting them to the public has essentially remained unexplored, although there are exceptions (Mercille, 2013; Pirie, 2012; Quiring and Weber, 2012). This is paradoxical, given the impact of the media on popular perceptions and in shaping public debates about economic policy. This paper examines the ways in which fiscal consolidation has been discussed in relation to government budgets in the media since the onset of the current crisis in 2008. This focus makes the investigation manageable within the space provided, while it provides significant findings. Fiscal consolidation is central to austerity programmes and is arguably the key
policy that underpins such packages. Ireland is used as a case study and the country’s political economy over the past several decades is conceived as a case of neoliberalisation, which also applies to the ways in which the country has addressed the crisis since 2008. The paper sheds light on the extent and ways in which fiscal consolidation has been presented favourably or unfavourably by news organisations; the particular strategies (taxation and spending) that have been preferred; the nature of and extent to which policy alternatives have been circulated in the media; and differences in coverage from one newspaper to another.

The paper proceeds as follows. First, the Irish experience of fiscal consolidation is reviewed and put in the context of the country’s neoliberalisation. Second, the economic debate about fiscal consolidation is reviewed. Third, after a brief analysis of Irish media, newspaper coverage of fiscal consolidation is discussed, addressing the issues raised above. The last section concludes.

2. Ireland’s neoliberalisation and fiscal consolidation

This paper conceives of Ireland over the past several decades as a case of neoliberalisation (Brenner et al., 2010), following a number of analysts (Allen, 2009; Fraser et al., 2013; Kirby, 2010; Kitchin et al., 2012). Although Irish governments have never explicitly adopted a neoliberal ideology, political economic institutions have nevertheless been transformed along those lines. This ‘neoliberalism Irish-style’ (Kirby, 2010, p. 147) has borrowed elements of US neoliberalism, such as public–private partnerships, privatisation of public services, low corporate and individual taxation, low level of government expenditures on social programmes and light regulation of the financial system (O’Hearn, 1998). It also incorporates aspects of European social welfarism, such as social partnership, European Union directives and a developmental state (Kitchin and Bartley, 2007; Kitchin et al., 2012).

Neoliberalism, as interpreted by theorists such as Harvey (2005, 2010) and Duménil and Lévy (2011), is a set of ideas and practices seeking to maintain or restore the power of economic elites and involves policies such as market deregulation, privatisation, cuts in social spending and financialisation of the economy. States selectively intervene in the economy to assist in those tasks. Ideology is an important element associated with such principles and practices, the latter being presented favourably, implicitly or explicitly, by a range of institutions, including think tanks and the media. The ideological role of the media can be interpreted in terms of establishing what Gramsci (1971) calls ‘common sense’, which typically grounds popular consent to government policies, although there are limits to such acquiescence. In particular, the ways in which news organisations have offered positive interpretations of fiscal consolidation will be examined in detail below.

During the pre-crisis, ‘Celtic Tiger’ years, Irish economic performance was impressive (Clinch et al., 2002). Between 1988 and 2007, real GDP grew at an annual average of 6%, while unemployment fell from 16% in 1994 to 4% in 2000 (Honohan, 2010, p. 21). Since 2008, however, the Irish economic model has been questioned as it ushered in a period of crisis and austerity.

Irish elites, well connected across economic and financial sectors through boards of directors and other channels, referred to as a ‘golden circle’ by one think tank (Clancy et al., 2010), have been at the centre of the Irish development model. A number of analysts have observed how in this model the state ‘prioritises goals of economic
competitiveness over those of social cohesion and welfare’, following neoliberal principles (Kirby and Murphy, 2011, p. 26). These have included a relatively low level of government expenditures on social programmes, light regulation of the financial system, large dependence on foreign capital and flexible labour markets (Kirby, 2002; O’Hearn, 1998). Sean Ó Riain, from a perspective that emphasises the developmental role of the state, has noted the ‘class bias’ in government policy through ‘the imposition of competitive pressures upon the weakest’ in society (2008, p. 169). The state has intervened in favour of the better off, but much less so to support the disadvantaged, as ‘the cold chill of competition is experienced most strongly by those with the least resources’ (p. 179) so that ‘the welfare state was in some respects strengthened for the middle classes even as it remained a minimalist support for the most excluded’ (p. 175). Similarly, Kirby and Murphy (2008, p. 125) have written that the Irish government intervenes selectively in favour of the privileged, as the state’s ‘capacity to win high levels of foreign direct investment in key targeted sectors contrasts with its low social spending’.

A phase of export-based expansion in the 1990s enabled Ireland to emerge from a long period of economic stagnation. The success of this phase was made possible by large investments from transnational corporations into the country, made attractive due to its status as a ‘tax haven’ for US and other multinationals seeking access to the European Union single market (Honohan and Walsh, 2002; Ó Gráda and O’Rourke, 1996). However, as export growth rates fell sharply after 2000, a second phase characterised by financialisation and a credit-fuelled construction boom sustained high rates of economic growth. Credit was made more freely available due to the significant fall in interest rates (including for mortgages) brought about by Ireland’s entry into the Economic and Monetary Union of the European Union. As domestic lending increased so substantially, Irish banks’ deposits came short of providing sufficient funding. Therefore, banks filled this funding gap through foreign borrowing, which was in turn largely channelled towards the domestic property market. As a result, real residential property prices rose 3-fold between 1994 and 2006 (Kelly, 2010; Nyberg, 2011).

Rising property prices directly benefitted builders and developers, banks, the government and property firms. The government, led by the Fianna Fail party, was able to collect large tax revenues from the property boom through stamp duty, capital-related taxes and income taxes on construction workers and VAT on construction materials. While total property-related taxes accounted for 4% of government revenue in 1996, they accounted for more than 17% by 2006 (O’Toole, 2009, p. 120). Bankers could increase the size of their loan books and profits, just like builders and developers, as long as house prices kept rising. Those converging interests in sustaining the real-estate bubble lubricated a thick web of corruption, bribery and unethical relationships between key officials in the public and private sectors, as the Tribunal of Inquiry into Certain Planning Matters and Payments (Mahon Tribunal) has revealed.

The media played an important ideological role during the housing bubble years, sustaining the rise in property prices. In particular, they received a large amount of funding from real-estate advertising, with most newspapers publishing weekly supplements for commercial and residential property. This seems to have been one factor influencing news content, which has been very favourable to the real-estate market. A study of Irish journalism practices revealed that journalists ‘were leaned on by their organisations not to talk down the banks [and the] property market because those organisations have a heavy reliance on property advertising’ and also that because of
the need for regular contact and interaction with financial sources, ‘some journalists are reluctant to be critical of companies because they fear they will not get information or access in the future’ (Fahy et al., 2010, pp. 13–15). Shane Ross, a former Sunday Independent business editor, noted that ‘Glowing editorial pieces about a new housing estate were often miraculously accompanied by a large advertisement plugging the same estate’, while ‘Unfavorable coverage of developers and auctioneers in other parts of the newspapers was regularly met by implied threats from property interests that advertising could go elsewhere’ (Ross, 2009, pp. 157–8).

Moreover, a systematic study (Mercille, 2013) found that the Irish press and television presented a largely favourable view of the property market before 2008, sustaining the rise in house prices. Only a minority of analysts, such as Morgan Kelly and David McWilliams, foresaw the bubble. For example, between 2000 and 2008, the phrases ‘housing bubble’, ‘property bubble’ or ‘real-estate bubble’ appeared only rarely in the Irish press and when they did, it was often to deride such conceptions, while a property bubble was growing. Further, ‘experts’ quoted in the media were overwhelmingly affiliated with real-estate companies, banks and the main political parties, which all had a direct stake in the bubble’s growth and who thus provided (over)optimistic assessments of the market.

In the years since 2008, the Irish government has addressed the crisis by following neoliberal principles. As scholars at Ireland’s National Institute for Regional and Spatial Analysis have put it, ‘the solution to the crisis has employed a deepening of neoliberalised policy designed … to protect as much as possible the interests of the developer and financial class’ (Kitchin et al., 2012, p. 1317; Allen and O’Boyle, 2013; Fraser et al., 2013). The government has implemented an austerity programme, first on its own and, since late 2010, within the context of an €85 billion European Union–International Monetary Fund (IMF) bailout, through which it has committed itself to implementing ‘structural reforms’. In this respect it is worth noting the policy constraints that limit the Irish government’s room for manoeuvre in the implementation of fiscal consolidation objectives. For example, the Stability and Growth Pact, the excessive deficit notice served in 2008 and the rigidities of the troika’s loan agreement set strict parameters that fiscal policy should respect.

The neoliberal character of government policy since 2008 has manifested itself at several levels, with the general result that private losses of elite institutions were socialised. First, in 2008, the state issued a blanket guarantee on banks’ liabilities amounting to €365 billion. Second, the government intervened in the financial system as it effectively bailed out the banks. By 2011, Anglo Irish Bank, Irish Nationwide Building Society, Allied Irish Banks (AIB), Irish Life & Permanent and EBS Building Society were nationalised, while the state had a large stake in Bank of Ireland. By 2012, banks had received €64 billion in recapitalisation funds from the state. Third, the government established the National Asset Management Agency (NAMA) to buy lenders’ ‘toxic’ loans in November 2009. It paid €32 billion for loans valued at €77 billion by the banks, but notwithstanding this discount, it is uncertain whether NAMA will recover the state’s spending as further falls in Irish house prices remain a possibility (Kitchin et al., 2012).

Fourth, a pension levy and pay cut amounting to a 14% decrease in take-home pay were imposed on public sector employees, while staff numbers were reduced by about 15,000 between 2008 and 2010. A pay freeze was put in place between 2010 and 2014 as part of the Public Service Agreements (also known as the Croke Park Agreements), which have included a number of reforms designed to make labour cheaper and more
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‘flexible’, through geographical redeployment, longer working hours, closer performance monitoring and suspension of recruitment and promotion (Labour Relations Commission, 2013). The public sector pay bill was thus reduced by about €1.5 billion between 2010 and 2012. In the private sector, workers have faced redundancies and their number has been reduced by 18% since 2008 (IMF, 2012, p. 63). The government has also moved towards the (partial) privatisation of public assets, in line with the troika’s recommendations. This offers the Irish and foreigners profitable investment opportunities in sectors that include utilities, the national airline and harvesting rights in forests (Allen and O’Boyle, 2013).

There has been a noticeable increase in inequality and poverty since 2008. For example, from 2008 to 2011 (the latest data available), Ireland’s deprivation rate increased from 13.8% to 24.5%, while the consistent poverty rate rose from 4.2% to 6.9% and the Gini coefficient moved from 30.7 to 31.1 (Central Statistics Office, 2013). Furthermore, labour’s share of GDP, after having increased sharply between 2002 and 2008, has decreased equally steeply since 2008. Nolan et al. (2012, p. 31) constructed an indicator of economic vulnerability incorporating a range of variables. They found that whereas the size of what they refer to as the ‘vulnerable class’ remained stable over the period 2004–08, when it was about 16.5%, it rose significantly to 22.6% in 2009 and sharply again to 29.7% in 2010, so that ‘the scale of the economic crisis is reflected in an almost doubling of the level of economic vulnerability’. This happened even if the distributional impact of tax, welfare and public sector pay adjustments have been progressive over the 2008–12 period. In any case, a proportionally smaller income loss may be more difficult to absorb for low-income groups than a proportionally larger loss for those higher on the income scale (Callan et al., 2012). Also, the government has implemented several job creation initiatives, such as the Action Plan for Jobs published in February 2012, which seeks to have 100,000 additional people in work by 2016 and a further 100,000 by 2020 (Department of Jobs, Enterprise and Innovation, 2012). However, so far, such initiatives, although positive in several respects, have not led to a significant reduction of unemployment figures.

One key element in the austerity programme, and arguably the central one, is fiscal consolidation. In 2008–10, the government enacted a series of such measures, including spending cuts in health, education, science, children and social welfare and capital expenditure, while a public sector pay raise agreed earlier was cancelled. It also increased the rate of VAT, introduced an income levy, a public sector levy, a number of tax increases or new taxes such as the motor registration tax, air travel tax, capital gains tax, tax on bank deposits, and tax on non-principal residences (for details, see Drudy and Collins, 2011). With the situation still deteriorating, the government released the National Recovery Plan 2011–2014, outlining further adjustments totalling €15 billion (9.7% of GDP) over four years, made up of a €10 billion reduction in expenditures and €5 billion in revenue-raising measures. The plan was to reduce the deficit from 9.1% of GDP to less than 3% by 2014 (Government of Ireland, 2010). A worsening fiscal position forced Ireland to agree to a European Union–IMF bailout in November 2010. The IMF stated that ‘continued large fiscal consolidation is needed’ and that the National Recovery Plan 2011–2014 ‘will form the basis of 2011 and subsequent budgets’, with two-thirds of the adjustment coming from spending and one-third from revenues (IMF, 2010B, pp. 1, 4). Accordingly, the 2011 budget outlined an adjustment of €6 billion, cutting the minimum wage, introducing a new universal social charge as
well as taxation measures to raise revenue by €1.4 billion. The 2012 and 2013 budgets presented €3.8 billion and €3.5 billion, respectively, in similar measures, while future budgets project deficit reductions of €3.1 billion in 2014 and €2 billion in 2015.

Significantly, fiscal consolidation has prioritised spending cuts over tax increases in Ireland and Europe (Theodoropoulou and Watt, 2011). This, as the Irish Think-tank for Action on Social Change (TASC) noted in a budget analysis, tends to affect negatively the poorer segments of society disproportionately: ‘Public expenditure in Ireland provides social welfare and a range of public services that are disproportionately relied on by people on lower incomes. The overemphasis on cuts over taxes, plus the inclusion of various regressive tax measures, makes the overall effect of Budget 2013 likely to disproportionately hit low income households’ (TASC, 2012B, p. 3). For example, in Budget 2010, the government outlined €760 million in social welfare cuts, including Child Benefit and Disability Allowance, with the latter affecting 96,000 people. Budget 2011 further reduced welfare spending by €873 million, while Budget 2013 added €450 million in cuts to that area.

A number of taxation measures have also favoured higher income groups and the corporate sector. For example, while regressive consumption taxes have been increased, Ireland’s low corporation tax rate has remained at 12.5%, as the government stated explicitly in the National Recovery Plan 2011–2014: ‘While taxation has to play a part in restoring balance to our public finances, this will not apply to our corporation tax rate’ (Government of Ireland, 2010, p. 100). A financial transaction tax could also have been applied to Dublin’s International Financial Services Centre, which hosts a number of Irish and global financial enterprises. Moreover, although some taxation measures are formally progressive, there are a range of loopholes and breaks in Ireland that make them more regressive in practice. For example, TASC stated that ‘the scale of tax relief enjoyed by high earners for private pensions, pension lump sums, private healthcare and similar outlays indicates that the Exchequer spends significant resources (which would pay for public services benefiting everyone) in order to provide tax breaks that disproportionately benefit higher income groups’ (TASC, 2012A, p. 11). Elsewhere, TASC noted that ‘the [2012] Budget largely protects high earners’ and that ‘the Government’s revenue-raising decisions are largely regressive in nature’ (TASC, 2011, pp. 1, 4).

Briefly, Ireland’s economic development over the past several decades, and including the more recent period of crisis, can be conceptualised as a case of neoliberalisation. Section 4 will examine ideological aspects of this development model through an investigation of the media’s coverage of fiscal consolidation. But first, Section 3 reviews the latter’s record.

3. Fiscal consolidation’s record

There has been much debate about fiscal consolidation (see, e.g., Gros and Maurer, 2012). Its proponents claim that government deficits have negative economic consequences and that books must therefore be balanced. For example, Germany’s finance minister, Wolfgang Schäuble (2010), declared that fiscal consolidation is the right path to follow because ‘restoring confidence in our ability to cut the deficit is a prerequisite for balanced and sustainable growth … Without this confidence there can be no durable growth’ (see also Broadbent and Daly, 2010). On the other hand, the evidence for the contractionary effects of fiscal consolidation has led some scholars, which this paper broadly follows, to conceive of austerity within the context of neoliberalism, as a
set of policies whose effect is to maintain or reassert elites’ privileged socio-economic and political position (King et al., 2012; Peet, 2011; Crotty, 2012; Callinicos, 2012; Grimshaw and Rubery, 2012).

Proponents of fiscal consolidation maintain that public borrowing to make up for budget deficits ‘crowds out’ borrowing by the private sector that would lead to investment and pushes interest rates upwards, reducing private investment further. Moreover, politicians are subject to electoral pressures, which entail wasteful spending, in contrast to the private sector, which is subject to the efficiency of the market. Furthermore, governments may be tempted to finance their accumulating deficits by printing money, leading to inflation.

Advocates of fiscal consolidation assert that it can be expansionary and pull countries out of a recession. The rationale is that balanced budgets lead people to expect taxes and interest rates to remain low. This should increase the confidence of investors and the public, which will be inclined to spend more, thus stimulating the economy. The confidence of bondholders and international financial interests will also increase, as the likelihood of default on sovereign debt is reduced. If investors in government bonds do not have this confidence, interest rates will move upwards, making it more difficult, and eventually impossible, for governments to borrow. Reinhardt and Rogoff’s (2010) influential work claimed that based on historical experience, a debt level of 90% of GDP is the threshold beyond which sovereigns run the risk of facing a debt crisis.

The seminal work of Alesina and collaborators has provided much of the intellectual justification for austerity policies. They attempt to show empirically that cuts in government expenditures have positive impacts on economic growth (Alesina and Ardagna, 2010; Alesina and Perotti, 1995; Alesina et al., 1998). They argue that austerity is most expansionary when governments reduce their deficits primarily by cutting spending instead of raising taxes and when expenditure is cut in social security programmes, such as health care and pensions, rather than in public investment, such as infrastructure projects.

However, the case for austerity is undermined by comparative and historical economic evidence, which lends strong support to Keynesian policies (King et al., 2012; Ghilarducci et al., 2012; Kuehn, 2012; Pollin, 2012; Popov, 2012; Sawyer, 2012). For example, Taylor et al. (2012) demonstrate that fiscal expansion has led to higher economic growth over the last 50 years in the USA, especially during recessions. Government spending during World War II also played an important role in pulling the country out of the depression and led to the ‘golden age’ of capitalism in the first two decades after the war. Likewise, Dean Baker (2010A) argues that the shortcomings of President Obama’s stimulus in overcoming the recession arose because the package was too small, not because it was the wrong way to address economic problems.

The eurozone may be divided between a ‘core’ (e.g. Germany) that has recorded external trade surpluses and ‘periphery’ countries (e.g. Greece, Spain, Ireland and Portugal) that have suffered mirror external deficits (Lapavitsas, 2012; Laski and Podkaminer, 2012). Growth in the periphery has occurred through credit booms and government deficits, which have acted as ‘compensating mechanisms for the structural productive imbalances generated by the euro’ (Boyer, 2012, p. 290). Austerity policies can be traced to the inability of those countries to devalue their currency or use monetary policy to regain competitiveness and stimulate their economies. ‘Internal devaluation’, consisting in lowering labour costs through high unemployment, has remained the preferred strategy, although its effectiveness has been questioned in light
of persistent low levels of growth. On the other hand, Iceland, not a eurozone member, seems to have benefited from the flexibility provided by a national currency in its nascent post-crisis recovery (Wade and Sigurgeirsdottir, 2012).

The IMF (Guajardo et al., 2011) recently stated that fiscal consolidation has contractionary effects in the short term, contrary to Alesina’s findings. Typically, a fiscal consolidation amounting to 1% of GDP reduces GDP by about 0.5% within two years and increases the unemployment rate by 0.3%, while domestic demand (consumption and investment) drops by about 1%. Furthermore, ‘fiscal contraction is likely to be more painful when many countries adjust at the same time’ because curtailed global demand negatively affects exports, as in Europe today (IMF, 2010A, p. 95). The IMF also recently argued that the potential impact of austerity on growth should be revised, writing that ‘fiscal consolidation has been associated with lower growth than expected’ during the current crisis (Blanchard and Leigh, 2013, p. 1).

The main weakness detected by the IMF in Alesina’s work is methodological. It and other similar studies identified cases of government budget consolidation by looking at the cyclically adjusted primary balance (i.e. the primary balance adjusted for the automatic effects on tax revenue and government spending caused by fluctuations in the business cycle). This adjusted balance was thought to reflect fiscal policy decisions: for example, an increase in the adjusted balance would reflect, in principle, a policy decision to reduce the public deficit. But this methodology fails to remove changes in government tax revenue related to asset price or commodity price variations, leading to changes in the adjusted balance that are not related to policy changes. One example is the case of Ireland in 2009, when the government applied an austerity programme of spending cuts and tax hikes totalling more than 4.5% of GDP. Yet, the collapse of the Irish housing bubble induced a large reduction in the adjusted balance, which thus looks like a case of deficit spending according to the cyclically adjusted primary balance method. Therefore, that method ‘tends to select periods associated with favorable growth outcomes but during which no austerity measures were actually taken’ while it ‘also omits cases of fiscal austerity associated with unfavorable growth outcomes’ (Ball et al., 2011, p. 21).

Elsewhere, Jayadev and Konczal (2010)—using Alesina and Ardagna’s (2009) data—argue that fiscal consolidation’s effect on growth depends on when the consolidation is undertaken in the business cycle. They find that when it is carried out in an economic downturn, it is contractionary (see also Baker, 2010B, for a similar analysis). Further, Perotti (2011, p. 1), one of Alesina’s co-authors, comes to the conclusion in a recent paper that new evidence ‘casts doubt’ on the “expansionary fiscal consolidation” hypothesis, and on its applicability to many countries in the present circumstances’ because currency devaluation is not possible for eurozone countries and a ‘net export boom is not feasible for the world as a whole’. Finally, although Ireland’s 1987–90 fiscal consolidation has often been used as an example of expansionary contraction, a number of contextual factors and policy decisions independent of balanced budgets played a determinant role, such as a currency devaluation in 1986, growth in the international economy and fiscal transfers from the European Union (Kinsella, 2012).

4. Media coverage

This paper conceives of the media in critical political economic terms. One aspect of this analysis is that news organisations are large businesses embedded in a capitalist economic system and are thus integral parts of the broader corporate sector.
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They feel the pressures of bankers, shareholders and directors to generate profits. Links with other economic sectors are created and maintained through boards of directors as well as general business and social interactions. Media diversification has also increased the integration of news organisations into the economy as a whole. Newspapers and television stations have acquired a range of other media and non-media firms while non-media businesses have taken stakes in media companies. Therefore, it is to be expected that news content will reflect economic and political elites’ interests and views (McChesney, 2004; see also Herman and Chomsky, 2002).

Advertising also affects news content. The revenues it generates are crucial to today’s media industry and allow newspapers to be sold for a cheaper price, making them more competitive. Media unable to attract advertisements are at a serious disadvantage in the market and run the risk of bankruptcy. This affects news content because corporate advertisers tend not to subsidise television programmes or news stories that directly question or attack their own business or the political economic system of which they are part, which would be directly contrary to their interests (McChesney, 2004).

Another factor leading the media to report mostly views shared by elites is news sourcing. Limited resources, time constraints and a competitive news environment lead reporters to connect with those institutions that provide a steady flow of news, which in practice means large organisations that have themselves the resources to produce and release such a stream of material. The government and corporations are two such sources, with the result that their points of view are prevalent in the media.

In Ireland, Independent News & Media (INM) is the dominant media conglomerate. It generates annual revenues of €558 million and owns numerous newspapers and magazines, radio stations and online sites in Ireland, the UK, South Africa, India, Australia and New Zealand. Some of those are leading titles, such as the Irish Independent and Sunday Independent. Its board members and directors have included many elite figures, such as Brian Hillery, a Director of the Central Bank of Ireland and former member of Parliament, Dermot Gleeson, once chairman of AIB, and B. E. Summers, a director of AIB (INM annual reports). Another influential paper is the Irish Times, whose board has also been composed of individuals linked to elite institutions. For example, its chairman is David Went, who is also board member of Goldman Sachs Europe.

This paper examines the print press through the Irish Times, Irish Independent and Sunday Independent, the most read and influential newspapers in Ireland. The Irish Times is often referred to as ‘Ireland’s newspaper of record’ and has a readership of nearly 400,000, while the Irish Independent has 650,000 readers. The Sunday Independent is the most popular of the Sunday newspapers, with a readership of more than 900,000. Both the Irish Independent and the Sunday Independent are owned by INM and the Irish Times is owned by the Irish Times Trust (National Newspapers of Ireland, 2013).

In order to evaluate the views on fiscal consolidation presented in the media, the following search was conducted using the LexisNexis news database. All opinion articles and editorials discussing Irish government budgets from 1 January 2008 to 31 December 2012 in the three newspapers mentioned above were considered. Focusing on the budget ensured that the search would both be directly relevant to fiscal consolidation (which is an inherently budgetary exercise, by definition) and manageable. The exact search combines the following commands:

'Ireland' AND 'Budget!' in INDEXING
AND
The ‘AT START’ command only selects articles for which the term ‘Budget!’ appears in the first three paragraphs, ensuring greater relevance of the topic in the selected articles (the ‘!’ is a truncation symbol). Then, only those pieces for which ‘Budget!’ reached a level of relevance of 85% or more in the indexing were kept, again to ensure greater relevance (the index and percentage levels are automatically compiled and computed by LexisNexis). Finally, articles that were clearly not related to the subject at hand but had made it through the search were removed (e.g. an article on the Greek budget). This resulted in a final set of 431 articles.

Alternative searches, for example including terms such as ‘spending cuts’, ‘taxes’, ‘austerity’ and ‘fiscal consolidation’, were considered. However, the above search was assessed to be the most appropriate. This is because articles including terms such as those just mentioned are already indexed under ‘Budget’ by LexisNexis if they are indeed related to the budget. Articles that mentioned ‘taxes’ or ‘spending cuts’, for example, without being indexed under ‘Budget’ discussed something different and were not relevant to the present study. The search chosen was also deemed appropriate given that the question of fiscal consolidation, i.e. the combination of government spending and revenue raising measures, is an inherently budgetary issue. It is in government budgets that consolidation strategies are seen most clearly. The search yielded a sample that was highly representative of debates about fiscal consolidation while remaining manageable within the space provided in this paper.

The articles were classified according to the views they expressed on fiscal consolidation. Most pieces were easily classified because opinion pieces and editorials, by their nature, usually present a clear point of view. First, articles were categorised into the following three groups to identify their general stance towards consolidation:

1. ‘In favour of fiscal consolidation’: articles asserting that the government’s fiscal deficit must be reduced to address the crisis. There is a range of views possible in this category. For example, articles may call for achieving fiscal consolidation goals within a shorter or longer time span; they may present a mix of taxation and spending measures; or they may call for a steep or moderate fiscal adjustment. Articles of a ‘progressive’ nature calling, for example, for sharp tax increases on the wealthy and no spending cuts on welfare programmes but accepting the need to reduce the government’s deficit, were classified in this category.

2. ‘Opposed to fiscal consolidation’: articles opposed to reducing the government’s fiscal deficit to address the crisis. There is a range of views in this category, from articles calling for significant deficit spending to those explicitly opposed to the strategy of fiscal consolidation without presenting an alternative. Also included were pieces that oppose government spending cuts in general or a specific cut, even if they often did not state explicitly their position relative to consolidation itself. This ensured that the paper would not underestimate the extent of opposition to consolidation presented by the media.

3. ‘Neutral’: articles that do not take a clear stand on fiscal consolidation. Those were mostly descriptive pieces that reported on political or economic policy without advancing a particular view regarding their desirability.
This categorisation was supplemented by a second one based on the actual spending and taxation policies suggested by the articles. This enabled an analysis going beyond an examination of positive and negative stances on fiscal consolidation and investigating the nature of the reasons given for any given position. The following six policies were identified (three for expenditures and three for taxation measures). More than one policy per article could be recorded:

1. ‘In favour of spending cuts’: articles that preferred spending cuts over other policy alternatives (e.g. tax hikes).
2. ‘Opposed to cuts’: articles that opposed cuts in general or specific cuts.
3. ‘In favour of increased government spending’: articles that suggested that the government should increase spending in general or in particular areas (e.g. infrastructure and welfare).
4. ‘In favour of tax hikes’: articles that preferred tax hikes over other policy alternatives (e.g. spending cuts). This includes taxes on consumption, income or other activities.
5. ‘In favour of tax hikes on the wealthy’: articles that suggested that taxes should be increased in priority or exclusively on the better off or corporations.
6. ‘In favour of tax cuts’: articles that suggested that taxes should be cut, in general or for certain institutions or income levels.

The results are shown in Table 1 and are analysed in what follows.

4.1 Significant support for fiscal consolidation

Significant support for fiscal consolidation is clear. In total, there are 431 articles: 236 (55%) are in favour of fiscal consolidation, 50 (12%) against it and 145 (34%) neutral. When neutral pieces are excluded, 83% of articles support fiscal consolidation and 17% oppose it. No time pattern could be detected in the evolution of views on fiscal consolidation, apart from the fact that a larger number of articles appeared towards the end of years (in the months of November and December), which is explained by the fact that this is the time at which the budget is discussed. Out of the 431 articles, 75 are written by outside writers (i.e. not journalists). Of these, 35 (47%) are economists or working in the financial sector, 13 (17%) are high political officials, eight (11%) are academics (excluding academic economists), but only five (7%) are from trade unions and seven (9%) from progressive organisations (seven other writers were classified as ‘other’). Such affiliations with elite institutions are reflected in the prevalence of viewpoints that have a preference for fiscal consolidation in the news (see also Carrick-Hagenbarth and Epstein, 2012). No significant differences could be detected between different types of articles, namely editorials, articles written by journalists and those authored by outside writers. Differences between the three newspapers are discussed below.

The general stance in favour of fiscal consolidation presented by news organisations is illustrated by an editorial statement in the Irish Times that called for a campaign to ‘educate’ the public about the need for reducing the deficit. ‘Members of the general public still do not appreciate the possible extent of the economic downturn’, given that two-thirds of respondents in a national poll ‘took the view that the Budget was too tough, with 10 per cent believing it was not tough enough’. The editors thus concluded that ‘the Government will have a major job to do in educating public opinion about
Table 1. Number of newspaper articles by stance on fiscal consolidation, 2008–12

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<th>Pro FC</th>
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<th>Neutral</th>
<th>Pro cuts</th>
<th>Vs cuts</th>
<th>Pro government spending</th>
<th>Pro tax (on high income)</th>
<th>Pro tax cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>236</td>
<td>50</td>
<td>145</td>
<td>126</td>
<td>34</td>
<td>14</td>
<td>40 (23)</td>
<td>13</td>
</tr>
<tr>
<td>Pro FC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vs FC</td>
<td></td>
<td>2</td>
<td>27</td>
<td>10</td>
<td>0</td>
<td>(10)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td></td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>(1)</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><em>Irish Times</em></td>
<td>153</td>
<td>43</td>
<td>74</td>
<td>76</td>
<td>30</td>
<td>12</td>
<td>26 (23)</td>
<td>7</td>
</tr>
<tr>
<td><em>Irish Independent</em></td>
<td>36</td>
<td>2</td>
<td>49</td>
<td>19</td>
<td>2</td>
<td>1</td>
<td>8 (0)</td>
<td>1</td>
</tr>
<tr>
<td><em>Sunday Independent</em></td>
<td>47</td>
<td>5</td>
<td>22</td>
<td>31</td>
<td>2</td>
<td>1</td>
<td>6 (0)</td>
<td>5</td>
</tr>
</tbody>
</table>

Notes:
- Pro FC: in favour of fiscal consolidation.
- Vs FC: opposed to fiscal consolidation.
- Pro cuts: in favour of spending cuts.
- Vs cuts: opposed to spending cuts.
- Pro government spending: in favour of increased government spending.
- Pro tax (on high income): in favour of tax hikes (on higher income groups and/or corporations), e.g. in total there are 40 articles in favour of tax hikes and 23 in favour of tax hikes on higher income groups, giving a total of 63 articles.
- Pro tax cuts: in favour of tax cuts.
unpalatable economic realities and the need for civic discipline’ (18 November 2008). Similarly, a Sunday Independent editorial outlined the media’s general position shortly thereafter. Entitled ‘State Spending Must be Slashed’ (5 April 2009), it argued that government profligacy is at the origin of the crisis and that the solution therefore lies in reducing expenditures, as well as shrinking the size of the public sector: ‘Government spending, which ran riot during the boom years of the Celtic Tiger, has to be slashed, not trimmed. Those cuts will be painful, but they cannot be avoided, and they cannot happen in the absence of public sector reform’. An article in the same newspaper also commented approvingly on the ‘most brutal Budget in Irish history’ (Eoghan Harris, 12 April 2009). Elsewhere, Garret FitzGerald, a former Irish prime minister, proposed to entrench budgetary discipline in the constitution, writing that ‘Given our economic collapses from fiscal indiscipline, we need tight budgetary rules … Ireland needs a tight budgetary discipline, possibly in constitutional form’ (Irish Times, 5 February 2011).

The media’s favourable view of fiscal consolidation can also be assessed through the following sample of article titles published during the time period considered by this paper: ‘Commitment and Stamina are Required for Fiscal Consolidation’ (Irish Times, 6 September 2008), ‘New Budget will Prove Tough but Necessary’ (Sunday Independent, 28 September 2008), ‘Austerity Vital to Maintain our Economic Sovereignty’ (Irish Times, 11 October 2010), ‘We Need to Stop Living in Denial and Cut Costs Even Further’ (Sunday Independent, 18 October 2009), ‘We Must Suffer the Pain Now—Or Else we will Blight Future Generations’ (Sunday Independent, 19 October 2008), ‘Bill is Tough but Necessary’ (Irish Times, 22 January 2011), ‘Tough Budget Would Restore Confidence’ (Irish Times, 27 February 2009), ‘Supplementary Budget can Begin Urgent Task of Restoring Depleted Tax Revenues’ (Irish Times, 28 February 2009), ‘Budget May Cut Wages and Raise Taxes to Restore Competitiveness’ (Irish Times, 7 April 2009), ‘[Austerity] Budget Will Restore Confidence and Hasten Economic Recovery’ (Irish Times, 10 April 2009) and ‘Tough Budget Needed to Stave Off Grimmer Future’ (Irish Times, 4 November 2009). The following subsections discuss in more detail the nature of the positions presented in the media in relation to fiscal consolidation.

4.2 Expenditure cuts versus tax hikes

Cuts in the public sector are favoured over tax increases (Cawley, 2012). Overall, 126 articles prefer expenditure reduction, whereas 63 argue for the necessity of raising taxes. When only articles in favour of fiscal consolidation are considered—which allows for a more explicit examination of how this policy preference is justified—a similar pattern is revealed: 122 pieces call for spending cuts, whereas 52 prefer tax increases.

But the case for fiscal consolidation and the prioritisation of spending cuts is sometimes made on questionable grounds. For example, the Irish Times economics editor Dan O’Brien, in an article entitled ‘Government Will Have to Cut Old-age Pension’ (Irish Times, 15 July 2010), argues that cuts should be prioritised over tax hikes, because ‘History says cut when the economy is weak’ is ‘the best way out of recession’. However, as seen above, the historical and contemporary evidence suggests the opposite. Moreover, IMF research has shown that expenditure cuts are no more expansionary than tax increases. Indeed, when growth follows cuts, it is in fact largely because central banks are more likely to provide monetary stimulus following cuts than following tax hikes, a separate factor (Guajardo et al., 2011). On
the other hand, as discussed above, fiscal consolidation may be interpreted as an aspect of neoliberalisation. In this conceptualisation, expenditure reductions negatively affect lower income groups more significantly. In addition, when the state withdraws from certain sectors as government expenditures are reduced, privatisation of those sectors may provide profitable investment opportunities for private groups and individuals. Last, although taxation may be regressive, it also opens the possibility of taxing higher income groups and the corporate sector, policies that tend to be resisted by elites (Peet, 2011). In this respect it is interesting to note that a not insignificant proportion of articles calling for tax hikes specifically argue for raising taxes in priority or exclusively on high-income earners. Indeed, 37% of all articles calling for tax hikes do so. Among the 50 pieces that oppose consolidation, 10 called for tax hikes on the better off but none asserted that this should apply to lower income levels. Such numbers show that the media do present viewpoints that diverge from government policies; however, as seen above, such opinions remain a minority (see also Section 4.3 below on the weakness of the opposition to fiscal consolidation).

A *Sunday Independent* editorial illustrates the position most often presented in the media when it argues that economic recovery ‘will not come from sharp increases in income tax, or from a range of new indirect taxes disguised as “green” taxes. In fact, the Government risks real and lasting damage to this economy if it believes that it can tax it back to health. It cannot. Before it raises a single tax, it must demonstrate a determination to cut its spending and embrace reform of the public sector’ (5 April 2009). There are some pieces that go further in their opposition to tax hikes, asserting that the government must consolidate its budget but that this should be achieved through expenditure reduction and tax cuts. For example, an article in the *Sunday Independent* argues that ‘some bad old taxes have to be abolished or reformed, and this will create a further gap in the public finances. The way to fill that gap is not to pile more taxes on workers and consumers, but to begin the task of public sector reform’ (2 November 2008).

Articles argued that spending cuts should be applied to a number of areas, but the preference is to reduce the pay and numbers of public sector employees, which is in line with neoliberal principles that seek to shrink the size of the state and privatise selected public economic assets. For example, an article entitled ‘Cut Public Sector … Or Face Meltdown’ maintains that ‘Government support for the public sector will only lead to ruin’ (*Sunday Independent*, 18 October 2009). Another item warns about ‘Bloated Public Sector a Luxury We Can No Longer Afford’ (*Sunday Independent*, 29 August 2010), while the following titles carry the message directly: ‘Only Sustained Cuts Can Now Keep Ireland Afloat’ (*Irish Times*, 30 September 2010), ‘Hospitals Need Emergency Surgery on their Finances’ (*Irish Times*, 29 June 2011), ‘Padded Public Sector is in Need of Reality Check’ (*Sunday Independent*, 12 April 2009) and ‘This is Not the Time to Row Back on Crucial Cuts’ (*Irish Independent*, 3 July 2009). Economist Colm McCarthy also made a number of contributions along those lines (e.g. ‘Austerity Vital to Maintain our Economic Sovereignty’, *Irish Times*, 11 October 2010). He was chair of *An Bord Snip Nua* (Special Group on Public Service Numbers and Expenditure Programmes), an advisory committee set up by the government in 2008 to recommend cuts in public expenditures and which outlined more than €5 billion in cuts, including more than 17,000 public sector job cuts and a reduction of 5% in social welfare.
4.3 Weak opposition to fiscal consolidation

Overall, only 12% of articles were not in favour of fiscal consolidation. It could be argued, however, that this percentage still overestimates the degree of opposition found in the press for several reasons. First, a large majority of articles were classified in this category due to their disagreement with a specific cut or cuts in a particular governmental sector, even if they did not explicitly argue against fiscal consolidation as a policy. Only a minority of pieces explicitly opposed consolidation itself by calling for a fundamentally different strategy, such as Keynesian economic stimulus. This can be seen in the fact that among all articles, 8% (34 pieces) opposed cuts and only 3% (14 pieces) stated a preference for increasing government spending. If only the 50 articles opposed to fiscal consolidation are considered, a similar pattern is found: 54% of them disagree with specific expenditure cuts while 20% suggest that public spending should be increased. The nature of the opposition to fiscal consolidation is therefore based mostly on disagreement with particular cuts rather than with the principle of consolidation. This suggests that public debate in the media is framed around the ways in which fiscal consolidation can best be implemented, as opposed to comparing and contrasting it with other strategies.

A representative example of an article opposing cuts but not addressing the broader question of economic stimulus is one criticising cuts in public library budgets (Dermot Bolger, *Irish Times*, 26 May 2012). The author says that while rising numbers of unemployed people can be found in public spaces, libraries become less available as areas in which they can spend time, which is deplorable because they provide ‘imaginative freedom and safe spaces to explore emotion’ and, thus, ‘Local politicians need to grasp that for many of their constituents, libraries are the last truly democratic spaces. Cutbacks to library budgets are a false economy’. But the article does not propose an alternative economic policy to fiscal consolidation. The economic debate therefore remains focused on what should be cut and what should not. Other examples of such articles include opposition to budgetary cuts in education (*Irish Times*, 21 October 2008), the Protestant schools budget (*Irish Times*, 25 April 2009), the Equality Authority, a state watchdog (*Irish Times*, 11 November 2008), government programmes against racism (*Irish Times*, 19 November 2008), the arts (*Irish Times*, 29 December 2011) and heritage (*Irish Times*, 4 January 2012). There are comparatively fewer pieces that call for more government spending to stimulate the economy. For example, one argues that the government should ‘invest in the economy to create jobs, stimulate real enterprise and develop strategic, sustainable industry’ (*Irish Times*, 28 October 2010), while another maintains that the state should ‘stimulate immediate employment by investing in schools, rail infrastructure, green technology and the agri-food sector’ (*Irish Times*, 13 May 2009).

Second, some articles present ideas that they assert would make the budget more equitable, but still seek to reach the government’s deficit reduction target. This shows the extent to which public debate accepts the need for fiscal consolidation. For example, one piece outlines possible measures for the government’s 2011 budget, such as more progressive taxation and cuts that target the poor to a lesser extent. Yet it is specified that such proposals do meet the government’s deficit reduction goal of €3 billion for that year (*Irish Times*, 18 October 2010). Another author would have liked the budget to ‘address the fiscal situation, thereby giving confidence to lenders, consumers and business people, as well as the people generally’, but unfortunately, it has deferred
most of the needed adjustments or corrections until 2010 and 2011’. Still, the author would prefer the burden of those adjustments to fall to a greater extent on the better off, asking: ‘Why are people we all recognise as poor to be made poorer still, when the rich could be asked to pay a reasonable share of their income in tax, say 35 per cent?’ (*Irish Times*, 8 April 2009).

Third, some pieces oppose fiscal consolidation but are more adequately seen as statements that may not result in concrete policy decisions. For example, Enda Kenny, the current prime minister who is now implementing Ireland’s austerity programme, earlier wrote an article opposing such measures when he was leader of the parliamentary opposition. In it he denounced the ‘full frontal attack on workers, on education, on healthcare and on older people’ (*Irish Times*, 20 October 2008). However, he wrote another article shortly afterwards in which he announced that he had now come to accept the need for fiscal consolidation, explaining how his party’s ‘tough budget would restore confidence’. He stated that ‘Some will say that further spending cuts and tax increases will only further damage the economy at this delicate time. I was also once of this view, but now believe that the opposite is the case’ (*Irish Times*, 27 February 2009).

4.4 Differences between newspapers

The preference for fiscal consolidation is significant in all three newspapers. In the *Irish Times*, 57% of articles support it, 16% are against it and 27% are neutral. In the *Irish Independent/Sunday Independent*, 52% are in favour of fiscal consolidation, 4% are against it and 44% are neutral. The main difference is that there are significantly fewer pieces that oppose fiscal consolidation in the *Independent* newspapers. This can first be explained by the fact that there is a higher proportion of neutral articles in those papers (44%) compared with in the *Irish Times* (27%). This, in turn, is due to the fact that a larger number of short and descriptive pieces appear in the *Independent* newspapers, which do not take a clear stand on fiscal consolidation. Nevertheless, on economic policy, the *Independent* newspapers are ideologically to the right of the *Irish Times* and this explains why more opposition to conservative economic policies is likely to appear in the latter rather than in the former. This can be traced, in part, to the fact that the *Irish Times* is governed by a trust that ensures some level of independence from commercial interests. For example, it does not have beneficial shareholders and cannot pay dividends. At the time of writing, the chairman of the trust is Tom Arnold, who is also CEO of Concern Worldwide, an anti-poverty charity. Nevertheless, this independence from commercial interests should not be exaggerated, as the newspaper is dependent on advertising revenues and sales, in line with the pattern discussed above in the mainstream mass media. A number of its board directors also come from elite institutions. Therefore, in general, the *Irish Times* remains favourable to fiscal consolidation.

This trend can also be observed in newspapers’ stances on government spending and taxation. In the *Irish Times*, 118 pieces address government expenditures: 10% of those are in favour of more spending, 25% oppose cuts and 64% support cuts. In the *Irish Independent/Sunday Independent*, 56 pieces address government expenditures: 4% favour more spending, 7% oppose cuts, and 89% support cuts. The *Irish Times* therefore has presented more opposition to cuts in the public sector, given more support to economic stimulus through government spending and displayed a less significant preference for public cuts.
The Irish Times published 56 articles that expressed views about taxation, 41% of which argued that taxes on the better off should be raised, while 46% believed that they should be raised on all taxpayers. Moreover, 13% of pieces argued that, in general, taxes should be cut. In contrast, the Irish Independent/Sunday Independent published 20 pieces addressing taxation, 70% of which were in favour of raising taxes but no piece argued to raise them specifically on the better off. Tax cuts were favoured by 30% of articles. These data confirm the more conservative ideology of the Independent newspapers, whose articles are reluctant to call for higher taxation on the better off and tend to be more favourable to tax cuts, which can potentially result in substantial savings for the wealthier segments of the population.

5. Conclusion

This paper has interpreted Ireland’s fiscal consolidation policies since 2008 within the country’s neoliberal political economy. The latter witnessed an unprecedented economic expansion in the 1990s and 2000s but has faced a crisis over the last few years. The important ideological role of the mass media in presenting and debating fiscal consolidation was investigated by examining all relevant opinion, analysis and editorial articles in the three leading Irish newspapers between 2008 and 2012. The following conclusions were reached. First, news organisations have presented viewpoints which have been largely positive in relation to fiscal consolidation as a strategy to foster growth. Second, expenditure reduction has been preferred over tax hikes as a strategy to achieve fiscal consolidation. In this respect, the public sector has been identified most often as the priority. Third, although the media have presented opposing views that favour alternative policies, such as Keynesian stimulus, such viewpoints have remained a minority. One reason for the weakness of positions opposed to fiscal consolidation is that they have tended to be limited to disagreements with specific cuts, rather than questioning fiscal consolidation in principle. Fourth, ideological divergences between newspapers were examined in order to account for differences in their coverage of fiscal consolidation.

In order to provide a fuller account of the role of the media in austerity programmes within the context of the ongoing European economic crisis, additional research should be conducted along the following lines. First, other countries’ media should be investigated, both in southern and northern Europe. In particular, the German media should prove interesting as Germany is the leader in the enactment and implementation of fiscal consolidation programmes on the continent. Second, elements of austerity programmes other than fiscal consolidation should also be investigated, such as labour reforms and privatisation of public assets.

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