New development: Macroeconomic fables

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This article uses a structural narratology approach to define four archetypal fables concerning managers and organizations, based on whether the narrative involves growth or decline for the protagonist and growth or decline for the organization which the protagonist leads. This approach is applied to three cases: a celebratory-political narrative about the Conservative Party of Canada's victory in the 2011 federal election; Charles Ferguson's Academy Award-winning documentary 'Inside Job' about the 2008 financial meltdown; and the ideological-polemical narratives of the Democratic and Republican parties in the United States. The article concludes that narrative analysis helps us understand the structure of these stories and helps us examine and question the assumptions about economic causation that they incorporate.

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The US-based financial meltdown in 2008; the bursting of housing bubbles in the US, Ireland and Spain; persistently high unemployment in the US and much of Europe; the European sovereign debt crisis: we live in an era when macroeconomic dilemmas consume policy-makers and citizens alike. It is a time of both uncertainty and seemingly unbridgeable ideological divides. Debate over causes, culpability, actions, and consequences is bitter and polarized. With this context, narratives—explanatory stories about the economy seeking to create causal links among sequences of events—assume great significance. Concurrently, 'narrative', both the term and the larger concept, has become a buzzword in political and cultural discourse, with a Google count rising from 17 million in late 2007 to over 97 million. Its common meaning has also evolved from a simple story, or sequence of events, to a rationale or explanation. I will outline three types of macroeconomic narratives—celebratory-political, accusatory-advocacy, and ideological-polemical—and demonstrate how they are being used by their creators, and also how they are inevitably open-ended and contestable, often in spite of themselves.

In my book, *Governing Fables* (Borins, 2011), I argued that managers make sense of their environment and exert influence over it by telling stories. The book is an analysis of authored narratives (movies, whether fiction, docudrama, or documentary; novels, plays, and memoirs) engaging a number of public sector contexts. In it, I presented a typology of fables or archetypal stories that is widely applicable. I will briefly outline and then apply those fables here. Space constraints prevent me from discussing the origins of this approach, except to say that it is clearly structuralist and that the classic works of structural narratology are Propp's (1968) path-breaking analysis of Russian folktales and Bal's (1997) theoretical exposition.

Stories are typically constructed around protagonists, narrative foci who generally take the form of characters with names, evoked presences, and identities, characters to whom things—good or bad—happen. What differentiates the stories about managers that I discuss in *Governing Fables*, from, say, movies or novels about interpersonal or intra-family dynamics is that stories about managers also involve their organizational context. Organizations must respond to challenges, and how they respond determines whether the organization will achieve renewal or experience decline. Similarly, individuals acting in an organization will have to meet personal challenges, and the outcome can be thought of as either personal growth or personal decline (in terms of both extrinsic and intrinsic rewards).

Because there can be both good and bad

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outcomes for the organization (renewal or decline) and good and bad outcomes for the individual (growth or decline), I develop a four-quadrant classification of public management fables, as shown in table 1. This scheme differs from critical writing on narrative (for example McKee, 1997) that either conflates or does not distinguish between outcomes for the individual and outcomes for the organization.

In a heroic fable, a leader enables an organization to overcome or defeat a challenge and thereby renew itself, and the leader is rewarded both extrinsically and intrinsically. Heroic leadership is the stock-in-trade of many business books, especially chief executives' autobiographies. The opposite of the heroic fable is the tragic or satirical fable. In it the organization declines as a result of the weaknesses of its leader or leaders. The fable may be tragic if the outcome is the result of a protagonist's personal failures or incapacities, or it may be satirical if the leader has few redeeming virtues, and the narrative offers a reading that makes him or her the object of the audience's contemptuous amusement. The off-diagonal fables make the important point that individual outcomes do not necessarily mirror organizational ones. On the upper right, a sacrificial fable would involve organizational renewal due to action by a protagonist that leads to his or her own decline or even demise (a war story in which a protagonist is killed, but a military objective is achieved). A retributive fable involves an organization overthrowing a misguided leader and through this purge setting the stage for its own renewal. On the lower left, the ironic fable concerns a protagonist prospering in the context of an organizational decline, likely because the protagonist has looted the organization.

What follows are three macroeconomic narratives that illustrate the interplay between protagonist and organizational outcomes, as well as the contestability of their embedded attributions of causality.

A narrative of heroic policy-making: Stephen Harper's Conservatives

The Conservative Party of Canada won a majority in the May 2011 federal election—a substantial improvement on the minority governments it formed in 2006 and 2008. The Conservatives focused their campaign on economic growth and security, arguing that their economic policies, in particular between 2008 and the present, had helped Canada survive the global financial meltdown, and that they would be competent macroeconomic managers if given another mandate. They made the case that minority governments are weak and indecisive, and that the best way voters could ensure capable economic management would be to give them a majority. Looking at the campaign in terms of the four-quadrant model, the Conservatives were attempting to tell the heroic story of the upper left hand quadrant with the Canadian economy as the organization that had been renewed. The Conservative campaign portrayed the prime minister. Stephen Harper, as the protagonist of the story, emphasized his professional training as an economist, and made no attempt to dispel his media image as a workaholic who keeps his ministers on a tight rein. The contract the Conservatives were attempting to make with the electorate was that, if they increased Harper's power by giving him a majority government, the electorate would continue to prosper over the next four years. The Conservatives did increase their share of the vote from 35% in 2008 to 40%, sufficient in a first-past-the-post multiparty system to produce a parliamentary majority.

The Harper Conservatives' claims that they are sound macroeconomic managers could readily be contested; in other words, an alternative counter-narrative can be formulated. When they came to power in 2006, all the heavy lifting of achieving a balanced budget had already been done. The Conservative government of Brian Mulroney implemented a 7% value-added tax in 1990.

Table 1. Categorizing management fables

	Personal growth of protagonist	*Personal decline of protagonist*
Organizational renewal	Heroic	Sacrificial Retributive
Organizational decline	Ironic	Tragic Satirical

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The Liberal government of Jean Chrétien balanced the federal budget in the early 1990s through a mixture of tax increases and spending cuts. This policy mix was particularly effective because private sector growth at that time was strong in Canada and overseas. Canadian banks were always more tightly regulated than their US counterparts, and were not making the sort of subprime mortgage loans that led to the US housing bubble. An oligopolistic banking structure was another protection against a financial-sector meltdown. Thus, the Canadian financial sector was in much better shape than that of the US.

All this is not to argue that the Harper government could claim no credit for Canada's relatively strong economic performance during the recession. On seeing the severity of the recession, the government quickly put in place a $60 billion* economic action plan incorporating substantial investment in infrastructure (in an economy one tenth the size of the US). The Harper government quietly supported the banking sector by buying $50 billion of performing (that is, current in terms of payments) mortgages from the banks. This policy provided the banks with liquidity but did not increase the deficit because the government's balance sheet increased by the $50 billion of mortgage assets. In their story-telling, the Conservatives emphasized their own actions since coming to power in 2006, took credit for the stability of the Canadian financial sector, and said nothing about the policies of their predecessors.

Economists may argue about why Canada came through the great recession and how much credit should go to the Harper government or its predecessors. But a sufficiently large proportion of the electorate found the Conservatives' heroic economic narrative convincing enough to reward them with the desired majority.

A narrative of blaming and shaming: Charles Ferguson's *Inside Job*

Charles Ferguson's movie *Inside Job*, won the 2010 Academy Award for documentaries. The film provided a lucid sequential narrative explaining the origins, unfolding, and consequences of the financial meltdown of 2008. What made the movie distinctive was the set of interviews that Ferguson did (and didn't) do. He secured co-operation from critics of the policies that led to the crash (economist Nouriel Roubini and contrarian investor George Soros). He had none from key economic policy-makers in the Clinton, Bush, and Obama administrations (Robert Rubin, Lawrence Summers, Ben Bernanke). Most interestingly, he obtained lengthy interviews with academic economists who were involved in the meltdown as consultants writing reports advocating financial deregulation, or as directors of financial institutions (Columbia Business School professor and former Federal Reserve governor Frederic Mishkin; Harvard Professor and AIG director Martin Feldstein; and Columbia Business School Dean and Bush administration adviser Glenn Hubbard). The academic interviews provided the most powerful dramatic moments when these normally articulate talking heads found themselves at a loss for words when asked if, as advisers, they were publicly accountable.

In terms of its fable structure, Ferguson's film falls squarely in the lower left quadrant of the matrix. The financial meltdown imposed great losses on people throughout the world: losing wealth, homes, jobs. Ferguson made the financial sector executives, public officials (all with strong connections to the financial sector), and academic advisers the protagonists of his story. Not only were they responsible for the meltdown, but they made vast amounts of money in the bubble economy, and have retained much of it during the meltdown. Ferguson's narrative ends with a call for accountability, decrying the fact that there have been no prosecutions of financial sector executives or their advisers. Ferguson's narrative is an angry one, and Ferguson's anger took the film from simply being an exposition of abstruse issues in financial engineering to an economic 'j'accuse!' that resonated with audiences.

While Ferguson's attribution (or accusation) of agency fits nicely within the context of his narrative, it is nonetheless contestable. The fact that financial sector executives have not been prosecuted speaks to the complexity of the issues involved. Is the formulation of what subsequently turns out to be bad public policy—excessive financial deregulation—an indictable offense? A moral failure? An intellectual lapse? All three? Is the failure to anticipate 'black swan' events an indictable offense? Some hedge fund managers (those glowingly depicted in Michael Lewis's book *The Big Short* [2010}) anticipated the meltdown, massively leveraged their firms to bet heavily

*Canadian dollars but the US and Canadian dollar are roughly at par.

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against the financial institutions that were long on mortgages, and brought down some counter-parties (Lehman Brothers) and would have brought down others (AIG) had they not been bailed out by the Federal Reserve. Are these managers deserving of praise or indictments? Put more broadly, if there is a systemic breakdown in the financial sector, are individual executives in financial sector firms and bond rating agencies, academic advisers, and public sector officials *criminally* liable? Though they may have retained much of their wealth, their reputations—in part as a result of Ferguson's narrative—are in tatters. Is this sufficient punishment? While Ferguson has given us a compelling narrative, his 'j'accuse!' seems less likely than Zola's to influence public policy.

Narratives about stimulating the American economy

In the heated political debate in the United States over raising the debt ceiling, reducing the deficit, and enacting a jobs programme, we are witnessing a battle of conflicting narratives. Both Democrats and Republicans are attempting to create heroic fables for themselves and portray the other party as wreckers, acting out of self-interest and excessive ideological zeal. The Democrats' story is that in an economy in which the private sector is unwilling to take risk and is hoarding liquidity, the government is playing its rightful role in preventing aggregate demand from falling further through a mixture of infrastructure projects, employment creation, and middle-class tax cuts. An expansive fiscal policy is a necessity because there is little monetary policy can do when interest rates approach zero (the Keynesian liquidity trap). The Democrats' story about Republicans is that they are acting out of ideological zeal in arguing that only the private sector can create jobs, and self-interest in attempting to preserve the low tax rates of the wealthiest Americans who traditionally support and contribute to the Republican Party. Because stories need protagonists, the Democrats will look for instances of prominent Republican politicians whose decisions can be shown to be influenced by the donations of their supporters.

The Republicans' story about themselves is that the private sector is not investing because it is hobbled by burdensome regulations, an unduly complicated tax structure, and uncertainty—all the fault of the Democrats. In this world-view, fiscal stimulus through government spending is bound to fail, because it does not lead to permanent jobs. The Republicans see the Democrats as beholden to public sector unions, and the vast army of public servants that implement the programmes they enacted—going all the way back to the New Deal. Republicans will be looking for prominent Democratic politicians who can be demonstrated to be influenced by their supporters.

The problems of macroeconomic management are immensely complicated, and there are few certainties. The Obama Administration's Recovery Act 2009 has not led to robust economic growth or a substantial reduction in the unemployment rate, but does that mean that, in its absence, the macroeconomic situation would not have been much worse? This hypothetical question cannot be resolved by a real-life experiment. The best economists can do is run their macroeconomic models to determine the impact of various combinations of monetary, fiscal, and tax policies. But the voice of the econometrician is rarely heard in the land, and econometric models do not capture a host of imponderables that impact on the formation of consumer and producer expectations. So economic forecasters invariably add a large judgmental component to their predictions.

With this uncertainty and ambiguity among professional economists, political parties seeking to retain or achieve power will be turning to narrative to explain and to persuade. Their stories will be structured as heroic fables of economic renewal or ironic fables of economic decline. Narratives include protagonists, and political leaders will play that role. Narrative analysis, at the very least, helps us understand the structure of these stories, and helps us examine and question the assumptions about economic causation that they incorporate.

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