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# Content, process and power: towards an analytical framework for public policy and institutional change in less developed countries

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# Abstract

This paper aims to develop an appropriate theoretical grounding for the study of public policy and institutional changes related to ongoing market-based economic reforms in less developed countries, with particular reference to Latin America. It begins by characterising and reviewing ‘neoliberalism’ as a supposedly homogenous political-economic project, both in terms of its various definitions and interpretations, as well as the way in which policies widely termed ‘neoliberal’ have been promoted by the International Financial Institutions (IFIs). By doing so, the aim is to place such research into an appropriate intellectual, historical, geographical and political context. Section three reviews the critical literature on ‘neoliberalisation’ drawn from the discipline of human geography. This enables an appreciation of neoliberalism as a *process* that can, and has, led to diverse and differing ‘neoliberalisms’. Subsequently there is an exploration of the ‘ideational turn’ – a theoretical body of work which presents various views on the relationship between economic ideas and interests in explaining economic outcomes / realities. The final section builds upon the theory of why it is important to consider ideas by reviewing various interpretations of discourse analysis in an attempt to explain and justify its relevance to ongoing research into economic policy and institutional change, as well as a brief theoretical background to identifying and defining ‘stakeholders’.

## 1. Neoliberalism

As Chang (2003) suggests, the term neoliberalism can be considered as ‘the heir to liberalism, the dominant economic doctrine of the late nineteenth and early twentieth century’, which proponents tend to view as a capitalist golden age when the global economy grew enormously under a regime where the private ownership of trade and industry operated within and between largely unregulated markets. From this starting point, it becomes clear that the neoliberal, or ‘liberalist revival’ movement promotes ideas and policies based upon what its advocates view was a fundamentally superior economic past.

A core tenet of neoliberalism is a belief in what the economist and philosopher Adam Smith (1723-90) called the ‘invisible hand’ of the self-regulating market, an idea which underpinned classical economic liberalism (Galbraith, 1987; Lux, 1990). Indeed, Harvey (2005) offers a definition based upon this central tenet of the market as chief guiding mechanism for society: ‘[neoliberalism]... is the doctrine that market exchange is an ethic in itself, capable of acting as a guide for all human action.’ (p.1). Complementing this idea, neoliberal ideology envisions the ‘liberation’ of a naturalised market economy from the burdensome and overbearing ‘nanny state’, enabling the optimisation of economic efficiency and individual freedoms, away from any kind of *Keynesian* or collectivist strategies which seek to regulate and redistribute (Escobar, 1995; Jessop, 2002a; Peck, 2001; Peck and Tickell; 2002; Wade, 2004). A powerful neoliberal assumption is that the state-led economy is inherently inefficient, and/or corrupt and hence unable to stimulate or maximise growth (Leys, 1998; Jessop, 2002b).

The intellectual roots of neoliberalism are commonly traced back to a group of thinkers led by Friedrich von Hayek and Milton Friedman at the University of Chicago. They re-worked the tenets of free-market capitalism to tailor a post-Keynesian world in the 1960s and 70s (Harvey, 2005; Palast, 2003). Given this intellectual background, Chang (2002) defines neoliberalism as an ‘unholy alliance’ between neo-classical economics, which provided the analytical tools, and ‘Austrian-Libertarian’ thought which provided the political and moral philosophy typified by thinkers such as Hayek. It is interesting to note how a relatively small and obscure collection of thinkers, who at the time were regarded as outmoded, went on to become the intellectual force behind the dominant social and economic policies of the late 20<sup>th</sup> Century.

Friedman’s fundamental argument was that political freedom can only result from economic freedom. In this context, ‘freedom’ is defined as the eradication of government intervention and regulation in economic transactions. He maintained that government interference in the free market was a force for evil, as private individual economic actors were subject to the abuses of politicians pursuing their own interests (Friedman, 1962). He therefore maintained that government intervention should exist in only a few areas of society such as monetary policy, national security and, above all, the legal enforcement of property rights which he

argued was meant to prevent non-competitive behaviour by creating a level playing field for the (more efficient) profit-driven private sector (Manzetti, 2003).

Exploring this central idea of 'freedom' enables an appreciation of how the widely-used term 'economic liberalisation' or 'market liberalisation' came about. At the intra-national industry or sector-specific level, this might typically involve taxes, quotas, subsidies and price controls imposed by central or local government, though importantly it also points to the desirability of creating market *competition*, and, only by extension, policies of privatisation (Gray, 1998; Stiglitz, 2002). Although possible, competition between State Owned Enterprises (SOEs) is inherently limited and arguably not a real form of competition as bosses and managers of SOEs are not usually driven by the motivation to generate profits. Indeed, it is the profit motive which forms the basic building block of market capitalism, widely assumed by neo-classical economic studies to be the force which powers innovation in processes and products in the constant pursuit of means to reduce costs, expand market share and hence increase profits (Kay, 2003). Indeed, this description could also serve as a basic definition of economic efficiency from a business perspective: maximising the positive margin between costs and revenues (Harris, 2000; Kay, 2003). Therefore, when observers speak of 'economic liberalisation' it can be assumed they are attempting to invoke some form of the definition given above which is often simply reduced to idea of 'less state' and 'more market'.

Neoliberal ideology became the foundation of dominant political discourses in the U.S and U.K in the 1980s under Reagan and Thatcher respectively (Escobar, 1995, Peet and Hartwick, 1999). Indeed, Margaret Thatcher praised the work of Hayek and recalled how his critique of socialism *The Road to Serfdom* published in 1944 deeply influenced her political thinking. Consequently, by the 1990s the transformation towards free-market capitalism had led to the establishment of a new neoliberal order in many advanced capitalist states, with remarkable similarities to those of the classically liberal regimes discredited in the 1930s (Blyth 2002). At the macro-level, this economic 'full-circle' is characterised by high levels of private capital mobility, market-mechanisms for macro-economic management, a willingness to ride-out balance of payment and other disequilibria through deflation, and the view that unemployment is dependent upon the market-clearing price of labour (Blyth, 2002).

Most 'neoliberals' argue that the road towards free-market societies away from statist intervention witnessed over the last 25 years was inevitable given the failures of inefficient and bureaucratic state management of the economy (Smith et al., 1999). Advocates argued that the failures of state-led growth towards the end of the 1970s in many western industrialised nations created the need for radical reforms which they believed would be best met by the institution of market forces to control inflation and increase growth (Palley, 2005) Neoliberalism is therefore predicated upon a 'rolling back' of the state's role in the economy, via discourses of competitive pressures at the national, regional, and urban levels (Peck and Tickell, 2002; McCarthy and Prudham, 2004), leading the way for the logic of economic 'restructuring' including widespread privatisation of industries and public utilities.

Many critics argue, however, that the rise of neoliberalism was not a 'logical' or 'natural' process, but rather one which was constructed by a powerful section of society, influencing political discourse and policies that articulated their goals and beliefs, and whom often stood to benefit from their outcomes. In other words, the neoliberal policies that promote the global liberalisation of markets, privatisation and deregulation have been championed by an increasingly powerful private business lobby (Bond, 1999; Bourdieu 1998; Chomsky 1998; Harvey, 2005). George (1999) argues that the rise of neoliberalism has had much to do with the creation of an international network of supporting foundations, institutes, research centres, publications, scholars, writers and public relations professionals dedicated to developing, packaging and pushing their ideas out of the classroom and into the realm of public policy discourse (George, 1999 p.2). Jessop further articulates this discursive essence:

'At its heart, the aim of the neoliberal project is to promote new discourses, subjectivities and ways of representing the world which establish the legitimacy of the market economy, the disciplinary state and an enterprise culture' (Jessop, 2002b p.467)

On this point, it is notable how neoliberal proponents have succeeded in contributing some powerful rhetoric and skilful manipulation of language to help dominate political discourse. Green (2004) highlights the problem of understanding neoliberalism with the use of ‘neoliberal language’, as this automatically puts critics in a weaker position:

‘In any debate over the costs and benefits of neoliberalism, it’s supporters start out with a distinct advantage...calling unregulated commerce ‘free trade’ and unfettered capitalism ‘the free market’ automatically confers legitimacy on the ideas. Likewise, ‘removing trade barriers’, ‘enhancing efficiency/competitiveness’, ‘getting the prices right’, and ‘improving growth’ sound essentially positive, even if the listener is vague on the details, and even vaguer on the consequences’ (Green, 2004 p.17)

The barrier this creates to constructing an effective critique of neoliberalism should not be underestimated. Many observers have further remarked how the terms *free-market* and *democracy* have become almost inseparable in 21<sup>st</sup> Century ‘western’ political and economic discourse, in what Green (2004) calls ‘a linguistic sleight-of-hand’. Hence, with its overtones of ‘liberation’, the term *market democracy* becomes a powerful rhetorical devise, as ‘democracy’ is loaded with robust and almost emotive connotations alluding to a *human right*. Almost imperceptibly then, this kind of rhetoric creates a remarkable harmonisation of something which is generally regarded as a human right (if not a privilege), and a set of economic policies that place a fundamentally greater value on capital than on labour (Lapavitsas, 2004). The irony that free-market capitalism takes economic power away from the state (and therefore the voting public), and into the hands of private business is rarely acknowledged. There remains, of course, the debate over whether or not consumerism is able to substitute formal (elective) democracy in a market society via the process of devolving economic decision making to the electorate – to the limited extent that consumers actively discriminate between or against certain products and services. However, this idea is arguably less relevant for the citizens of LDCs exposed to the free market where purchasing power, and therefore choice, are more limited.

Peck and Tickell (2002) argue that the reason neoliberal discourses have proved to be so compelling is because ‘by representing the world of market rules as a state of nature, their prescriptions have a self-actualizing quality’ (p.382). In this sense, the neoliberal arguments that global competition stands to threaten national, regional and local economies is both a means to creating and then justifying the need for greater market liberalisation and deregulation. Bourdieu (1998) characterised this quality of the self-fulfilling prophesy by arguing that ‘neoliberalism tends on the whole to favour severing the economy from social realities and thereby constructing, in reality, an economic system conforming to its description in pure theory’ (p.2). Bourdieu defined the essence of neoliberalism as ‘a programme for destroying collective structures which may impede the pure market logic’. Conversely, following from the idea that neoliberal economic policy reforms embody a logical and ‘naturalizing’ quality, pro-market reformists have argued that market liberalisation is ‘like the dawn’, which we can appreciate or ignore, but not presume to stop (Friedman, 1999). In essence, this idea suggests that neoliberal policies are not only desirable, but become easily ‘locked-in’ to society, as if they were self-perpetuating.

Whether or not neoliberalism should be characterised as an unstoppable tide washing across the global economy, it constitutes a strong political-economic force and one that gains strength via self-perpetuating processes of market expansion. Nonetheless, the very spread and uptake of neoliberalism is highly uneven and contested which underlines its inherently political nature. Pro-market discourses maintain that national economies slow to institute their own neoliberal reform agenda will find themselves left behind in terms of global trade, increasingly unable to compete in the global market place for goods and services, delivered by a fiercely competitive private industrial sector. They argue that the liberalisation of SOEs, including public utilities, will lead to technological innovation and greater operating efficiencies that will ultimately reduce production costs, further improving their global competitive trade advantage (Steiner, 2001; World Bank, 1993).

Since competition pressures and the profit ‘principle’ are considered to be the muscle behind the ‘invisible hand’ of market forces, neoliberal theory logically implies a redundant role for the State provision of goods

and services. Starting in the UK, the privatisation of SOEs has been one of the major economic transformations of the past twenty years, and has become one of the key reform policies prescribed to LDCs by the IFIs. As well as containing key elements of neoliberal thinking, privatisation has proved to be a useful tool for politicians to achieve other, wider economic reforms. Thatcher was the first to understand, or at least the first to act upon, the idea that pursuing widespread industry privatisations is an effective means of breaking the power of trade unions, whose members stand to be disadvantaged by economic liberalisation (at least in the short-term) and hence are most likely to oppose reforms.

Lest it be forgotten, Manzetti (1999) clarifies that the decision to privatise is a political one. As was mentioned previously, an important quality of neoliberal discourses is the ability to make the advocacy of specific economic policies appear unlike the product of political decisions, but rather as an inevitable, logical and naturalising process. Consequently, those who have endeavoured to criticise the process and content of economic neoliberalism have done so in a way that reminds us of its inextricably political character, as (Susan) George does for the policy of privatisation:

[Privatisation amounts to] the alienation and surrender of the product of decades of work by thousands of people to a tiny minority of large investors. This is one of the greatest hold-ups of ours or any generation' (George, 1999 p.6)

She further argues that 'one can easily see that the whole point of privatisation is neither economic efficiency or improved services to the consumer but simply to transfer wealth from the public purse - which could redistribute it to even out social inequalities - to private hands' (George, 1999 p.5). The standard neoliberal arguments in favour of privatisation suggest that it is a useful means to reducing government fiscal deficits by ending costly subsidies to SOEs, whilst at the same time depoliticising business decisions, ending corruption and reducing the power of the unions (Vickers and Yarrow, 1988; Cook and Kirkpatrick, 2000). In other words, whilst the apparent driving force behind reforms is economic pragmatism, the reality is that they contain a distinct ideological justification and rationale.

With the fundamental shift from a state-led to a market-driven economy, come radical shifts in the nature of accountability. Neoliberals assume that economics drives politics, and that the role of politicians is to merely ensure that the 'right' economic policies are put in place (Manzetti, 2003). Further, neoliberals argue that for free-market policies to operate as effectively and efficiently as possible, it is essential that legal institutions render decisions free from political interference, and to guarantee that private property rights are upheld.

The 'standard' neoliberal argument maintains that the free-market capitalist economy depends upon these institutional conditions, as they will ensure the efficiency of the market's resource-allocating and price-setting mechanism is not perturbed by political or judicial decisions (Gill, 1995). Importantly, these conditions also add weight to the discursive axiom that government institutions must be accountable to their citizens. Therefore, if neoliberal arguments are followed and it is assumed that accountability is an indispensable condition for the successful operation of a free-market capitalist economy, what are the implications for LDCs which lack this framework in the process of instituting market reforms? Indeed, within many LDCs it seems that the spread of neoliberalism has failed to address the institutional side of the equation, implementing the economic policy reforms without the requisite establishment of a fully 'accountable' framework (Manzetti, 2003).

Jessop (2002a) has pointed out that the shift from government to market forces and partnership-based forms of governance reveals a belief in the need to involve relevant stakeholders in supply-side policies (Jessop, 2002b). The need for this, it is argued, is a consequence of the reduced role of the state in owning and directing economic relations, creating a governance 'void'. Crucially, this point raises important questions as to exactly who these 'relevant stakeholders' are, and what their legitimate function is supposed to be. In the reality of the market place, stakeholders are predominantly private business interests and consumer groups, but mainly financial and commercial groups. For critics, a key question is typically what role can and do marginal or excluded groups take in the formulation of supply-side policies? On this point, Tickell

and Peck (2003) argue that the contemporary neoliberal state has a tendency to adopt ‘an ever-more aggressive, invasive and neo-paternalist attitude towards the regulation of the poor’ (p.178).

Here, it is important to mention that although neoliberalism was a project conceived and promoted from within developed countries (particularly the U.S and U.K), its advocates and supporters have a global presence such that it has been described as a ‘dictate to economies around the globe that is enforced both locally, through those industrial sectors that stand to benefit, and globally through the institutions of finance and politics’ (Koelble, 2004 p.73). Chang further adds that ‘it would be wrong to describe the advance of neoliberalism in the developing world purely as an imposition from the outside. Neoliberal reforms in these countries had their local defenders from the beginning; over time their number has multiplied and their influence increased’ (Chang, 2003, p.2). Nonetheless, the following section summarises the most important way in which neoliberalism has found its most ‘fundamentalist home’ in LDCs (and Latin America in particular), via the power of the IFIs.

## **2. The International Financial Institutions (IFIs) and the ‘Washington Consensus’**

During the 1990s, neoliberalism became a more technocratic and refined set of policies, and might now be considered the ‘commonsense of the times’, to the extent that they dominate social and economic policy discourse (Gore, 2000; Peck and Tickell, 2002). On the global scene, this has, to a large extent, occurred thanks to the role played by the predominantly Washington-based IFIs: The World Bank Group and the International Monetary Fund (IMF). Since the early 1980s, these institutions have played a central role in developing and promoting market-based policies to LDCs around the world.

Before further exploring the significance of the IFIs – and their role in promoting neoliberalism - it is useful to start by summarising some of the key concrete policies that have been implemented in many places with their support. In the context of economic development, a useful starting point is the set of policies often referred to as the ‘Washington Consensus’, a term which has gained notoriety in recent years, even being parodied as the ‘Washington Contentious’ (Birdsall and De La Torre, 2001). Below are summarised five key policies of this ‘consensus’ as outlined by Williamson (1990, 1994):

- Tackling inflation through fiscal adjustment
- Privatisation of state owned enterprises, both in the industrial and public utility sectors
- Trade liberalisation, consisting of pronounced declines in tariff, and especially, non-tariff protection
- The prevalence of market interest rates
- Opening most sectors to foreign investment and substantially decreasing controls over the actions of foreign capital.

The term ‘Washington Consensus’ was coined by John Williamson of the Washington-based Institute of International Economics, who now claims that its original meaning has become distorted and misused. He argues that he did not formulate the ‘Washington Consensus’ as a policy *prescription* for economic development - as it is now widely referred to as - but rather as a list of policies that he claimed were widely held ‘in Washington’ to be specifically desirable for Latin America, as of late 1989 (Williamson, 2004). The extent to which this disqualifies the critical interpretation is open to debate. Arguably, the notoriety of the Washington Consensus has come about more as a consequence of these critics who have latched onto and attacked it as evidence of some sort of ‘conspiracy’ between the Washington-based IFIs and the US Government. It could also be argued that this was the reason why James Wolfensohn (World Bank President 1995-2005) was keen to distance the World Bank from the ‘consensus’ by arguing that ‘The Washington Consensus has been dead for years’ on a visit to China in 2004 by which time critics were accusing the Bank of policy dogmatism (Maxwell, 2005).

In addition to the IFIs, the US treasury, also based in Washington D.C, is usually complicit in this ‘consensus’ as a major financial backer of the IFIs, which are funded by western governments and financial markets. By extension, U.S Government administrations are also implied to be party to the ‘Washington Consensus’ (Stiglitz, 2002). Bhagwati (1998) adds to this a portrayal of the consensus members as a

neoliberal elite whose networks spread from the financial firms of Wall Street, who have a clear interest in a world of free capital mobility and the expansion of markets, to the US Treasury Department, the State Department, the IMF, and the World Bank in what he terms the 'Wall Street-Treasury complex' (Bhagwati, 1998). With regards to Latin America, the Washington-based Inter-American Development Bank (IDB) is another key institution that has done much to promote neoliberal economic policies since the 1980s through its joint roles as money lender and economic policy advisor.

Although Williamson (2004) has criticized those who refer to the term 'Washington Consensus' as synonymous with 'neoliberalism', or what Soros (1998) has called 'market fundamentalism', the policies originally highlighted in the consensus are heavily influenced by neoliberal thinking and ideology (Jessop, 2002a, Peet and Hartwick, 1999). However, until the early 1980s, the IFIs had been the bastion of Keynesian economics and a policy agenda rooted in the theory of modernisation, typified by the funding of large-scale infrastructure projects in the belief that this was what poorer nations needed most in order to 'catch-up' with the richer world (Leys, 1998).

So how did the IFIs become the chief global enforcers of the neoliberal agenda? Many commentators suggest that to a large extent, this transformation came about as a result of the Reagan administration's decision to take advantage of the 1982 debt crisis in Latin America to lever market reforms in exchange for financial and political support (Chang, 2003; Harvey, 2005). Here, Harvey argues that the Mexican debt crisis in particular marked a key turning point in how and when neoliberal theory diverged from the reality of *neoliberalisation* throughout LDCs:

'The Reagan administration, which had seriously thought of withdrawing support for the IMF in its first year in office, found a way to put together the powers of the US treasury and the IMF to resolve the difficulty by rolling over the debt, but did so in return for neoliberal reforms' (Harvey, 2005 p. 29)

Use of the word 'diverged' is important here, as the case of the IFIs (themselves market-interventionist institutions) promoting neoliberalism highlights the inherently contradictory way in which it has been promoted and implemented around the world (Tickell and Peck, 2003). Prior to the 1982 debt crisis, the market 'fundamentalists' in the Reagan and Thatcher administrations argued that LDCs should simply borrow money from the international financial markets, instead of relying upon interventionist mechanisms. However, it quickly became evident that the IFIs could be used as an effective means to promote the neoliberal agenda, highlighting not only the political nature of neoliberalisation, but the fact that it is a 'Western' project which has been promoted from the developed world to the less developed world.

In the wider context, however, the IFIs have grown into large financial institutions employing thousands of people with very different aims and objectives to those prescribed in 1944. Long gone is the need to finance post-war European reconstruction. Furthermore, since the collapse of the Soviet Union the World Bank and the IMF no longer support certain LDCs in the context of the cold war ideological battle for supremacy between capitalist and state-socialist modes of development, instead pursuing a free-market reform agenda in the light of capitalist 'triumph'. Their true power therefore lies within the 'conditionalities' which these institutions often attach to their loans. A crisis-ridden and already heavily indebted country (such as Mexico in 1982) that applies to the IMF or the World Bank for a loan is likely to be asked to further open up its markets and agree to a set of specific industry and policy reforms before the loan is approved. In this way, these institutions are able to exercise considerable leverage over the domestic policy making of sovereign states, though it is interesting to note that in their original constitution the IFIs had no control over individual government's economic decisions or policy making (George, 1999).

Consequently, over the past 15-20 years the IFIs, (also referred to as the *Bretton Woods* Institutions) have been increasingly criticised for promoting policies which have seen most of the world's poorest countries slide further into debt and crisis, whilst the countries of the OECD have experienced sustained growth and technological advancement (Peet, 2003). Criticisms of the World Bank and the IMF are many and varied, although a common argument is that they both lack fully transparent decision making and democratic accountability (Peet, 2003; Ritzen, 2005). The voting system for both institutions is essentially one-dollar-

one-vote, which logically favours the richest government donors, with the U.S taking 17.5%, and the largest of the voting share. In addition, for major changes to take place, new policy proposals require 85% backing giving the U.S effective powers of veto.

Scholars such as Stiglitz, Bhagwati and Rodrik have criticised both the World Bank and the IMF, but it is the IMF which receives the strongest criticisms for the austerity measures they place on LDCs. In addition, the IMF's policy of forcing the liberalisation of capital and currency controls were widely blamed for precipitating the 1998 Asia crisis (Rodrik, 1999, Stiglitz, 2002). Fundamentally, the IMF is today primarily concerned with developing 'sound' financial policies which aim to reduce fiscal deficits and control inflation, and issues loans to LDCs to help them achieve this (Woods, 2006). The World Bank is however primarily concerned with developing policies to propagate *economic development*, and lends far larger sums of money than the IMF to help fund major projects and foreign governments to achieve this goal (Peet, 2004). Consequently, the World Bank and IMF share common interests, although there is often a difference of opinion over which policies should be pursued, and how they should be implemented. Stiglitz (2002) provides an example of how policy prescriptions have conflicted over the issue of how to reform SOEs in LDCs, where the World Bank has strongly argued for the institution of market competition:

'There is a natural reason why the IMF has been less concerned about competition and regulation than it might have been. Privatising an unregulated monopoly can yield more revenue to the government, and the IMF focuses far more on macroeconomic issues, such as the size of the government's deficit, than on structural issues, such as the efficiency and competitiveness of the industry' (Stiglitz, 2002 p.56)

Stiglitz goes on to state that the IMF's position has been to argue that 'it is far more important to privatise quickly; one can deal with the issues of competition and regulation later' (Stiglitz, 2002 p.57). Even if it is assumed that this attitude does not prevail all the time within IMF policy prescription, it reveals some interesting insights into the differences in thinking, and the potential of conflicting agendas between the two pillars of the Bretton Woods Institutions. The IFIs have been of particular importance throughout the Latin American continent, a fact well documented in the academic literature which often frames country case-studies of neoliberal economic reforms with narratives informed by the 'Washington Consensus'.

### 3. Neoliberalisation

This section further develops and discusses an analytical framework for the study of energy market reforms by reviewing the critical literature on 'neoliberalisation' from within the discipline of human geography. Following increasing academic interest in such critical studies, the aim is to understand and appreciate neoliberalism as a *process* that can, and has, led to diverse and differing 'neoliberalisms' (Barnett, 2005; Castree, 2006; Larner, 2003; Tickell and Peck, 2003). An ongoing debate to which research into energy market reforms aims to contribute, is that concerning the extent to which various Latin American nations are moving away from the neoliberal model, or whether changes in discursive tack reflect little more than populist rhetoric amid widespread dissatisfaction with policies of economic liberalisation and privatisation (Green, 2003; Ellner, 2004; Perreault and Martin 2005). Therefore, understanding neoliberalism as a variegated process enables scholars to identify and appreciate the edges and subtle forms of an *otherwise* homogenous political and economic project, evolving in the country context, rather than as a superimposed concept.

A good starting point from which to understand 'neoliberalisation' is Tickell and Peck's (2003) argument that neoliberalism is a discrete and inherently complex policy project which gives rise to hybrid forms, such that:

'Just as there are no 'pure' markets, only markets shaped by different configurations of legal frameworks, social conventions, power relations, institutional forces and such like, so also there is no 'pure' form of neoliberalism, only a range of historically and geographically specific manifestations of neoliberalisation-as-process.' (p.165)

This observation requires that research into markets and institutions be pluralistic and embrace the power of context, thus moving away from the methodological axioms and analytical assumptions associated with neo-classical economics. On this point, Tickell and Peck (2003) add that investigations into neoliberalisation should reject the use of quantitative methods in seeking to measure the extent to which a particular nation-state is more or less neoliberal, positing that the task is instead ‘to trace the uneven effects of the neoliberalisation process over time and space’ (p.165).

In developing the ground work for studies of neoliberalisation, Peck and Tickell (2002) have identified two distinct ‘moments’ in the neoliberal project: a destructive and de-regulatory phase typified by the ‘rolling-back’ of the state and its agencies, and a creative or proactive ‘rolling-out’ phase of re-regulation to strengthen, or deepen the neoliberal agenda. Importantly, they argue that ‘any adequate treatment of the process of neoliberalisation must explain how these moments are combined under different historical and geographical circumstances’ (Tickell and Peck, 2003 p.179), underlining the importance of contextual approaches.

In the US and the UK, the ‘roll-back’ period has been associated with the crude or ‘shallow’ neoliberal projects of the Thatcher and Reagan administrations in the 1980s, while the 1990s witnessed a deeper ‘rolling-out’ of neoliberal policies and institutions in these pioneer nations. Highlighting this shift, Tickell and Peck (2003) argue that if the ‘early’ neoliberal state emerged in response to the failures (‘real, perceived and constructed’) of the state-dominated Keynesian economics in the late 1970s, then the roll-out, or ‘late’ neoliberal state is concerned with addressing the failures and contradictions of neoliberalisation itself. In the context of ‘Third Way’ policies epitomised by the Clinton and Blair administrations, this shift toward a deepening of neoliberal principles and policies would appear to form a relatively orderly transition from the more conservative years of crude and combative neoliberalism à la Reagan/Thatcher. Conversely, in the case of Argentina, market reforms were characterised by a rapid and far-reaching roll-back period during the Menem administrations (1989-1999), which was as crude and combative as the early neoliberal project in the UK for example, but followed by economic stagnation and crisis in 2001/2.

Central to the study of neoliberalisation is the need to identify and detail the contradictory processes of realising free-market ideals, since they rely upon the effective mobilisation of state agencies, therefore focussing research upon the role of the state in creating and shaping markets. To summarise, the processes of neoliberalisation can be characterised by the following traits:

The operation of specific forms of market-oriented politics, established as a reaction *against* Keynesianism and Developmentalism.

- A deference to naturalized, ‘out there’ global economic forces, insulating economic decision-making from earthly politics.
- A *qualitative reordering* of state/economy relations, rather than unbridled deregulation and marketisation.
- Experimental policy repertoires, held together by a ‘strong discourse’ of market progress.

These points, adapted from Peck (2004), expand upon the central observation that neoliberalisation is, above all else, a process whereby state power is mobilized in the extension of market (or market-like) rule. Furthermore, Peck (2004) classifies several key features of neoliberalisation in terms of its privileging of:

- Economic logics over political logics
- International policy audiences over domestic policy audiences
- Finance capital over productive capital
- Profit restoration over demand maintenance
- Atomised relations over socialised relations
- Elite interests over mass interests
- Market distribution over social redistribution

With regard to how these characteristics play out in reality, Peck (2004) argues that such abstract features are ‘contingently realised across a variegated institutional landscape ... in hybrid, *but connected*, formations’. It is in this sense that Tickell and Peck (2003) suggest that there exists a risk that critics underestimate the ‘transformative, adaptive, and creative potential’ of both neoliberal discourses and practice, adding that:

‘The ‘neoliberal state’ is no longer, if it ever was, simply a deregulationist, absentee state, but has demonstrated a capacity to morph into a variety of institutional forms, to insinuate itself into, and graft itself onto, a range of different institutional settlements, and to absorb parallel and even contending narratives of restructuring and intervention, in response both to internal contradictions and external pressures.’ (p.181)

Again, Peck and Tickell (2002) argue that one of the ‘most striking features’ of neoliberalisation in recent years has been its transformative capacity and ability to ‘absorb or displace’, and even capitalise upon the economic crises for which it is often responsible for creating. The implication is that neoliberalism as an identifiable political and economic project is more durable than resistance and opposition movements often recognise, meaning that ‘reports of its death [have been] correspondingly exaggerated’ (p.400).

#### **4. Latin America and the Identification of Neoliberalism**

Political developments in LDCs are key to understanding processes of neoliberalisation. Larner (2003), highlights that it has been the Latin American continent, and not the ‘ideological heartland’ of the US and UK that has witnessed the deepest neoliberal reforms, argues that ‘developments in the ‘periphery’ may be as significant, if not more so, as those in the ‘core’ in explaining the spread of neoliberalism.’ (p. 510). This observation works in tandem with the point made earlier that neoliberalism has paradoxically found itself a ‘fundamentalist’ home in various LDCs, thanks largely to the coercive power of the IFIs.

However, despite widespread academic assertions that neoliberalism should be understood and approached as a diverse and hybrid project in need of further contextual investigation in order to refine its borders (Peck and Tickell 2002; Larner, 2003; Perreault and Martin 2005), Barnett (2005) remains sceptical that any meaningful understanding of the term ‘neoliberal’ or the process of ‘neoliberalisation’ can exist:

‘There is no such thing as neoliberalism!...The blind-spot in theories of neoliberalism...comes with trying to account for how top-down initiatives ‘take’ in everyday situations. So perhaps the best thing to do is to stop thinking of ‘neoliberalism’ as a coherent ‘hegemonic’ project altogether.’  
Barnett (2005 p.9)

This is a challenging proposition, and one which has merit when applied to some of the less intellectually rigorous writings on neoliberalism – especially those which seek to construct an ‘out there’ force against which to pitch their arguments. However, Barnett is perhaps undermining his own area of research when he says there is ‘no such thing as neoliberalism’ since, as Larner (2003) makes clear by separating it into three operating levels, i.e. as ideology, a policy project and governmentality, a definite and concrete content can be identified and understood in relation to the more established theory of social and economic liberalism. With this in mind, Perreault and Martin (2005) argue that it is the seemingly monolithic and omnipresent character of ‘neoliberalism’ (in part a product of triumphalist discourses) which means the term eludes simple identification (p.192).

What is perhaps true with debates about neoliberalism is that the term often takes on a life of its own in contemporary discourse, in part related to the agenda-driven critiques of the left, but also because it has become a catch-all ‘buzz-word’ to describe a wealth of global experiences and experiments. These experiences constitute the hybridism to which Castree, Larner, Peck, Tickell, and Perreault and Martin refer. The challenge, it would then appear, is to undertake analyses of an ‘actually existing neoliberalism’ by relating it to an agreed-upon theoretical framework of what neoliberalism should look like in its abstract and pure form. Only then can it be possible to develop an understanding of the extent to, and way in which, a country has been ‘neoliberalised’. The construction of such a normative framework for understanding what neoliberalism is all about would appear to be a straight forward task. However, it is

logical that disagreement over such a normative framework will always exist, at least beyond the basic prescriptions of market liberalisation, privatisation and ‘deregulation’.

The implication here is that each study of neoliberalism will have to - and arguably should be - judged in accordance with its own theoretical set-up and points of emphasis. This is not to suggest that a theoretical framework for neoliberalism cannot be agreed upon, but instead recognises that disagreement and a difference of perspective is inherent to the social sciences, and as such, analyses of neoliberalism and neoliberalisation are perhaps best appreciated and judged on their own terms. Barnett does, however, rightly point out that too many critiques of neoliberalism assume the hegemony of a monolithic top-down project, and that a more pluralistic approach to understanding how any given political and economic agenda is necessarily affected in turn by ‘socio-cultural’ processes.

Barnett (2005) puts forward his own take on critical understandings of neoliberalism by taking into account the above-mentioned importance of socio-cultural factors in shaping and informing any one given ‘neoliberalisation’:

‘It seems just as plausible to suppose that what we have come to recognise as ‘hegemonic neoliberalism’ is a muddled set of ad hoc, opportunistic accommodations to these unstable dynamics of social change as it is to think of it as the outcome of highly coherent political ideological projects.’ (Barnett, 2005 p.10)

Related to this observation is the interesting suggestion put forward by Harvey (2005) that most studies of neoliberalism neglect to recognise or consider the way in which social and cultural practices and political formations have shifted through the process of neoliberalisation. This means that they may not consider the possibility that exposure to neoliberalism has brought about new forms for ‘individualised collective-action’, often in the shape of NGOs, think tanks and pressure groups which aim to tackle, influence or alter the ‘hegemony’ of a supposedly neoliberal agenda imposed from the top-down. Barnett (2005) furthers this argument by stating that:

‘The recurrent problem for theories of ‘neoliberalism’ and ‘neoliberalization’ is their two-dimensional view of both political power and of geographical space. They can only account for the relationship between top-down initiatives and bottom-up developments by recourse to the language of centres, peripheries, diffusion, and contingent realizations; and by displacing the conceptualization of social relations with a flurry of implied subject-effects.’ (p.11)

Barnett’s critique is a reminder of the need to recognise and focus upon the ‘dynamic’ relationship between an identified set of top-down policies and the social and cultural ‘realities on the ground’, in order to gain important insights into why there exists such a diversity of neoliberalisms. Is it not the case that different continents and countries contain different cultural practices, customs, values and languages? Perhaps studies can therefore begin to appreciate the ‘hows’ and ‘whys’ of neoliberal hybridism as a product of differing social and cultural contexts, and of the differing interpretations of a set of otherwise concrete and ‘objective’ economic policies.

This staying power of the neoliberal project and its associated political structures expressed itself most dramatically in the case of Argentina both up to, and following, the 2001/2 economic crisis. At the time of the crisis, many critical observers predicted that the whole neoliberal ‘edifice’ would disintegrate in the aftermath, proclaiming nothing short of a revolution in political organisation and economic structures (Altamira, 2002). However, this quickly proved to be little more than ‘wishful thinking’. As Sanchez (2005) points out, the initial post-crisis move away from mainstream party politics in Argentina failed to transform itself into a more established longer-term widespread rejection of traditional political organisation. Although the crisis did foster a significant degree of political renewal, changes in the mainstream were not as extensive as some had predicted or anticipated. More importantly, the 2003 general election resulted in the Peronist party (responsible for having implemented the neoliberal reform agenda in the first place) ‘showcasing its staying power and uncanny ability to adapt to new political environments’ (Sanchez, 2005 p.454).

The rapid and widespread rise of new grass-roots political organisation following the 2001/2 crisis attracted many western academics and journalists. Among those attracted to the immediate post-crisis political developments was the high-profile activist Naomi Klein, author of the 'anti-globalisation' handbook *No Logo* (2000). Klein, along with others, descended upon Buenos Aires in 2002 when times were hardest and the neighbourhood assemblies born out of popular frustration and anxiety were at their strongest. The popular backlash against traditional political organisation in the aftermath of the crisis gave many observers good reason to believe it could and would endure and lead to a radical shift in political power and relations. This was so much the case that in March 2002, during one of the worst post-crisis months, a poll conducted by a Buenos Aires newspaper found that over half of the city's residents 'saw the new neighbourhood assemblies as the basis for a new form of democratic government' (Carter, 2005 p.223). Although initially optimistic about this prospect, and noting that the popular reaction to the crisis was interpreted by many as the 'first national revolt against neo-liberalism', Klein maintains that the demise of grass-roots political organisation had much to do with their infiltration by left wing parties, reducing their appeal as a reflection of community concerns. She also argues that the decision of these more 'activist' minded political movements to ignore, instead of taking part in, the 2003 general election left people with no alternatives to the usual candidates in mainstream party politics. Thus, the structure of traditional party politics remained remarkably intact by the time the 2003 general election took place, despite the catastrophic lows of the economic and social crisis of 2001/2. It is within this context that key aspects of the neoliberal policy project can be understood and continue to compete for political space and time within traditional top-down political structures.

## 5. Marxist or Foucauldian Theories of Institutional Change?

Thus far, this paper has discussed the content and character of the neoliberal policy project, its protagonists, and various aspects of the way in which it can and has been implemented, leading to hybrid and variegated forms. However, when analysing the processes of neoliberalisation, it is inevitable, as is the case with any study into the causal mechanisms and power structures behind policy and institutional change, that a certain theoretical school of thought is, implicitly or explicitly, endorsed. In an attempt to raise the analytical self-awareness of policy-based research, it is useful to clarify these theoretical distinctions, with a view to contributing and positioning appropriate research outputs.

Overall, there two main theoretical approaches relevant to the study of neoliberalisation: – Marxist (or neo-Marxist) and Foucauldian, derived from the critical thinking of Karl Marx (1818-83) and Michel Foucault (1926-84), respectively. Barnett (2005) points out that much of the recent efforts of critical human geographer working in this field have sought to reconcile these two approaches, even though they represent important differences in world views. Below is summarised their central characteristics:

Marxist analysis is:

- Structuralist
- Emphasises the importance of class and class power
- Focuses on issues of 'hegemony'

Foucauldian analysis is:

- Post-structuralist
- Emphasises the importance of discourse-based power
- Focuses on issues of 'governmentality'

Essentially, structuralist critiques assume that specific policies and institutions operate independently from, and unfettered by, cultural and social contexts, while post-structuralism typically views context as integral to understanding both meaning, and outcomes. As such, post-structuralist analyses are very much the product of post-modern philosophy; steeped in relativistic thinking and the belief that all knowledge and understanding is subject to local conditions and perspectives (Luntley, 1995). This differs from the 'totalising' nature of Marxist-structuralist thinking. It also allows for an appreciation of Foucault's discourse-

based exercising of power and consequent 'subjugated knowledges', viewing power not as a two-dimensional relationship between rulers and the ruled, but rather as the product of the processes of governmentality whereby ideas and arguments outside of the dominant, or 'official', discourse are dismissed or devalued.

In order to achieve a richer and deeper analysis of institutional change, critical human geography recognises the importance of drawing upon related social science disciplines, especially history and political science. By assuming a strongly historical approach, the argument is made that economic theory must be subordinate to experience, as Boyer and Saillard (2002) maintain: 'The desire of pure [neo-classical] economic theory is to be founded on a break with the dross of history, but as a process, history sifts through the relevance of economic theories...and very few pass the test' (Boyer and Saillard, 2002 p.5). In this sense neo-classical analyses fail to recognise the importance of institutions existing outside the market place, instead viewing the world through abstract models and ideals such as those of Pareto and Walras which argue that economic 'inefficiencies' are largely the product of a society's failure to fully institute markets across all sectors of society.

Recently, a critical 'heterodox' literature, both theoretical and empirical, from within various disciplines has developed the general position that economic outcomes are context dependent, and that the implementation of any given set of economic policies and institutions does not imply a deterministic process. While falling short of a full-blown postmodernist attack on meta-narratives, this body of work instead seeks to pursue case-study analyses that understand and appreciate the importance of country-context specifics. With reference to economic liberalisation, McCartney (2004) reminds us that 'economics is social theory' and that 'the social structure within which liberalisation occurs has a crucial impact on outcomes...neoclassical theory forgets social structure at the cost of relevance' (McCartney, 2004)

Proponents of these critical approaches (either Marxist or Foucauldian) argue that it is more relevant to today's world than ever before. Citing the divergences in U.S, European and Japanese growth patterns, and the huge differences in the economic development experiences of countries in Latin America and Asia, it is evident that neo-classical analyses fail to provide a coherent explanation, given the often comparative similarity in economic policy making. By extension, such a theoretical starting point provides strong criticisms of the World Bank and the IMF's attempts to develop a 'one size fits all' policy programme throughout the underdeveloped world. By emphasising the importance of differing social structures within which economies are embedded, empirical research is able to show how the imposition of universalist policies such as those of 'structural adjustment', or, indeed, energy sector liberalisation, fail to consider the unique institutional structure of each economy.

These theoretical approaches also aim to 're-politicise' explanations of economic outcomes and reform in order to challenge the naivety of neo-classical analyses (or, what Chang, 2002, refers to as the 'anti-politics' of neoliberalism) and to give full attention to variations in political processes as determining factors in the rise, and evolution of a given economic reality. This starting point implies the historical observation made elsewhere (including by some neo-classical studies) that national economies cannot overcome periods of crisis through the application of the same ideas and theories which prevailed before the crisis, and that the ability to overcome a crisis depends upon collective actions, as any rational individualist strategies cannot construct new 'rules of the game' (North, 1990; 1994). As there exists no automatic mechanism to govern the process of overcoming structural crises, there is a need to develop groups that can defend and promote collective interests, and to call upon the intervention of political authorities at various levels (Richards, 1997).

Given the importance of political action in determining the development of new economic policies and institutions, this theoretical approach can help understand the outcomes resulting from the spread of capitalism to previously state-socialist economies, or from the otherwise deepening of markets in previously state-led economies. It is equally important to appreciate the significance of the *conditions* in which a market economy is instituted as a key factor in determining outcomes. This is based on the observation that during periods of structural crisis, a new regime is not born from a 'big bang', but is rather the outcome of a contradictory process in which 'representations, ideologies, skills, locations and ways of life and production

are newly adjusted, often when one generation is replaced by the next' (Boyer and Saillard, 2002 p.8). This approach differs from neo-classical analyses which argue that institutions are selected according to their 'efficiency' as determined by the general equilibrium resulting from market forces (North, 1994). Another important shortcoming of neo-classical economic analyses is their general failure to consider the importance that the timing and sequencing of structural reforms have upon future outcomes, and how this could have lasting impacts or lead to 'lock-in'. Instead, critical geographers tend to maintain that economic development is largely path dependent and irreversible (Peck, 2001).

As Barnett (2005) comments, many academics have pursued Foucauldian analyses in recent years due to the difficulty that Marxist theories of hegemony have 'in accounting for the suturing together of top-down programmes with the activities of everyday life' (p.7). It is however useful to understand a Marxist critique of neoliberalism. Harvey (2005) offers a Marxist analysis by making the case that the process of neoliberalisation has brought back into focus the issue of class and class divisions as a result of free-market policies which have partly created and clearly benefited an economic elite at the expense of organised labour and low-income groups. He argues that despite the neo-liberal rhetoric that class becomes irrelevant through a supposedly open and competitive society, this class division may well have been the main underlying goal of the neoliberal project from the beginning. It is worth quoting the following extended passage:

'The incredible concentrations of wealth and power that now exist in the upper echelons of capitalism have not been seen since the 1920s. The flows of tribute into the world's major financial centres have been astonishing. What, however, is even more astonishing is the habit of treating all of this as a mere and in some instances even unfortunate by-product of neoliberalisation. The very idea that this might be - just might be - the fundamental core of what neoliberalisation has been about all along appears unthinkable. It has been part of the genius of neoliberal theory to provide a benevolent mask full of wonderful-sounding words like freedom, liberty, choice, and rights, to hide the grim realities of the restoration or reconstitution of naked class power, locally as well as transnationally, but most particularly in the main financial centres of global capitalism.' (Harvey, 2005 p. 119)

Here, Harvey refers to the 'astonishing habit' of viewing the increased concentrations of wealth and power in 'the upper echelons of capitalism' as a simple and unintended by-product of neoliberalisation. Indeed, this 'habit' can be seen clearly in much of the mainstream critical literature within the academic realms of political economy and human geography. On the assumption that there exists a capitalist elite in society pushing for the implementation of 'neo-liberal' policies, Harvey suggests that there is an important tension between the theory of neoliberalism and the 'actual pragmatics' of neoliberalisation (p.21). Essentially, he is arguing that there is an important division between the rhetoric and the reality of neoliberalisation which has been fuelled in large part by a smoke screen of ideology, such that 'the theoretical utopianism of neoliberal argument' is invoked to justify and legitimise the promotion of policies in the interests of elite power.

Although Harvey continues to recognise the power of political and economic ideas to act as a 'force for historical-geographical change', his point is that the 'pure' neoliberal agenda is often manipulated or selectively implemented to coincide with the interests of wealth and power. By making this clear, the implication is that the institution of a neo-liberal state reflecting most closely the *theory* of neo-liberalism may even stand to benefit what are now the impoverished or socially excluded 'under-class' of society. Although this is highly debatable (the principle of competition would imply the eventual existence of winners and losers), Harvey does point out that the restoration of class power through neoliberalisation cannot always be related to the same interest groups, i.e. the traditional upper class and the 'old money', instead breeding and promoting a new entrepreneurial and 'nouveaux riche' class typified by Richard Branson, Lord Hanson and George Soros. Harvey argues that the way in which this new class power has been created relates chiefly to shifts in the incentive structures of managers and CEOs within capitalist enterprises by linking earnings to stock values and as opposed to production indicators. Citing the demise of companies such as Enron, Harvey argues that this shift was in large part responsible for the 'speculative

temptations' which divorced understandings of company value from conventional material and productive measurements.

Alternatively, the various analyses of neoliberalism and neoliberalisation offered by Peck and Tickell, summarised in sections 1 and 3 above, are good examples of the type of studies which recognise both the structural and discursive levels through which policy and institutional change is achieved and maintained. In this way, it is possible to identify and account for the hybrid manifestations of an otherwise homogenous policy project, working upon the assumption that the nation-state context is a key determinant in directing outcomes. However, Barnett (2005) argues that in attempting to embrace both Marxist and Foucauldian approaches, these studies have the tendency to view erroneously the mechanisms of power as a process of action and reaction, at which he hints:

'...the prevalent interpretation of governmentality only compounds this problem [*of relating top-down programmes with the activities of everyday life*], by supposing that the implied subject-effects of programmes of rule are either automatically realised, or more or less successfully 'contested' and 'resisted'. Theories of hegemony and of governmentality both assume that subject-formation works through a circular process of recognition and subjection. Both approaches therefore treat 'the social' as a residual effect of hegemonic projects and/or governmental rationalities.'

In other words, Barnett is arguing that even many post-structuralist analyses are failing to recognise the 'dynamic' and inherent importance of social and cultural specificities in shaping and directing local realities and outcomes. This is an interesting point, and one which he argues means that 'neither approach [Marxist or Foucauldian] can acknowledge the proactive role that long-term rhythms of socio-cultural change can play in reshaping formal practices of politics, policy, and administration.' However, beyond this he does not offer an alternative to understanding governmentality as 'a circular process of recognition and subjection', which suggests that Foucauldian discourse analyses will continue to view policy and institutional change as a process which Tickell and Peck (2003) argue 'insinuates itself into, and graft itself onto, a range of different institutional settlements.' Nevertheless, Barnett is making the important observation that too many studies of neoliberalisation fall into the trap of using notions of governmentality as instruments to prop up arguments that ultimately *do* view the neoliberal policy project as a hegemonic force, arguing that this provides 'a consoling image of how the world works' via the construction of simplistic narratives about the power of market-driven political agendas against which to pitch positions of resistance. Barnett concludes that 'the turn to an overly systematized theory of governmentality, derived from Foucault, only compounds the theoretical limitations of economistic conceptualisations of neoliberalism.'

Given the significance of the context-based social, cultural and linguistic variations which exist between (and within) nation-states, it seems reasonable to focus more upon these aspects in an attempt to understand and account for the hybrid manifestations of an otherwise homogenous set of policy and institutional prescriptions. This, in other words, lends itself towards a more 'Foucauldian' analytical framework, as opposed to the structuralist perspective and assumptions of class-power relations central to Marxist critiques, although the relevance of the later cannot be dismissed. Arguably, a Foucauldian approach is better suited than a structural-Marxist approach to exploring neoliberalisation in a post-reform period where established policies and institutions are being challenged and altered as part of a wider process of economic and societal change. This argument is based on assumptions about the role and importance that ideas play in processes of economic and societal change, which is explored in the following section.

## **6. The 'Ideational Turn' in Political Economy**

This section explores a long-standing debate in political economy literature over the significance of ideas versus interests in determining outcomes. Such a comparison provides a complementary theoretical level to the literature on neoliberalism and neoliberalisation, especially if energy policy research is to focus upon the discursive level of policy and institutional change. Adopting a Foucauldian approach complements the theoretical turn to the role and importance of ideas since it enables an analysis of the inherent power relations within a given discourse, based on the observation that discourses limit or exclude certain ideas and arguments whilst legitimising others.

Many theorists view the role of ideas as a purely manipulative set of tools to legitimize arguments and actions taken by groups in their own interests. For example, Geertz (1964) argued that ideas are used to make appear ‘a clash of interests thinly disguised as a clash of principles’ (Geertz, p.53). Other analysts have however sought to articulate the role and importance that ‘ideas’ in themselves have in the process of instituting change to economic structures and relations.

Blyth (1997) refers to the adoption by thinkers in the two main schools of institutionalist theory, namely *historical institutionalism* and *rational institutionalism*, of the importance that ideas have in stimulating radical macro-economic change. Importantly, Blyth argues that ‘one’s view of ideas and what they do also circumscribes the type of institutional analysis that can be employed’ (Blyth, 1997 p.231). In order to present an overview of the two main schools of thought, definitions are provided:

**Historical institutionalism (Hall, 1993; Sikkink, 1991):** sees institutions as *constraining* rather than enabling political action. Understood this way, change can only come about through the intervention of exogenous factors such as wars and economic crises. (Blyth, 1997)

**Rational institutionalism (Goldstein and Keohane, 1993):** sees all institutional change as essentially *intentional*. Understands the social world, ideologies, culture and values as instrumental products that are reducible to individuals’ attempts to maximise their respective utilities. Therefore, institutions (as human constructs) will only constrain change if the benefits outweigh the costs. (Blyth, 1997)

From research that compared the institutional paths of developmentalism in Brazil and Argentina, Sikkink (1991) argues that ideas gain dominance and become institutionally embedded only if they are in harmony with the ‘structure of political discourse of a nation’ (defined as the beliefs and common interpretations actors share about the structure of ‘normal politics’). Sikkink’s position can be summarised by the following quote:

‘In order for an economic model (such as developmentalism) to become consolidated, or to persist, an elite consensus has to emerge around it. Such consensus is more likely to emerge if the ideas articulate well with the existing ideologies of groups in a country.’ (p.2)

Sikkink argues that ideas are most important at the ‘adoption stage’, and in relation to their congruence with the existing ‘normal politics’ of a country. She uses this starting point to explain how Argentina’s and Brazil’s attempts to institute developmentalism resulted in very different experiences and outcomes. She puts forward an ‘interpretive framework’ to account for the reasons why similar policies were embraced more so in one country (Brazil) and opposed in another (Argentina). Sikkink argues that the attempts to institute Import Substitution Industrialisation (ISI) in Argentina were largely opposed by Argentine Industrialists, not because it stood to damage the interests of domestic industry, but because the ideas and policies were widely interpreted by industrialists as a manifestation of working class *Peronist* thinking which they opposed on ideological grounds. In this sense, Sikkink maintains that the importance of ideas is that they ‘transform perceptions of interest, shaping actors’ self understanding of their own interests’ (Sikkink, 1991 p.243). Consequently, Sikkink’s analysis concludes that ideas are crucial to understanding the way in which a particular ‘policy paradigm’ is adopted, and how it progresses.

Alternatively, Hall’s (1993) analysis of the role of ideas in institutional change takes for granted the interpretive framework identified by Sikkink, instead focusing upon the ways in which a policy paradigm limits the scope of actors’ understanding of a problem, and hence the options for finding a ‘solution’. This idea is made clear in the following paragraph in relation to Keynesianism, the focus of Hall’s analysis:

‘[Keynesian ideas] specified what the economic world was like, how it was to be observed, which goals were attainable through policy, and what instruments were to be used to attain them. They became the prism through which policymakers saw the economy as well as their role within it’ (Hall, 1993 p.279)

Here, Hall highlights the essence of the ‘ideational turn’ in political economy by showing how a particular policy paradigm, consisting of a set of ideas and assumptions can limit policymakers perspectives, tools and

solutions to a given problem. Continuing the Kuhnian analogy, Hall argues that a ‘paradigm shift’ can only take place when the whole underpinnings of a particular paradigm enter crisis.

Hall identifies three ‘orders’ of policy change, where a ‘3<sup>rd</sup> order’ change constitutes a paradigm shift, such as that from Keynesianism to Monetarism.

- 1st Order        Change to an instrument setting
- 2nd Order       Change in the instruments themselves and their settings
- 3rd Order       Change to both the instruments, their settings and their objectives

However, unlike a paradigm shift within the natural sciences, Hall argues that the drivers towards a particular shift in economic policy thinking are unlikely to be based on ‘scientific’ knowledge, and rather upon political determinants. When the incumbent paradigm reveals its shortcomings in explaining reality and prescribing effective policies, the political space is created to allow for a shift. Here, Hall highlights that at such junctures, ideas are always contested and so the uptake of one set of ideas is contingent upon their support by dominant political groups. It is in this sense that Hall states ‘issues of authority are central to the process of paradigm change as the locus of authority becomes contested’ (p.280).

Hall’s analysis focuses upon the crisis of Keynesianism in the UK and the shift to Monetarism which was embraced by the Conservative party in the late 1970s and early 1980s, and promoted as the solution to many of the country’s economic problems. Here, Blyth (1997) adds that the discourse of monetarism at the time had a huge impact as it both complemented conservative antipathy towards the labour unions and economic interventionism, while confronting the incumbent Labour Government that ‘had no coherent policy paradigm upon which to base its pronouncements, state its objectives, or articulate a coherent alternative’ (Blyth, 1997 p.235).

With regard to the shift from Keynesianism to Monetarism in the UK, Hall (1993) argues that ‘the play of ideas was as important to the outcome as it was for the contest for power’, supporting Sikkink’s claim that ideas have the greatest impact at the ‘adoption’ stage of policymaking. However, Hall also argues that ideas have an important role in setting the boundaries for political discourse once a radical policy shift has taken place. Returning to the issue of ideas vs. interests, Hall states that ‘organised interests do not simply ‘exert power’; they acquire it by trying to influence the political discourse of their day’ (Hall, 1993 p.290), which sets the boundaries for making certain ideas acceptable and legitimate. As Blyth concludes ‘once the parameters of discourse are institutionally set, then an important source of power is established’ (Blyth 1997, p.235).

However, whilst recognising the important role that ideas play in the process of policy change, Blyth’s (1997) critique of the ‘ideational turn’ highlights that analyses have yet to fully explain how or why certain ideas come to be accepted over others. He argues that both Sikkink and Hall’s analyses do not contribute any explanations as to ‘why’, and that by adopting metaphors such as the ‘policy paradigm’, they can do no more than ‘redescribe’ the process of policy change.

Goldstein and Keohane’s (1993) ‘rationalist institutional’ analysis attempts to address this issue, by providing an explanation of outcomes in terms of individual actions, as ideas are understood as the *beliefs held by individuals*, and not as independent and ‘external’ to individual actors. In this sense, Goldstein and Keohane argue that ideas constitute ‘tools’ which are used by individuals to help clarify and direct policy making, as suggested in the following quote:

‘Ideas influence policy when the principled or causal beliefs they embody provide road maps that increase actors’ clarity about goals or end-means relationships, when they effect outcomes of strategic situations in which there is no unique equilibrium, and when they become embedded in political institutions’ (Goldstein and Keohane, 1993 p.3)

By saying this, Goldstein and Keohane are rejecting standard rational choice analyses which maintain that ideas (as beliefs) are subordinate to interests, arguing that ideas *as well as* interests ‘have causal weight in explanations of human action’ (p.4). They do not refute the belief that individuals behave in a self-

interested and rational manner, but instead explore how ideas influence the very 'rationality' of behaviour, arguing that 'actions taken by human beings depend on the substantive quality of available ideas, since such ideas help to clarify principles and conceptions of causal relationships, and to coordinate behaviour' (p.5). They identify three distinct ways in which ideas (beliefs) relate to policy: 'principled beliefs', 'causal beliefs' and 'world-views'. A principled belief is one which makes a judgment (normative) and justification for a particular decision, while causal beliefs relate to ideas on means-ends relationships. However, it is the ideas held within 'world-views' which Goldstein and Keohane argue are of the greatest importance to policy making, and behaviour in general. In the same way as Hall's 'policy paradigms' encompass radical or '3<sup>rd</sup> order' changes, the ideas that actors hold within their world view is of fundamental importance in influencing policy decisions.

However, contrary to Sikkink (1991) and Hall's (1993) view that ideas have their greatest impact at the 'adoption stage', Goldstein and Keohane maintain that 'whether ideas shaped institutions at their creation is less important than the effects of the institution that embodies the ideas' (p.21), in effect saying that 'ideas' will continue to have an important impact as they helped design the initial institution which then 'locks-in' to embody and enforce these ideas. Goldstein and Keohane apply this idea to the organisational level, stating that:

'Once ideas have influenced organisational design, their influence will be reflected in the incentives of those in the organisation and those whose interests are served by it' (p.20)

This point would appear to emphasise the relevance of historical institutionalist analyses. As previously mentioned, and although Blyth (1997) suggests that they can demonstrate that changes to world views *do* have material consequences, the 'causal mechanisms' remain unclear (p.245). Despite not being able to offer any clear explanations as to how ideas in themselves cause change, analysts such as Sikkink and Hall have been able to show that it is during 'creedal periods' (Hirschman, 1989) where ideas, often driven by ideology, are important causal factor for change. At such moments, 'normal politics' is discarded for new and radical ways to think about a given set of problems constituting a large-scale shift in the 'policy paradigm'.

In an attempt to isolate one such causal mechanism, Hira (1998) contends that the study of ideas is a vital and missing element to theories of policy and institutional change, as:

'Ideas are vital to explain variations in reactions to international shocks; the change of domestic coalitions and the formation of unexpected new coalitions around a policy theme; how a state legitimizes economic policy packages by demonstrating capacity or expertise, thus gaining the autonomy to make difficult economic decisions; and the flexibility and adaptability of elite identities and actions in regard to economic policy' (Hira, 1998, p.6)

In the context of economic development, Hira understands the importance of ideas by investigating the 'congruence between changes in the discourse of development and changes in economic policies'. He then examines 'the political relationships of the creators, promoters and disseminators of economic policy ideas, and the role that they play in policy formation'. By identifying these 'intellectual actors' as economic policy experts, he then studies their relationships to the political powers who enact change. In this way, Hira highlights the importance of International Financial Institutions (IFIs), NGO's and economic think-tanks based in the developed world as dominant players in the construction and framing of ideas and arguments for development policies in the 'third world'.

Blyth (2002) has also attempted to further the understanding of ideas as an independent and causal force for change in their own right. To this end, he argues that periods of economic crisis are best understood in terms of *uncertainty*, as opposed to risk, defined as 'situations regarded by contemporary agents as unique events where the agents are unsure as to what their interests actually are, let alone how to realise them' (Blyth, 2002, p.9). From this perspective, Blyth sums up how he sees the role and importance of economic ideas in identifying, defining and resolving periods of crisis by stating that:

'The nature of a crisis is not simply given by its effects, dislocations, or casualties, nor are the actions of agents simply determined by their 'given' interests. Instead, the diagnosis of a situation as a 'crisis' by a particular set of ideas is a construction that makes the uncertainty that agents perceive explicable, manageable, and indeed, actionable. Therefore, in periods of *economic crisis*, it is imperative to attend to the *economic ideas* that key economic agents have' (Blyth 2002, p.10)

In this context, attempts to establish a causal relationship between ideas *per se* and economic transformations, Blyth suggests that changes to institutional order can be viewed as 'a sequential phenomenon of uncertainty reduction, mobilization, contestation, and institutional replacement that occurs through time' (Blyth 2002, p.45). In this sense, Blyth concludes that future research should follow on from the historical institutionalist approach, and to further explore 'how ideas redefine political boundaries, how one particular set of ideas wins over others, and how elite conflict over ideas develops into mass acceptance of them' (1997, p.246). This is a critical observation, and one which leads back to the theory on neoliberalism and neoliberalisation explored earlier in the paper. Fundamentally, as a theoretical literature of economic structures and relations, it recognises the inherently political nature of economic change, and as Foucauldian analyses emphasise, the role and importance of ideas in informing such change.

## 7. Stakeholders and Discourse Analysis

Following from the discussion of ideas and economic change, this section explores some of the theory behind the nature and relevance of 'stakeholders', i.e. as those who articulate these ideas, to studies of policy and institutional change. It also explores various definitions and interpretations of *discourse*, focussing upon how their construction with the use of certain ideas and concepts frames a particular policy agenda, e.g., the arguments given by various stakeholders during periods of economic crisis and uncertainty over how best to resolve the situation. This introduces Foucauldian concepts of discursive power as a means for understanding and explaining how policy and institutional change is realised.

In social theory, 'a discourse' can be understood to mean an *institutionalised way of thinking*, which contains political or social boundaries to defining what can be said about a specific set of issues (Foucault, 2000). For example, two clearly distinct and competing discourses can be identified with regard to guerrilla movements which are often described as either 'freedom fighters' or 'terrorists'. In other words, the chosen discourse both frames and directs the vocabulary and expressions and even the style needed to communicate a particular, often politicised, message.

Foucault argued that since knowledge and power are intrinsically related, discourse is best understood as a 'battlefield' of ideas, and which therefore is not 'owned' by any one group. Conversely, Marxist understandings of discourse see it as part of the 'ideological superstructure', evoking a more two-dimensional (structural) description of power imposed from the economic elite or 'base'. From the starting point that discourse involves going 'beyond the sentence level', Hajer (1995) provides an abstract definition of discourse underlining a clear institutional dimension, viewing it as:

'...a specific ensemble of ideas, concepts, and categorizations that are produced, reproduced, and transformed in a particular set of practices and through which meaning is given to physical and social realities.' (Hajer, 1995, p.44)

Hajer's interpretation then views these 'ideas, concepts, and categorizations.' as 'internally related to the social practices in which it is produced' (p.44). In relation to studies of political history, Howarth et al. (2000) follow this point by highlighting how analysing discourses help underscore the way in which problems and solutions are *socially constructed* and therefore enable a non-rational investigation into processes of political-economic transformation, arguing that:

'Discourse theorists stress the historical contingency and 'structural impossibility' of social systems, and refuse to posit essentialist conceptions of social agency. Instead, agents and systems are social constructs that undergo constant historical and social change as a result of political practices.' (Howarth et al. 2000 p.6)

In order to explore the political dimension of discourse, it is necessary to draw upon Foucault's (2000) idea of discourse as a means to help institute power relations, by constraining certain groups or individuals. To this end, Foucault argued that discourses (whether they refer to understandings of mental illness or economics) prohibit the contribution of certain ideas as their form assumes an internal discipline through which order is maintained. Foucault argued how this constricting 'order' is maintained through a distinctly political delimitation of discourse, revealing the significance of class structures:

'The property of discourse – in the sense of the right to speak, ability to understand, illicit and immediate access to the corpus of already formulated statements, and the capacity to invest this discourse in decisions, institutions, or practices – is in fact confined to a particular group of individuals' (Foucault, 2000 p.68)

The above passage shows clearly how there exist distinct 'rules and processes' surrounding the appropriation of discourse. For studies of economic policy and institutional change, the implication is that certain ideas may gain dominance through elitist structures, already reflective of certain assumed axioms and truths, further constricting the articulation and acceptance of radical or progressive ideas into the discourse over which policies and strategies should be implemented to resolve a crisis period. This relates back to Foucault's idea of 'subjugated knowledges'.

In contrast to this constriction and delimitation, Majone (1989) offers what could be called an 'ideal' model of discursive practice, pointing to the potentially open, accessible and 'democratic' process by which public policy can be determined:

'Argumentation is the key process through which citizens and policymakers arrive at moral judgements and policy choices. Public discussion mobilises the knowledge, experience, and interest of many people, while focussing their attention on a limited range of issues. Each participant is encouraged to adjust his view of reality, and even to change his values, as a result of the process of reciprocal persuasion. In this way, discussion can produce results that are beyond the capabilities of authoritarian or technocratic methods of policy-making' (Majone, 1989 p.2)

Continuing his critique of policy analysis and public deliberation, Majone argues that the way in which discourses are constructed and instituted can operate as a measure of democracy, as the purpose of discussion is 'to insure the hearing of many opinions without compromising the need to reach a conclusion' (p.3). Again, this departure point clearly reveals political implications for policy formation, suggesting the potential for highly inclusive debate and influence, as well as more 'top-down' processes. Majone also emphasises the importance of the 'dialectical confrontation' between generalists and experts involved in the exchange of ideas and arguments over a given policy, maintaining that it 'often succeeds in bringing out unstated assumptions, conflicting interpretations of the facts, and the risks posed by new projects' (p.5). This observation is based on the belief that technical experts, however defined, are naturally biased when assessing their proposals, whereas someone not directly involved in a particular project is more likely to be able and willing to identify possible risks, conflicts or adverse effects.

Majone's analysis focuses more upon discourses arising from the specifics of policy debate and argumentation in the public realm. However, by following from the idea that 'discourse, when used in the service of power, becomes ideology' (Thompson, 1990, quoted in Potter and Tilzey 2004), we can return to the significance of political ideology as a driving force for instituting change in economic relations. In this way, Potter and Tilzey (2004) argue that:

'while the arguments and deployments made by interest groups may well be used contingently to defend and advance a sectional interest within given policy debates, they may simultaneously also operate as expressions of ideology that function to establish or sustain relations of domination' (Potter and Tilzey, 2004, p.25)

Seen in this way, the state then becomes entwined with competing political ideologies in its capacity to affect policy and institutional change. Attempts to balance competing discourses are however limited by the inevitability that they will 'favour those with the greatest socio-political power and thus those best able to

achieve hegemonic influence for those ideas which defend and extend their position and influence.’ (Potter and Tilzey, 2004 p.7). A present-day example relevant to this study is the construction and promotion of neo-liberal discourses by the interests of financial capital, keen to invest in increasingly liberalised markets across the world. Subsequently, although discourses may arise to challenge, criticise and offer alternatives to large-scale capital-intensive global economic liberalisation, such discourses are disadvantaged in their opposition to powerful institutions. In this sense, Bridge and McManus add that ‘the institutions of capital accumulation are among the most potent actors in the dissemination and normalization of discourses that socially construct the character of production and consumption’ (Bridge and McManus, 2000, p20).

In his research into the nature of the capitalist state, Jessop (2002a) emphasises the contribution that discourses play in constructing views and understandings of The State as a unified institutional entity. Consequently, Jessop maintains that economic and political institutions are *culturally* as well as socially embedded, arguing that the economy (as an object of regulation) is viewed as:

‘...an imaginatively narrated system that is accorded specific boundaries, conditions of existence, typical economic agents, tendencies and countertendencies, and a distinctive overall dynamic. The state system is treated as an imagined political entity with its own specific boundaries, conditions of existence, political subjects, developmental tendencies, sources of legitimacy and state projects.’  
(p.7)

Jessop however warns against the risk of viewing economic transformations as a solely discursive construct, reminding us of the importance of ‘institutional materiality’. However, to the extent that discourses reflect reality, he argues that their importance is with regard to understanding the hegemony of a certain set of ideas and concepts. In this sense, Jessop argues that the complexity of political and economic relations demand discursive simplifications, drawing upon the imaginary status of economic structures, which are all competing for a hegemonic or dominant position. Furthermore, as such discursive simplifications have a key role in enabling the definition and consolidation of future political and economic relations, this highlights the tendentious nature of economic policy discourses, revealing not only their underlying political content, but also the way in which they help construct new institutional structures and relations. To articulate this point, Jessop shows how recent discourses of globalisation have involved ‘a shift in economic and/or political understandings [that] are reflected both in the restructuring of economic and political relations and in the reorientation of economic and political strategies’. Jessop thereby maintains that discourses ‘help to modify the institutional materiality and strategic bias of accumulation regimes and their associated political frameworks’ (p.7).

Finally, in order to appreciate the relevance and importance of stakeholder perspectives as part of a discourse analysis, a definition of what and who stakeholders are is useful. A ‘stakeholder’ can be defined as any identifiable individual or group with a direct or indirect interest (stake) in the success of an institution in delivering intended results. A relevant formal definition of stakeholders could be ‘...those who have an interest in a particular decision, either as individuals or representatives of a group. This includes people who influence a decision, or *can* influence it, as well as those affected by it’ (italics added) (Earth Summit, 2002).

This definition provides a useful starting point from which to approach the process of energy market reform and ‘re-reform’. Crucially, it raises the idea that stakeholders are not just those with a direct interest in the outcomes of an operation, but *those who make decisions, and those affected by the decisions*. This makes clear the importance of power relations between stakeholders – in other words, that the relationship between stakeholders can be understood as a *political* process. With this in mind, the identification and targeting of stakeholders for research becomes an inherently politicised undertaking; this should be considered carefully when conducting research.

## Conclusions

This paper has attempted to weave together several theoretical strands in order to construct a useful and appropriate framework for the analysis of ongoing energy market reforms in Latin America. By identifying the inherently political nature of policy and institutional change, it is possible to appreciate how economic ideas relate to interests, and how the role played by ideas, framings and mental paradigms is now widely recognised. Further, undertaking a Foucauldian-style discourse analysis facilitates an understanding of how political battles are waged through the selective deployment of ideas, concepts, and popular beliefs.

At the same time, a structuralist level of analysis can also be pursued, following the observation that the state will favour and act upon those discourses which present a coherent account of the 'problem' in order to reduce uncertainty and mobilise support to allow for policy and institutional change. Applied to a study of neoliberalisation, this approach creates the space in which to map the specific contours of the nation-state and social-cultural context, which, following what has been reviewed, is able to account for the variegated and hybrid outcomes of a given neoliberal policy project across geographical space.

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