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# 1

## *Theorizing ideational continuity: The resilience of neo-liberal ideas in Europe*

VIVIEN A. SCHMIDT AND MARK THATCHER

... the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than commonly understood. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.

John Maynard Keynes (1936, p. 383)

When Keynes wrote these lines, he certainly had in mind the influence of the ideas of *laissez-faire* economic liberalism, which he held responsible for the great boom and bust of the 1920s that led to the Great Depression of the 1930s. Today, another form of economic liberalism, neo-liberalism, has supplanted Keynes's own ideas, which had gained dominance in the postwar era. Our task, in this theoretical essay, is to explain how and why the ideas of neo-liberal economists and political philosophers obtained and retained their power in European policy debates and political discourse during the past three or four decades.

We define 'neo-liberalism', at its essence, as involving a commitment to certain core principles focused on market competition and a limited state. Our purpose is to explain the resilience of these core neo-liberal ideas, meaning their ability to endure, recur, or adapt over time; to predominate against rivals; and to survive despite their own many failures. We offer five lines of analysis as potential explanations for such resilience: first, the generality, flexibility, and mutability of neo-liberal ideas themselves; second, the gap between neo-liberal rhetoric and a reality in which they are not implemented; third, their advantages in policy debates and political discourse compared with alternatives; fourth, the power of interested actors who strategically adopt and

promote neo-liberal ideas; and, fifth, the force of the institutions in which neo-liberal ideas are embedded.

Our focus is primarily on neo-liberal ideas – their intellectual origins, history, and current importance. We recognize that a wide range of other elements also falls under the rubric of neo-liberalism, including institutions, practices, and policies.<sup>1</sup> However, this book is not about these elements or the impact of neo-liberal ideas on institutions, policies, and practices.<sup>2</sup> Rather, it is about neo-liberalism as a set of ideas.

Admittedly, neo-liberal ideas are difficult to pin down because neo-liberalism comes in many different forms, with differing assumptions that often appear contradictory. They are also politically contentious, being the subject of polemics in policy debates and political discourse. For this reason, many scholars have chosen to leave aside the study of neo-liberal ideas to focus on policies, politics, interests, and institutions. As a result, however, they give up without even first attempting to explain one of the main forces in Europe's political economy.

As for our own study of ideas, rather than returning in this essay to the long-standing scholarly debates that address whether and to what extent ideas matter, we take it as a given that they do and seek instead to develop theories about how to explain continuity through the concept of resilience. To do this effectively, we outline a framework for analysing neo-liberal ideas as objects of explanation. We consider different views of how to theorize about the role of neo-liberal ideas, from positivist to constructivist; what forms such ideas may take – whether philosophical, programmatic, or policy ideas – and how they may change over time; and who are the neo-liberal agents of continuity or change.

This introductory chapter begins by defining 'neo-liberalism' (or 'economic liberalism', as it is also called) within the larger conceptual tradition of liberalism in order to explain what it is and is not for the purposes of this book. We follow this definition with a brief overview of the intellectual origins of the concept beginning in the 1930s and its subsequent transformations, in particular from the 1980s onwards. We then provide an analysis of the ideational roles, forms, and agents

<sup>1</sup> See, for example, Larner 2000, Cerny 2008, Mudge 2008, and Evans and Sewell 2013.

<sup>2</sup> For excellent recent studies of neo-liberal policies and their institutional impacts, see Crouch 2011, Streeck 2011, and Grant and Wilson 2012.

of neo-liberalism. We conclude the chapter with a discussion of how such neo-liberal ideas can be shown to be resilient following the five lines of analysis.

### Conceptualizing neo-liberalism

There is no single definition of neo-liberalism beyond the agreement that it contains a commitment to core principles involving market competition and a limited state. Thereafter there exist important debates and differences in defining what neo-liberalism is and in describing its origins and development.<sup>3</sup>

Sometimes neo-liberalism is portrayed mainly as a political and economic philosophy defining a set of free-market-oriented economic principles and political economic practices promoted in its early years by a loose agglomeration of ‘true believers’.<sup>4</sup> At other times, it is cast as an ideology through which the free-market discourse of the ‘converted’ (i.e., elites in academe, business, journalism, and politics) seeks to persuade the public of the virtues of unfettered markets guaranteeing individual freedom along with material prosperity.<sup>5</sup> In yet other instances, it is presented as a particular approach to governance, in which neo-liberal principles and practices are deployed to liberalize, privatize, deregulate, and rationalize existing markets.<sup>6</sup> However, neo-liberalism has also been portrayed as a political project promoted by social forces to restore capitalist class power via ideas on how to reorganize capital and the social order.<sup>7</sup> The variety of treatments of neo-liberalism also links to debates about its historical context because it emerges from a broader liberal philosophical tradition with its own internal divisions on how to balance state and market, individual liberty and collective endeavour, and economy and society.<sup>8</sup>

<sup>3</sup> See Peck and Tickell 2002; Harvey 2005; Mudge 2008; Brenner, Peck, and Theodore 2010; Cerny 2008; Peck 2010; Boas and Gans-Morse 2009; and Evans and Sewell 2013.

<sup>4</sup> See, for example, Mirowski and Plehwe 2009 and Gamble 2009.

<sup>5</sup> See, for example, Anderson 2000 and Freedman 2005; see also discussion in Ferrera in this volume.

<sup>6</sup> For a discussion, see Steger and Roy 2010 and Peck 2010.

<sup>7</sup> See Overbeek and Apeldoorn 2012: 4–5; Apeldoorn, Drahokoupil, and Horn 2008; Cafruny and Magnus 2003; and Jessop 2002. See also discussion in Schmidt and Woll in this volume.

<sup>8</sup> See, for example, Audier 2012a; Nemo and Petitot 2006; Mirowski and Plehwe 2009; Harvey 2005; and Foucault 2004.

This debate resulted in neo-liberalism appearing as a somewhat amorphous body of thought with many different ideological strands, normative interpretations, and policy applications in different European polities and in the EU. To provide greater clarity, we briefly outline our own core definition of neo-liberalism and then trace its intellectual history, seeking to take into account its many aspects while pointing to the more specific analyses developed in subsequent chapters of this book.

### *Towards a definition of neo-liberalism*

‘Neo-liberalism’ here refers to a core set of ideas about markets and the state’s role in (or as part of) such markets. Neo-liberals believe that markets should be as ‘free’ as possible, meaning governed by competition and open across borders, while the state should have a limited political economic role in creating and preserving the institutional framework that secures property rights, guarantees competition, and promotes free trade. (We prefer the term ‘market competition’ to ‘free markets’ because the latter is both normatively loaded – who, after all, would be against more freedom? – and misleading because competition depends on the state playing a role.) Just how far market competition extends and just how limited the state should be depends on the strand of neo-liberalism involved. *Laissez-faire* neo-liberals tend to want a strong but highly limited state; anarcho-capitalists or ‘hyper neo-liberals’ want to dismantle the state as much as possible in order to leave almost everything to the market; and social-market neo-liberals – often called *ordo-liberals*, following the economic philosophy developed in Germany – embrace a more active state with greater social obligations.<sup>9</sup>

Our use of the term ‘neo-liberalism’ in this chapter is centred on the strand of economic liberalism as popularized by Margaret Thatcher and Ronald Reagan in the late 1970s and early 1980s, whose discourse promised the reduction of the state and declared their belief in the virtues of competition and ‘the free market’. We ignore the hyper neo-liberals, who rarely had significant political influence. We see *ordo-liberalism*, largely developed in Germany, as constituting a

<sup>9</sup> See Gamble 2009: 70–84 and in this volume; see also Lehmbruch 1999.

more conservative strand of neo-liberal economic philosophy.<sup>10</sup> We include it and, indeed, since the Eurozone phase of the economic crisis, we find that elements of ordo-liberalism have proved highly resilient via the various EU pacts and treaty agreements that reinforce commitments to fiscal austerity.<sup>11</sup>

The watchwords for the new, or ‘neo’, liberalism beginning in the late 1970s and early 1980s – in Europe as in the rest of the world – have been liberalization, privatization, commodification, regulatory reforms, and delegation to non-majoritarian institutions such as ‘independent’ regulatory agencies and central banks, as well as individual responsibility, competition, and enterprise.<sup>12</sup> Colin Hay offers a useful seven-point list of key elements that characterize contemporary neo-liberalism, as follows<sup>13</sup>:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.
2. A belief in the desirability of a global trade regime for free trade and free capital mobility.
3. A belief in the desirability, all things being equal, of a limited and non-interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms.
4. A rejection of Keynesian demand-management techniques in favour of monetarism, neo-monetarism, and supply-side economics.<sup>14</sup>
5. A commitment to the removal of those welfare benefits that might be seen to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives).
6. A defence of labour-market flexibility and the promotion and nurturing of cost competitiveness.

<sup>10</sup> See, for example, Foucault 2004 and Ptak 2009 and the following discussion.

<sup>11</sup> See Gamble, Jones, and Schmidt and Woll, all in this volume.

<sup>12</sup> See Hermann 2007; Brenner, Peck, and Theodore 2010; Peck 2001; Cerny 2008; Thatcher and Stone Sweet 2002; and Coen and Thatcher 2005.

<sup>13</sup> See Hay 2004.

<sup>14</sup> Macroeconomic theory has been influenced by these neo-liberal approaches – which were part of the neoclassical economics offensive of the 1970s – as well as by the ‘new Keynesians’, who responded to such approaches in the 1980s. The synthesis has come to be known as the ‘new neo-classical synthesis’ or the ‘new consensus’ that defined macroeconomic orthodoxy until the economic crisis of the late 2000s. Our thanks go to Cornel Ban for this clarification.

7. A confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods.

In summary, neo-liberalism today entails belief in competitive markets enhanced by global free trade and capital mobility, backed up by a pro-market, limited state that promotes labour-market flexibility and seeks to reduce welfare dependence while marketizing the provision of public goods. As such, neo-liberalism can be seen as representing a theory that combines both cognitive and normative ideas about a specific type of capitalist organization of the economy.

At the same time, neo-liberalism is highly varied. It has been adopted, adapted, and applied in differing ways across domains from economic markets to welfare. Equally, national variants have been established across countries that range from traditionally 'liberal' economies such as in Britain to statist and corporatist economies, such as in France, Italy, Germany, and the Scandinavian nations, and at both national and EU levels. Definition of the term is made more difficult by the fact that few of those labelled as neo-liberals today actually apply the word to themselves.<sup>15</sup> Indeed, the normative value attached to the terms 'liberal' and 'neo-liberal' vary greatly. Thus, in the United States, 'liberal' refers to centre-left politics, often neo-Keynesian, mildly redistributive, and socially tolerant, and is usually applied pejoratively by the Republican right. In contrast, 'economic liberal' in Europe often refers to those on the Right who are opposed to state action and seek to institute the neo-liberalism discussed previously. Moreover, calling someone a 'neo-liberal' in the United Kingdom or even 'liberal' in Continental Europe is most often used as a label for unpopular views. Finally, in the political arena, economic liberalism can be attached to other philosophical ideas about how to steer the economy, administer the state, build community, and promote the welfare of society. These other ideas may encompass conservative principles, as in the case of Margaret Thatcher's evocation of 'Victorian values'<sup>16</sup>; or social-democratic principles, as when Scandinavians sought to 'save the welfare state' by

<sup>15</sup> See Boas and Gans-Morse 2009: 156, and Peck 2010: 13–15.

<sup>16</sup> See Martin and Ferrera, both in this volume.

adding neo-liberal elements; or a ‘third way’ between the two, as in the case of the British Labour Party after the 1990s under Tony Blair.<sup>17</sup>

It is important to note in this context that neo-liberalism is not only a philosophy of political economy, it is also a philosophy of political democracy and the role of the state. It conceives of the polity as consisting of the individual first and the community second, with legitimate state action extremely limited with regard to community-based demands on the individual. Because neo-liberalism places individual freedom ahead of everything else, it perceives state intervention as imposing collective judgements on individuals’ freedom to choose.<sup>18</sup> Significantly, neo-liberal theorizing often portrays the state as more legitimate when transformed into an arm’s-length arbitrator state as compared with the traditional political or administrative state, which it fears distorts markets by enabling certain interest groups to gain political advantage or administrative support through ‘capture’.

### *The intellectual origins and development of neo-liberalism*

Disentangling neo-liberalism analytically from other forms of liberalism requires careful analysis. In his chapter, Maurizio Ferrera notes that in Italian, the language itself provides clarification that does not exist in English. *Liberalesimo* refers to the centuries-old Lockean philosophical tradition focused on the constitutional protection of individual freedoms. *Liberalismo* covers a range of different ‘liberalisms’, including the economic, focused on private property and free markets; the political, concerned with rights and democracy; and the social, encompassing welfare rights and collective responsibilities. Finally, only *liberismo* concerns what we have named neo-liberalism, which perceives the free market as primary, resulting in its focus on free enterprise, free trade, and efficiency.

Interwar Vienna of the 1920s witnessed the beginning of such neo-liberalism,<sup>19</sup> with major development occurring during the 1930s and

<sup>17</sup> See Schmidt 2000; see also Schmidt and Woll in this volume.

<sup>18</sup> See, for example, the discussion in Harvey 2005; see also Gamble and Schmidt and Woll, both in this volume.

<sup>19</sup> In the 1920s Vienna, Ludwig von Mises held seminars with regular attendees including Friedrich von Hayek and Fritz Machlup, along with foreign scholars such as Lionel Robbins of the United Kingdom and Frank Knight of the United States. Note that some date the Austrian School’s neo-liberalism to the 1880s, with Carl Menger. See Blyth 2013b.



culminating in 1938 with the *Colloque Lippmann*, the Paris conference centred on Walter Lippmann that brought together a wide range of intellectual, political, and business leaders sympathetic to his thought.<sup>20</sup> At this time, neo-liberalism was conceptualized mainly as a response to the failures of classical liberalism in confronting the challenges of the Great Depression as well as to the perceived dangers from socialist planning. It retained the classical liberal definitions of individuals as motivated by self-interest and of competition as the principle for market functioning. However, most neo-liberals rejected classical liberalism's *laissez-faire* approach to market regulation,<sup>21</sup> insisting instead on the need for a strong state able to establish general rules for markets. This was particularly well developed in the work of Friedrich von Hayek (1944), who rejected both *laissez-faire* and state planning for industry.<sup>22</sup> Neo-liberalism also inverted classical liberalism's basic tenet – that political liberty ensures free markets – and instead argued that economic freedom is essential for political freedom.<sup>23</sup> This claim was the basis of Hayek's (1944) *Road to Serfdom*, as well as the main theme of Milton Friedman's (1962) *Capitalism and Freedom*. By

<sup>20</sup> In the 1930s, in addition to the protagonists of the 1920s (see previous footnote), key figures included Edward Canaan and his disciples in the Economics Department at the London School of Economics, Louis Rougier in France, and the Geneva *Institut Universitaire des Hautes Etudes Internationales* headed by Willam E. Rappard and Paul Mantoux, which provided refuge for a wide range of intellectuals fleeing the Nazis and the war, including von Mises, the German Wilhelm Röpke, and the Italian Luigi Einaudi in 1943. See Plehwe 2009 11–13. Their influence was even felt in Spain in the mid 1940s, when a prominent ordo-liberal (right-wing) economist, Heinrich von Stackelberg, became a visiting professor at the University of Madrid from 1943 until his death in 1946 and, as such, influenced a future generation of economists and policy makers; see Ban 2013. The '*Colloque Lippmann*' gathered a wide range of neo-liberal luminaries such as Rougier, with attendees including von Mises, Hayek, and Röpke, among others, along with Lippmann himself. See, for example, Denord 2007: 89–122, and Audier 2012.

<sup>21</sup> Or, at least, their interpretation of classical liberalism as a *laissez-faire* approach to the markets. In fact, liberalism had developed in many directions, including 'social liberalism' and 'new liberalism' in the late nineteenth and early twentieth centuries. See Freedman 1978.

<sup>22</sup> See Gamble 1996 and in this volume; and Wapshott 2012. See also Schmidt and Woll in this volume.

<sup>23</sup> See Foucault 2004 and Tribe 2009; see also discussion in Schmidt and Woll in this volume.

putting the economy before the polity, neo-liberals presented the markets as the neutral solution and the state as the politicized problem.<sup>24</sup> This also enabled neo-liberalism's founding theorists to eschew traditional social ethics and instead to view competition as the moral standard, with competitive markets serving to define merit as well as to justify inequalities of situation, whereas notions of collective responsibility beyond a basic minimum could be perceived as interfering with markets.<sup>25</sup>

The inception of a self-conscious intellectual (or ideological) neo-liberal movement is generally traced back to the postwar period when ideas of state intervention and centralized planning were widespread. An especially important organization was the Mont Pèlerin Society (founded in 1947), which held regular meetings of intellectuals, academics, business people, and political figures, particularly from Europe.<sup>26</sup> The Mont Pèlerin Society brought together, at one time or another, the main figures of neo-liberalism, including not only the expected figures: Austrian thinkers such as Friedrich Hayek, located at the London School of Economics, and one of the initial organizers of the group; US economists such as Milton Friedman, leader of the Chicago School of Economics, and James Buchanan, founder of the Virginia School of public-choice theory; as well as neo-classical economists. There were also German 'ordo-liberal' thinkers such as Alexander Rüstow and Wilhelm Röpke, along with politicians such as Ludwig Erhard, the future Chancellor of Germany, and Alfred Armack-Müller, architects of Germany's social-market economy; Italian thinker and future President Luigi Einaudi; and other well-known figures, such as Karl Popper and Arthur Seldon. Other think tanks promoting neo-liberal ideas were also established, in particular in the United Kingdom (e.g., the Institute of Economic Affairs) and the United States (e.g., the neo-conservative Heritage Foundation).

The postwar neo-liberals opposed 'socialism' and 'collectivism' and were committed to developing an agenda that differentiated itself from classical liberalism.<sup>27</sup> Beyond this, however, there were wide variations in the philosophy as well as in its applications. The previously mentioned books of the (later) 'gurus' of neo-liberalism, Hayek and

<sup>24</sup> See discussions in Gamble and Schmidt and Woll, both in this volume.

<sup>25</sup> See Amable 2011. See also Gamble and Schmidt and Woll, both in this volume.

<sup>26</sup> See Plehwe 2009 and Harvey 2005: 20–22. <sup>27</sup> See Plehwe 2009: 5–6.

Friedman, were ideological tracts, not scholarly works.<sup>28</sup> Moreover, after 1945, ideas of freer markets and limited states were outliers in the ‘embedded liberalism’, dominated by the rebuilding of war-torn economies through planning, the implementation of Keynesian demand management, and the creation of wider welfare states.<sup>29</sup> Only in Germany did *ordo-liberalism* occupy a mainstream position in economic thinking; but, even there, by the late 1950s, it had been combined with other ideas to form the German model of the ‘social-market economy’.<sup>30</sup>

For most West European countries, neo-liberal ideas came to the fore only after the 1970s, with the perceived failure of neo-Keynesianism to solve the economic crises brought on by the end of the Bretton Woods system of exchange rates fixed to the dollar and by the two oil shocks of 1974 and 1979. Policy makers and parts of public opinion became concerned about governments’ failures to return their countries to economic prosperity and their inability to overcome ‘entrenched interests’ in order to reform effectively. Although the movement started in the 1970s, a major shift in the place of neo-liberal ideas began in the 1980s and onwards. The development of those ideas is a complex phenomenon with important differences by domain and country, as elaborated in the chapters in this volume. Here, whilst recognizing that there exist important variations, we outline a somewhat stylized overview of development, building on Ferrera’s suggestion of an ideational ‘parabola’ (in his case, welfare policy), which is also apparent in the succession of ideas about state reform presented by Schmidt and Woll.

A first phase saw a more radical variety of neo-liberalism defined in both its pro-free market and anti-state positions than the *ordo-liberalism* in Germany in the 1950s. Its discourse centred on

<sup>28</sup> So much so that one critic insisted when Hayek’s book was first published that it was ‘not scholarship. It is seeing hobgoblins under every bed’. Hansen 1945, cited in Peck 2010: xii.

<sup>29</sup> John Ruggie (1982) used this term to describe postwar political economies that were liberal in their commitment to markets but ‘embedded’ within the broader values of a social community.

<sup>30</sup> The concept of the social-market economy owes much to the theoretical work on *ordo-liberalism* and the ‘competitive market economy’ of Walter Eucken (1950), begun in the 1930s, in addition to those mentioned previously such as Erhard, Armack-Müller, and Röpke. See Lehmbruch 1999 and Ptak 2009; see also discussions by Gamble and Schmidt and Woll, both in this volume.

dismantling 'state intervention' in markets, particularly with regard to macroeconomic management of the economy, nationalized industries, and industrial planning. Its central assumption was that the state's main legitimate role was to enforce undistorted competition. It privileged markets over society, epitomized by Margaret Thatcher's famous statement, 'There is no such thing as society. There are individual men and women, and there are families'.<sup>31</sup> This was linked to attacks on the state that had significant implications for the neo-liberal approach to questions of social justice and equality, as illustrated by another well-known Thatcher line about 'the right to be unequal'.<sup>32</sup> These ideas were strongest in 'Anglo-Saxon' countries and taken up by parties of the political right, notably in the United Kingdom and the United States by parts of the Republican Party under President Ronald Reagan. Proponents were mainly inspired by Hayek and Friedman.

In the face of the right's frequent failures to fulfil their neo-liberal electoral promises to 'roll back the state' in terms of size and regulation, a second phase of neo-liberal renewal ensued, beginning in the mid to late 1990s, that propounded ideas about the state acting to make markets more open to competition. This, in turn, ensured that instead of producing the limited state idealized by some neo-liberal philosophers, a new synthesis emerged that Schmidt and Woll call 'liberal neo-statism'. Whereas the 'liberal' and 'neo' in the term suggest that the state has been transformed in a neo-liberal direction, the 'statism' makes clear that the state's intervention in the markets has increased. Such ideas were largely generated by centre-left parties but then taken up by others as well, and they gained ground in Continental European countries as well as the United Kingdom.

In the current phase, faced with critiques and perceived failures linked to the economic crises in the 2000s and the many difficulties in implementing policies that draw on neo-liberal ideas, neo-liberalism has developed in a variety of ways, depending on domain and country. One route has been maintenance of the 'original version' of neo-liberalism centred on competitive markets, or the revised 'second-phase' version in which the state's main function is to promote more competitive markets while avoiding or reducing collective provision

<sup>31</sup> Interview, *Women's Own Magazine*, 23 September 1987, published October 1987.

<sup>32</sup> See discussion in Schmidt 2002: ch. 6.

of other services, especially those involved in spending and redistribution. This second neo-liberal version of the role of the state is seen in what Mark Thatcher terms ‘supranational neo-liberalism’, in which EU regulation – whether of financial or product markets – is strong, extensive, and detailed in the way it acts to ensure competition.<sup>33</sup> It also appears in debates on the European Central Bank (ECB) and the euro, which are dominated by ‘austerity’, notably with regard to lowering state deficits and debt – as it does across the EU member states but in particular in Britain and Ireland, in Southern Europe, and in Central and Eastern European countries.<sup>34</sup>

A second route has seen neo-liberal ideas being combined with rivals to create a synthesis. In the welfare arena, Ferrera makes clear in his chapter that (national) state reforms of the welfare state led to a new synthesis that he characterizes as ‘liberal neo-welfarism’ because neo-liberal ideas are joined with principles of social justice as the basis for welfare provision. Similarly, Gerhard Schnyder and Gregory Jackson find that Sweden and Denmark grafted neo-liberal ideas onto their social democratic systems, freeing up markets without giving up their basic values of equality and universalism.

A third route is that neo-liberal labels have been avoided or omitted even as neo-liberal ideas have been accepted. Thus, in France, the term ‘neo-liberalism’ has been widely rejected even as neo-liberal ideas and principles remain strong.<sup>35</sup>

Given its many different interpretations over domain, time, and place, neo-liberalism is not easily summarized. Nevertheless, it retains a central core of ideas despite their many permutations. In what follows, we discuss how to analyse the nature, scope, and limits of neo-liberal ideas before offering explanations of their resilience.

### **The resilience of neo-liberal ideas – ideas as objects of explanation**

Ideas in themselves are worthy of explanation. Indeed, after being strongly focused on interests and institutions, political science is

<sup>33</sup> See Thatcher and Mügge, both in this volume.

<sup>34</sup> See Jones; Hay and Smith; Gualmini and Schmidt; and Orenstein, all in this volume.

<sup>35</sup> See Gualmini and Schmidt in this volume.

witnessing an increasing interest in ‘ideas’.<sup>36</sup> Similarly – although systematic analyses of European political economy have tended to focus on economic logics, institutional-path dependencies, and material interests – significant studies are emerging that incorporate ideas.<sup>37</sup> Nevertheless, much of the debate about ‘ideas’ in policy making and in European political economy has centred on whether and how they influence policy initiatives, policy outcomes, and institutional development.<sup>38</sup>

In this book, our purpose is different – it is to study neo-liberal ideas as part of the policy and political process, especially why they are developed, adopted, spread, and maintained. Thus, we are concerned with both the substantive content of ideas and their role in policy debates and political discourse. Here, we begin by discussing and defining the meaning of ideational resilience. Thereafter, we discuss the different forms and levels of neo-liberal ideas. We then conclude this part with the interactions of the actors who serve as the generators, carriers, and communicators of such ideas, whether as individuals or as ‘discursive’ communities. Lines of explanation for the resilience of neo-liberal ideas are developed later in the chapter.

### *The resilience of neo-liberal ideas*

The key theme of this book is that neo-liberal ideas have proven to be remarkably resilient. They have continued and, indeed, flourished despite the major challenges that Europe faced in the 2000s. Even after the crisis of 2007–2008, neo-liberal ideas have come back with a vengeance within a very short period. Problems of low growth, banking crises, excessive ‘financialization’, private-sector debt, pressures on public spending, and tax evasion have been reframed as profligate governments needing to radically cut their deficits and debt, institute ‘structural reforms’ to radically modify the welfare state, and extend the ‘rigour’ of competitive markets. Our central question is how and

<sup>36</sup> For recent reviews, see, for example, Béland and Cox 2011; Schmidt 2008, 2010; Campbell 2004; and Blyth 1997.

<sup>37</sup> See, for example, Blyth 1997, 2002; Berman 1998; Campbell 1998; Hall 1989; McNamara 1998; Hay 2001; Schmidt 2000, 2002, 2009; Abdelal et al. 2010; Cafruny and Ryner 2003; Overbeek and Apeldoorn 2012; Rodrik 2011; Rothstein 2005; Rosamond 2012; and Woll 2008.

<sup>38</sup> For classic general texts, see, for example, Heclo 1974; Goldstein and Keohane 1993 and Baumgartner and Jones 1993.

why neo-liberal ideas have remained so strong. The puzzle, as Alex Callinicos states, is why ‘the illusions have survived the bonfire’ and why the crisis has not ensured – as Joseph Stiglitz had hoped – ‘that the fall of Wall Street is for market fundamentalism what the fall of the Berlin Wall was for communism’.<sup>39</sup>

The ability of neo-liberal ideas to continue, if not flourish, in the face of internal weaknesses and external challenges is well expressed through the concept of ‘resilience’. The term has been used increasingly across many disciplines as well as in public discourse. Originally, it was used mostly in the natural sciences, where its central meaning concerned the ability of materials to recover their original shape after a shock rather than breaking; thus, rubber is more resilient than marble, which is harder but is damaged by external shocks. The term is now being applied in the social sciences, in domains such as social and ecological ‘systems’, infrastructure networks, communities facing health care and other difficulties, national security, and psychology.<sup>40</sup> Policy makers are also increasingly utilizing the term, often to refer to coping with ‘external threats’ such as terrorism and climatic disasters.

We use the concept of resilience because it conveys key features about neo-liberalism in recent decades: its adaptation to new circumstances so that it ‘bounces back’, its capacity to respond to challenges, and its ability to change while maintaining key elements so that the result is continuity in the set of ideas as a whole.<sup>41</sup> At the same time, we recognize that adopting a concept originating in the natural sciences, in the social sciences, and especially in public policy runs a number of risks, such as treating resilience as a fixed attribute,

<sup>39</sup> See Callinicos 2010: x, and Stiglitz 2008.

<sup>40</sup> For a good overview and critiques of use of the term in social sciences, see MacKinnon and Driscoll Derickson 2012, Norris et al. 2008, and Walker and Cooper 2011; for social resilience, understood as the ability of members of a group to respond to challenges (e.g., those arising from neo-liberalism), see Hall and Lamont 2013. Within the vast literature in psychology, see, for example, Werner and Smith 1992, 2001; for a review, see Masten, Best, and Garmezy 1990; or, for a more popular version, see Cyrulnik 2003. In network regulation, resilience refers to the spare capacity that allows continuation even if some parts of the system are weakened or stop functioning.

<sup>41</sup> In addition, it is noteworthy that Hayek in his later writings uses the concept of resilience as part of arguments about limits of knowledge regarding how systems respond to shocks and critiques of assumptions of returns to equilibrium; see Walker and Cooper 2011.

importing the hidden assumption of a previous equilibrium, a normative bias towards the preservation of pre-existing states, and treating pressures for change as unwelcome 'external threats'. Most important, resilience may depoliticize processes whereby social phenomena are maintained.

To avoid the pitfalls and hidden assumptions in its many different disciplinary applications, we begin by defining the concept as it is reflected in ordinary language usage, in terms of the synonyms found in the dictionary, including flexibility, elasticity, plasticity, adaptability, and suppleness. We also note that the central definition in social science is a 'capacity for successful adaptation in the face of disturbance, stress, or adversity'.<sup>42</sup> When applied to neo-liberalism, however, we go beyond the identification of these qualities of resilience to place it explicitly in time, as a process that has taken place over several decades, with important variations in time, place, and domain. Equally, we identify key actors involved in creating such resilience to discuss their interests, views, and interactions, as well as the wider institutional framework within which they operate. We also discuss both internal and external pressures on neo-liberalism and give special attention to the processes or mechanisms that promote resilience, as well as the feedback effects that serve neo-liberalism through supportive and reinforcing processes. Finally, we do not view challenges to neo-liberal ideas as a threat to some form of equilibrium. Rather, we perceive such ideas and their resilience as part of political processes involving different aspects of power, such as actor interests and institutions.

Our usage of 'resilience' refers to ideational resilience in policy debates and political discourse. To be more specific, we use the concept of resilience to refer to neo-liberal ideas continuing to be the 'preferred' or assumed ideational approach in public discussions – that is, considered the 'usual', 'standard', or 'conventional' analytic framework, the basic set of values or guiding principles, the main policy programme, or the overarching discourse. Building on analyses of usage in the social sciences,<sup>43</sup> we specify three features of ideational resilience: (1) the continuity of neo-liberal ideas over time, including their endurance, recurrence, and adaptability; (2) the dominance of these ideas against alternatives and competitors; and (3) their survival not only in the face

<sup>42</sup> See Norris et al. 2008: 129.

<sup>43</sup> See Norris et al. 2008 and Walker and Cooper 2011.



of strong challenges but also despite their own failures. It is particularly important to note that resilience incorporates the idea that neo-liberal ideas face alternatives and are contested and that neo-liberalism involves adaptation and extension to new spheres.

### Neo-liberal resilience as continuity

Continuity can be seen in the endurance or recurrence of core neo-liberal themes over decades and in their adaptability, as they meet changing conditions and circumstances. Forms of continuity include not just straightforward stability but also recurrence when new versions of old ideas are reintroduced in new times and places. The processes that contribute to the continuity of neo-liberal ideas (running in parallel or inspired by work on institutions) include ‘bricolage’,<sup>44</sup> ‘conversion’,<sup>45</sup> diffusion, and translation.<sup>46</sup>

When applied to ideational continuity, *bricolage* involves new elements being grafted onto older ideas. One major instance is the equation of the state’s finances to those of households and the conviction that the state should avoid long-term budget deficits and hold down public debt, if necessary, by engaging in austerity, even in times of low growth.<sup>47</sup> Conversion sees old ideas being used in new ways. It helps to describe, for example, the shift in this recurring theme from the 1920s, when reduction of state spending was framed as protecting money as a ‘store of value’, to when it returned as ‘austerity’ to prevent inflation and arguments about ‘no bailouts’ and sustainable debt in the Eurozone.<sup>48</sup>

Diffusion involves the spread of neo-liberal ideas, whereas translation means the adaptation of such ideas to new contexts. Both lead to the integration into local philosophies of neo-liberal principles developed elsewhere. One example of diffusion and translation is the movement of neo-liberal ideas from countries that fully embraced neo-liberalism to those that did so only partially. Thus, in Germany and Sweden, even though neo-liberalism conflicted with traditional social-democratic and corporatist ideas, some key neo-liberal principles (e.g., use of markets to allocate resources or competition) were adopted from elsewhere, translated into more nationally relevant terms, and

<sup>44</sup> See Swidler 1986; Campbell 2004: 69–74; and Carstensen 2012.

<sup>45</sup> See Streeck and Thelen 2005. <sup>46</sup> See Campbell 2004: 77–85.

<sup>47</sup> See Gamble in this volume. <sup>48</sup> See Jones in this volume.

then integrated with these traditional ideas. The results were a recasting or renewal of social-democratic ideas with new neo-liberal elements, making for hybrids of ‘corporatist-managed liberalization’ in which ‘social partners’ are important participants with management in ensuring firms’ international competitiveness.<sup>49</sup>

### Neo-liberal resilience as dominance

The second element of neo-liberal ideational resilience is dominance in debates such that it tends to crowd out other ideas, both in existing domains in which it predominates and in new domains. Such dominance, first and foremost, takes the form of ‘hegemony’, in which certain core beliefs structure debates in the policy and/or the political spheres – whether we use the language of Gramsci or of paradigms to elucidate this.<sup>50</sup> One such hegemonic or paradigmatic belief is the beneficial nature of competition – observed in fields as diverse as regulation of commercial markets, banking, and welfare provision – with the concomitant need to reduce ‘barriers’ to competition in all domains while disregarding any damaging effects.<sup>51</sup> Another such belief is that the state is inherently less efficient than the private sector and that, although necessary for markets, it is always prone to failure and unjustified expansion.<sup>52</sup>

A second form of dominance is neo-liberalism’s powerful capacity to disseminate its principles widely to new domains or places. Thus, for instance, at the EU level, neo-liberal ideas of the value of competition have grown from a primary focus on economic markets to areas that were traditionally the preserve of state monopolies designed to provide ‘public services’, such as telecommunications, energy, postal services, and railways.<sup>53</sup> Similarly, neo-liberal arguments about the dangers of state intervention that were originally focused mainly on state planning and industrial policy have extended into areas such as regulating financial markets.<sup>54</sup>

<sup>49</sup> See Schnyder and Jackson in this volume.

<sup>50</sup> On hegemony, see the many works that build on Gramsci, including Laclau and Mouffe 1985; Overbeek and Apeldoorn 2012: 4–5; and Apeldoorn, Drahokoupil, and Horn 2008.

<sup>51</sup> See Ferrera, Mügge, and Thatcher, all in this volume.

<sup>52</sup> See Schmidt and Woll, Vitols, and Hay and Smith, all in this volume.

<sup>53</sup> See Thatcher 2007 and in this volume.

<sup>54</sup> See Mügge in this volume.

Ideational dominance also involves the exclusion of alternative ideas as illegitimate, whether on normative grounds regarding their inappropriateness or on cognitive grounds because of their lack of ‘practicability’. For example, in corporate governance, ideas of ‘shareholder value’ that originally sat alongside other principles such as stakeholder value gradually came to dominate thinking at the EU level, as the latter came to be increasingly portrayed as impracticable.<sup>55</sup> Exclusion of alternative ideas, even if regularly used in the past, has been even more marked in monetary policy, from monetary financing of state budget deficits to takeover of failing banks or providing deposit guarantees. Such exclusions have been justified by invoking supposed legal constraints or shared ideational frameworks, which Jones (in this volume) labels the Brussels–Frankfurt consensus.

### **Neo-liberal resilience as survival**

‘Resilience’ does not mean that neo-liberal ideas remain uncontested. On the contrary, the term also signifies the capacity to fend off actual or potential ideational competitors, even when they appear equally if not more successful in practice. One such alternative was represented by the postwar period of Christian and Social Democracy, which offered the ‘glorious thirty years’ of industrial development and the ‘golden years’ of the welfare state, in which European economies guided by ideas of cooperation, corporatism, and/or statism operated successfully within an overall international regime of ‘embedded liberalism’.<sup>56</sup>

In the ‘battle of ideas’, neo-liberalism also faced alternative paradigms and frameworks that traditionally have been powerful in Europe – notably Marxism and Socialism as well as Christian and Social Democracy.<sup>57</sup> Neo-liberalism has additionally been confronted with strong resistance in particular countries, whether those marked by statist traditions such as France, which resisted neo-liberal rhetoric,<sup>58</sup> or corporatist or ‘coordinated market economies’, which provided a different view of how markets could be structured and operated.<sup>59</sup> Although these alternatives also may have been weakened in the

<sup>55</sup> See Vitols in this volume.

<sup>56</sup> See Ruggie 1982, Shonfield 1965, and Katzenstein 1978.

<sup>57</sup> Cf. Helleiner 2003 and Blyth 2002.

<sup>58</sup> See Gualmini and Schmidt in this volume; see also Schmidt 2002, 2009, and Fioretos 2011.

<sup>59</sup> See Lehbruch and Schmitter 1982 and Hall and Soskice 2001.

1980s and 1990s, they have remained.<sup>60</sup> In the 2000s, moreover, policy makers, academics, and commentators sometimes drew on these diverse approaches to attack neo-liberalism, in particular using the example of the economic successes of countries farthest away from neo-liberalism – not only the Nordic countries with their continuing social-democratic traditions but also Germany, whose coordinated market economy suffered less from the housing boom and subsequent bust and which recovered much more strongly than, for instance, the more neo-liberal United Kingdom.

Yet, despite the challenges, neo-liberalism has not simply survived, it has also renewed its ideas on a continual basis so as to become and remain dominant. That dominance has ensured that it has come to define the terms of discussion and contestation. Such resilience can be seen as all the more remarkable given the challenges resulting from neo-liberalism's own apparent failures. European countries that since the 1980s drew on neo-liberal ideas for policy reforms – such as public-spending constraints, privatization, liberalization of markets; and regulatory, labour, and welfare reforms – have (in diverse measure) suffered from economic problems: high unemployment, low or at least uneven growth, increasing inequalities, and rising poverty. They have also experienced major market booms and busts on a regular basis. The most recent crisis alone would have been expected to call neo-liberal ideas into serious question. The experiences since the 1980s make the period of Social and Christian Democrat, corporatist, and socialist idea(l)s of the 1950s and 1960s appear as a lost halcyon period compared with the period since the 1980s. Even the much-maligned 1970s are attractive for many in terms of economic prosperity. Yet, despite a brief moment of apparent retreat in 2008–2009, neo-liberal ideas have not succumbed or been replaced with alternatives.

### **Forms and levels of neo-liberal ideas**

Analysis of neo-liberalism's ideational resilience can also benefit from a consideration of the variety of forms at different levels of generality in which neo-liberal ideas are cast. They may appear as ideologies or as frames of reference that set an all-encompassing perspective, narratives about why new policies are necessary and appropriate, problem

<sup>60</sup> Cf. Hancké, Rhodes, and Thatcher 2007.

definitions that frame issues and create shared meaning, or as strategic weapons in the battle for control. They may also be institutionalized through formal powers, norms, and objectives of organizations, as the informal rules and everyday practices of ordinary people; or they may be embedded in the political and moral vocabulary used in the discussion of market and state problems.

The multiple forms of neo-liberalism make the concept difficult to capture fully. This may well be an inherent part of its nature and an explanation for its resilience, which we explore under the five lines of analysis discussed herein. For now, we seek to create a minimum degree of order by drawing on the literature about typologies of ideas. This offers many categorizations, but a key common element is that ideas arise at different levels of generality. We distinguish three: philosophical principles or worldviews, programmatic ideas, and specific policy ideas and proposals. This may be important both for understanding neo-liberalism and for explaining its resilience because different levels of generality can experience diverse potential trajectories of persistence or change.

At their most general level, neo-liberal ideas constitute philosophical principles that may be embodied in worldviews, ideologies, normative values, or discourses about how markets and states work and what is therefore appropriate political economic action in the world. These may be seen as a set of philosophical ideas or ‘discourse’ united by a core set of values focused on individualism, free markets, and a strong but limited state; or the worldview of the followers of Friedrich Hayek, as Gamble elaborates in his chapter; or as an ideology that combines philosophy with a political programme, as Ferrera argues in his chapter. These types of philosophical ideas are often at such a deep level that they can become taken-for-granted ideas that are not even questioned. This is how Foucault’s (2004) exploration of the overarching *ordo-liberal* discourse of the state can prove useful for understanding how such a philosophy could be the unquestioned and almost unquestionable approach to economic policy in Germany from the 1950s onwards.<sup>61</sup>

At an intermediate level, we find programmatic ideas represented by neo-liberal problem definitions or analytical frameworks that define

<sup>61</sup> See Foucault 2004.

what types of actions states and markets can or should undertake. Such programmatic ideas can be highly influential in limiting policy debates and alternatives because they tend to set the definitions, goals, objectives, and instruments for economic growth, as Hay and Smith outlined for the Anglo-liberal growth model and as Thatcher has done for the 'regulatory model' of the EU Commission.

Finally, at the most immediate level, we find the policy ideas contained in the neo-liberal policy proposals, aims, and political discourse applied to particular situations. These may be highly specific and limited, concerning individual policies or even policy instruments. They may be grafted onto different types of policy programmes, regardless of their underlying philosophy. One illustration of this is what happened during the Eurozone crisis, in which new policy ideas in response to the crisis often violated the policy programme and even the underlying philosophy of the Brussels–Frankfurt consensus, as Jones notes in his chapter.

Many theories suggest that philosophical ideas generally persist over long periods. Programmatic ideas tend not to have as much staying power but are more lasting than policy ideas – which are open to more rapid shifts because they may be compatible with many different wider programmes and philosophies. Thereafter, the speed and nature of ideational change are a matter for debate. One view is that change in paradigms is rare but, when it occurs, it happens comprehensively at moments of crisis with systemic ideational shifts, as in Kuhn's view of change from one incommensurable paradigm to another.<sup>62</sup> Another view is that change in paradigms or programmes is rare but, when it occurs, it happens slowly in a dialectical process of market 'movement' and social 'counter-movement',<sup>63</sup> producing what Blyth called a moment of 'Great Transformation'.<sup>64</sup> A third view is that change is gradual and evolutionary, the result of incremental processes and discursive struggles among elites.

Our expectation is that a close fit among rates of change across the three levels of ideas should not be assumed given the multiple forms and levels of neo-liberal ideas. Indeed, our chapters sometimes indicate significant contrasts in the resilience of neo-liberalism across the three levels. Thus, for instance, policy programmes can change even

<sup>62</sup> See Kuhn 1970.    <sup>63</sup> See Polanyi 1945.    <sup>64</sup> See Blyth 2002: 34–44.

as the underlying philosophy remains the same, as in the progression from the conservatives' 1980s neo-liberal programme of state roll-back to the Social Democrats' 1990s neo-liberal programme of state roll-out, as discussed by Schmidt and Woll in their chapter. Equally, whatever their philosophical or programmatic ideas, policy makers have sometimes adopted rather different specific policy ideas, such as those concerning 'unorthodox' monetary instruments by the ECB after the 2010 state-debt crisis. Conversely, philosophical ideas can return again and again, albeit pursued through new instruments and in different guises or disguises. One example is the idea of 'sound finances', or the metaphor in which state finances are treated as the same as those of private households, as Gamble discusses in his chapter. Thus, changes at one level of neo-liberal ideas can be compatible or even aid resilience at another.

### **Agents of neo-liberalism**

Understanding the resilience of neo-liberal ideas also involves identifying the ideational agents – the actors who not only implement these ideas but also construct and reconstruct them. The relationship between agents and ideas is closely linked to wider debates between positivists and constructivists about the role of ideas.<sup>65</sup> At the positivist end of the continuum, neo-liberal ideas may be cast primarily as legitimating devices for interests, with analysis focused on how and why actors are able to apply neo-liberal ideas in pursuit of their goals. At the constructivist end of the continuum, neo-liberal ideas have central roles in policy making, including strategic ideas that serve as guiding frameworks, as 'paradigms' that set the frame for understanding, or as 'weapons' in the battle of ideas. Whereas positivists examine actors' strategic use of ideas, constructivists perceive ideas as constitutive, shaping agents' definitions of their interests.

We do not take a stand in the positivist–constructivist debate. One reason is that contributors offer evidence that draws on both views of ideas and the supposed conflict between the two extremes is rarely seen empirically. Neo-liberal ideas can serve the (perceived) interests of major actors such as the European Commission, political and

<sup>65</sup> For different views see for example Goldstein and Keohane 1993; Jobert 1989; Onuf 1989; Hall 1993; Wendt 1999; Blyth 2002; Schmidt 2002, 2008; Abdelal, Blyth, and Parsons 2010.

economic leaders, and financial firms and regulators.<sup>66</sup> They can shape actors' problem definitions and views of what are 'acceptable' solutions.<sup>67</sup> Moreover, they can frame the understandings of political leaders at both national and EU levels, as ideas about the virtues of competition, reduced state spending or the lack of alternative policies become articles of faith unquestioned even in the midst of crisis.<sup>68</sup>

Regardless of positions taken in the positivist–constructivist debate, our contributors' analyses of neo-liberalism all serve to identify the agents of resilience, who spread, develop, and sustain neo-liberal ideas through interactive processes of communication.<sup>69</sup> Such agents can be considered 'ideational entrepreneurs', whether the 'policy entrepreneurs' or 'mediators' of the comparative policy and political economy literature<sup>70</sup> or the 'norm entrepreneurs' of international relations.<sup>71</sup> Although they are mostly depicted as elites making top-down policy, such entrepreneurs can also be cast as activists in social movements with bottom-up policy effects.<sup>72</sup> Among elite ideational entrepreneurs, we can identify three general types – ideological, pragmatic, and opportunistic – classifiable according to how, why, and to what extent they took up and/or stayed with neo-liberal ideas.<sup>73</sup> Each played a part in the rise of neo-liberalism.

Ideological entrepreneurs can be seen as prime movers for neo-liberal reform, offering a set of overarching philosophical ideas that inform their policy programmes and ideas. These can be political leaders but also intellectuals, such as the economists, philosophers, and historians who developed the ideas for neo-liberalism in the 1930s and

<sup>66</sup> See Thatcher, Mügge, Vitols, and Orenstein, in this volume.

<sup>67</sup> See Jones and Mügge, this volume.

<sup>68</sup> See Thatcher, Gamble, and Schmidt and Woll, in this volume; see also Bermeo and Pontusson 2012.

<sup>69</sup> See, for example, Habermas 1996; Sabatier and Jenkins-Smith 1993; Haas 1992; Schmidt 2000, 2002, 2008; and Campbell 2004.

<sup>70</sup> See, for example, Fligstein and Mara-Drita 1996; Jobert 1989; and Muller 1995.

<sup>71</sup> See, for example, Finnimore and Sikkink 1998.

<sup>72</sup> See Keck and Sikkink 1998 and Epstein 2008. See also discussion in Schmidt 2008.

<sup>73</sup> Mahoney and Thelen 2009 use a similar set of actor categories but define them in terms of what they have accomplished, as befits historical institutionalist explanation. This categorization differs somewhat because these actors are defined by their beliefs in the ideas they promote and their discourse about them, whether or not they later may compromise those ideas in action.



then in the 1950s. They have also been technocratic elites, such as unelected officials in central banks or regulatory organizations such as the ECB or the Commission.<sup>74</sup> Pragmatic actors, in contrast, tend to be ‘bricoleurs’, cobbling ideas together, without a doctrinaire commitment to an underlying philosophy.<sup>75</sup> Thus, with regard to neo-liberalism, examples include leaders of the centre-left in the late 1990s, such as Blair and Schröder, who often sought to merge neo-liberal ideas with social-democratic ideas. Finally, opportunistic ideational entrepreneurs such as Berlusconi or Sarkozy have used neo-liberal ideas (often temporarily) with little commitment but solely to gain political power.<sup>76</sup>

Neo-liberal ideas have also been developed and spread by agents outside the direct policy sphere. Such agents may be organized in ‘epistemic communities’<sup>77</sup> or ‘discourse coalitions’<sup>78</sup> of loosely connected, like-minded converts who operate in academe, think tanks, and professional networks, disseminating their ideas without necessarily having a direct or immediate impact on the policy-making process. Certainly, this describes the intellectual leaders of the neo-liberal movement who operated initially through the Mont Pèlerin Society’s ‘thought collective’ of like-minded individuals and who – even if they disagreed on specific questions – shared enough in terms of values and principled beliefs to jointly develop and widely disseminate the results of their neo-liberal thinking.<sup>79</sup> However, these individuals may also be part of ‘advocacy coalitions’<sup>80</sup> in their own countries, as members of think tanks, as public intellectuals, and as academics they can join with policy makers or themselves become government officials and even leaders, as in the cases of Ludwig Erhard and Luigi Einaudi.<sup>81</sup>

Economists and other types of experts have been at the forefront of the generation and promulgation of neo-liberal ideas, in particular

<sup>74</sup> Cf. Mügge 2011.

<sup>75</sup> See Carstensen 2011; cf. also Mügge 2011. For the sociological foundations of the term *bricolage*, see Swidler 1986; Campbell 2004; and Fourcade and Savelsberg 2006.

<sup>76</sup> See Gualmini and Schmidt in this volume. <sup>77</sup> See Haas 1992.

<sup>78</sup> See Wittrock, Wagner, and Wollman 1991; and Hajer 1993.

<sup>79</sup> See Fleck 1980 and Plehwe 2009: 35; see also Plehwe, Walpen, and Neunhöffer 2006.

<sup>80</sup> See Sabatier and Jenkins-Smith 1993. <sup>81</sup> See Blyth 2013.

through ‘knowledge regimes’ in different national contexts.<sup>82</sup> They are important not only in generating neo-liberal ideas and in advising governments – as in the role of neo-liberal economists in recommending the mass privatization programmes in Central and Eastern Europe<sup>83</sup> – but also in implementing those ideas as heads of major national institutions (e.g., national central banks and finance ministries) or of supranational ones (e.g., the ECB, the EU Commission, and the International Monetary Fund [IMF]). Additionally, they are instrumental in training new generations of economists who then put their ideas into practice once they gain positions of power and authority.<sup>84</sup> Scholars have also shown that economists embed neo-liberal presuppositions in the very instruments and analytic tools that have increasingly come to be accepted not only by the players in the markets – whose financial models reshape rather than simply reflect the markets – but equally by the administrators of the state.<sup>85</sup> Indeed, in economic sociology, Jens Beckert’s (2011) has developed the concept of ‘fictionality’ which suggests instead of being economically ‘rational’, economists and market actors elaborate ‘imagined futures’ about what might happen and then organize their activities based on such ‘mental representations’. Here, through their effects on actors’ expectations, neo-liberal ideas contribute to the constitution of markets.

### Explaining resilience: Five lines of analysis

So how do we explain this resilience of neo-liberal ideas? We offer five possible lines of analysis, linked to wider theories about political economy and ideas. The first line of explanation is about the core principles and values of neo-liberal ideas, which provide it with a high degree of malleability or plasticity. As a result, when neo-liberal ideas are faced with internal and external difficulties, they can readily adapt and reshape themselves via processes of metamorphosis, absorption, or hybridization. The second concerns gaps between neo-liberal rhetoric and the realities of its policies in practice. Paradoxically, such gaps

<sup>82</sup> See, for example, Fourcade-Gourinchas and Babb 2002; and Campbell and Pedersen 2010.

<sup>83</sup> See Orenstein in this volume.

<sup>84</sup> See, for example, Fourcade 2009; Mandelkern and Shalev 2010; and Ban 2012.

<sup>85</sup> See Mackenzie 2006 and Mackenzie et al. 2007.

can actually be helpful to neo-liberal ideational entrepreneurs, allowing ideologues to continue to promote it as a set of principles and values even (or perhaps especially) if its detailed policy programme has been subject to compromise by the pragmatists or abandoned by opportunists because of problems with the policies. A third line of explanation focuses on discourse. This suggests that in the communication of the ideas, neo-liberal ideas can prove stronger in policy debates than rivals, whether as a result of the seeming coherence of the ideas, how they are framed, or how they are communicated.

The first three lines of analysis thus concern the nature of neo-liberalism itself as a set of ideas; the final two concern the wider context within which such ideas are set. The fourth line of explanation is about the power of interests – in the sense of self-interested agents who gain from neo-liberal ideas. The fifth line of analysis concerns the force of institutions, examining how institutional frameworks aid and support neo-liberalism while hindering alternative ideas in ways explicable by reference to different neo-institutionalisms.

In this section, we discuss the nature of the explanation offered by each line of analysis and then its possible mechanisms and processes. The concluding chapter examines how these five explanations have played out in practice, with examples from the different empirical chapters.

We see the five lines as distinct but complementary lines of inquiry. It is crucial to emphasize that we do not seek to explain whether and why policies are neo-liberal in their impact. Rather, we confine our task to exploring the resilience of neo-liberal political economic ideas as ideas – in their different forms and at their different levels, from general worldviews and values to paradigms, to specific policy proposals as they change or continue over time. In so doing, we also include the conflicts or contradictions in ideational processes both internal and external to neo-liberalism because, as discussed previously, we do not see it a single, coherent set of ideas. Indeed, we find that, apparent weaknesses or imbalances are often turned to neo-liberalism's advantage.

### *Neo-liberalism's ideational generality, diversity, and mutability*

Neo-liberal ideas are often highly general and amorphous. They appear to contain conflicting or even contradictory concepts that shift over time, policy domains, or context. Thus, neo-liberal positions over the

state, regulation, welfare, or active labour-market policies have evolved from seeking state 'retreat' to advocating new forms of state action to aid or enhance markets. Moreover, many of neo-liberalism's central ideas, especially at the level of specific policy proposals, have suffered drubbings when subjected to rigorous scrutiny and investigated in detail – from workfare policies to the drive for 'competitiveness' in healthcare systems, or from introducing competition in network industries such as rail transportation to 'light-touch' regulation in the finance markets.<sup>86</sup> Few policy makers accept the appellation because it often has negative connotations, especially in Europe. Indeed, for some, 'the neo-liberal label has become part of political rhetoric, albeit as an almost meaningless insult'.<sup>87</sup>

Although such criticisms of neo-liberalism as an analytical concept may be valid, they miss a key point: as a political attribute, generality, diversity, and mutability are some of neo-liberalism's strongest suits. Neo-liberalism can be viewed as a core set of first principles rather than as a specific and falsifiable set of positive theories or doctrines or proposals. The resilience of neo-liberalism benefits from its core principles over time as well as in their openness to diverse interpretation and application.<sup>88</sup> The very generality and plasticity of neo-liberalism, which make the concept seemingly amorphous and difficult to define precisely, are key reasons for its resilience.

This explanation suggests that the high level of generality of neo-liberalism's first principles focused on competitive markets and a limited state, combined with their great malleability, enable it to undergo many different permutations, not only to survive but also to dominate. This includes progressing from hostility against the state to the desire for a strong state, from highly permissive neo-liberal 'deregulation' to 'ordo-liberal' restrictive re-regulation, from passive reduction of social spending and job protections to active use of welfare to promote market efficiency via 'active labour-market policy'. Equally, the avoidance of the neo-liberal appellation increases the difficulty for its opponents to identify their object of attack, while permitting the adoption (in many diverse forms and to different extents) of its ideas by a varied range of political actors – from Berlusconi to Blair, from British

<sup>86</sup> For academic critiques across several economic domains, see, for example, Crouch 2011 and Harvey 2005.

<sup>87</sup> See Hartwich 2009. <sup>88</sup> See Brenner, Peck, and Theodore 2010.

Conservatives to Scandinavian Social Democrats, from campaigners against state ‘interference’ to national and European officials and regulators.

Far from being a weakness, internal theoretical contradictions and external political conflicts may fuel the growth of neo-liberalism. They produce a highly adaptable set of ideas, able to survive hostile climates and external challenges. We could even say that they offer a large menu of choices of ideas and proposals according to tastes.

Neo-liberalism’s generality and breadth may contribute to its resilience through several mechanisms and processes. One mechanism is metamorphosis. Constantly shifting policy ideas not only allow neo-liberalism to grow, develop, and spread but also permit its re-labelling so that past ideas return in new (dis)guises. Metamorphosis permits the proponents of neo-liberal ideas to evade paying the price of past scrutiny, as ideas that were discredited in previous periods recur, returning in new guises. Examples abound, such as the 1920s discourse of ‘sound money’ reappearing in the 1970s as monetarism and in the late 2000s as ‘sustainable debt’. As such, neo-liberalism can be likened to the hydra with many heads of Greek mythology: cut off one head and two pop back up.

Absorption is a second mechanism. As tensions and even contradictions multiply among neo-liberalism’s different philosophical principles and theories or among its principles and more specific policy programmes and ideas, so its loose and flexible framework may develop by absorbing other ideas, changing labels, and extending its scope. The reform of the welfare system is a case in point, when different social democratic elements were incorporated in neo-liberal initiatives, particularly beginning in the 1990s.

A third mechanism is hybridization. In this case, instead of ‘a fight to the finish’ with apparent ideational competitors, neo-liberal principles are often ‘married’ to them to produce new versions and hybrids of neo-liberalism. This was mostly the case for countries with strong corporatist labour–management relations. All three mechanisms attest to the mutability of neo-liberal ideas as they undergo metamorphoses, absorb other ideas, or combine with yet others.

The nature of neo-liberalism as an overall orientation suggests that high generality, lack of internal coherence, and conceptual ‘fuzziness’ may be advantageous for ideational resilience. However, the

explanation also requires identification of political processes and actors, as well as the context within which they operate. Hence, it invites consideration of other explanatory factors, such as how the generality and breadth of neo-liberalism relates to policies, rival ideas and discourses, interests, and institutions.

### *Neo-liberal rhetoric versus reality or the benefits of non-implementation*

Neo-liberalism has faced wide gaps between its rhetoric and the reality of its policies in practice. Already in the 1980s and 1990s, the soaring claims of ‘rolling back the state’ and ‘deregulation’ made by politicians such as Thatcher and Reagan turned out to be hollow in practice. But gaps seemed to increase with the 2007–2008 crisis. Thus, assertions about allocation through ‘efficient markets’ as opposed to the ‘inefficient state’ faced the reality of disastrous private-market decisions and state bailouts of large companies, including large financial institutions who had been the beacons of private markets. Equally, the rhetoric of ‘cutting back the state’ contrasts with increases in state size and market involvement after 2007–2008 due to ‘stimulus’ packages, increased welfare spending, and state aids. Finally, far from being seen as most successful, the most avowed ‘neo-liberal’ countries in Europe – notably the United Kingdom and Ireland – experienced sharp recessions after 2007–2008 and relative failure compared with countries that were more reticent about neo-liberalism, such as Germany and Sweden.

Such gaps between the rhetoric and a different reality might have been expected to weaken neo-liberalism; however, their continued reappearance suggests the opposite. Hence, this second line of analysis offers what may seem to be a paradoxical explanation: instead of undermining neo-liberalism, the gap between neo-liberal rhetoric and the implementation of those ideas actually aids resilience.

Different mechanisms for this second explanation can be hypothesized. First, neo-liberalism may be closer to a religion or ideology than to a practical set of policies. Proponents of neo-liberalism, in other words, may believe fervently in certain basic philosophical ideas on which they base their programmatic ideas, regardless of the practicability. Moreover, because these are normative philosophies and not positive theories that might be falsified by contrary observations,

proponents are likely to conclude – if implementation fails – that compliance was insufficient rather than that the theory was wrong. The result is pressure for more neo-liberalism, not less, as in the Eurozone crisis, in which the demands from Northern Europeans included tightened enforcement and punishment of the ‘sinners’ to the detriment of their economies.<sup>89</sup>

Alternatively, proponents can be opportunistic leaders, who adopt the policies only to win elections before then abandoning them when they prove too controversial or unpopular. French Prime Minister Chirac in the mid 1980s and Italian Prime Minister Berlusconi in the early 2000s are examples.<sup>90</sup> Furthermore, proponents can be pragmatic ideational entrepreneurs, willing to compromise in order to push through at least some elements of their programme, as in the case of Prime Ministers Tony Blair in the United Kingdom and Mario Monti in Italy.<sup>91</sup> In any of these four cases, lack of implementation could be used to reinforce the argument that more neo-liberalism is needed, based on a view that its proponents were inadequate (i.e., the ideological entrepreneurs) or betrayed the cause (i.e., the opportunistic and pragmatic entrepreneurs).

More generally, lack of implementation allows neo-liberal supporters to claim that their policies have never actually been tested in practice and protects them from blame for specific policy failures. This is significant because many neo-liberal policies – such as cutting public spending, reforming welfare, and reducing regulatory protection – are difficult to implement and extremely unpopular politically. At the same time, lack of implementation can preserve neo-liberalism’s apparent political ‘virginity’.

The implementation gap may even directly benefit neo-liberal supporters, notably in political arenas. It can divert attention from the messy difficulties of policy making, pointing to the ‘sunny uplands’ of the future. It can also provide supporters with a simple (or even simplistic) ‘poster child’ with which to contrast alternatives, which can be painted as failed, corrupt, and old-fashioned. Indeed, the rhetoric of neo-liberalism may be precisely designed not for implementation but

<sup>89</sup> Our thanks go to Fritz Scharpf for this insight. See also Jones in this volume and Scharpf 2012.

<sup>90</sup> See Gualmini and Schmidt in this volume.

<sup>91</sup> See discussion in Schmidt and Woll in this volume.

rather to alter the terms of political debate in ways that advantage its supporters and disadvantage its opponents – notably, carriers of alternative ideas.

This line of analysis underlines the political nature of neo-liberalism and the ways in which ‘policy’ may be subordinate to ‘politics’. However, it then points to other questions: Why is neo-liberalism an attractive option for offering impracticable ideas? Why is neo-liberalism not replaced with other ideas that are practicable? Which actors press for neo-liberal ideas and how do they benefit from them? How are neo-liberal myths sustained over time?

### *The strength of neo-liberal ideas and discourse in policy and politics*

A third line of explanation lies in the strength of neo-liberal ideas in policy debates and political discourse. For academics, who view neo-liberal ideas as highly flawed and neo-liberal discourse as mere rhetoric, it may seem surprising (if not painful) to think them worthy of serious consideration. However, we are concerned here with how ideas are developed, perceived, communicated, and received in the policy arena and the political sphere – not which are academically strong. Moreover, strength is relative. Despite the problems of neo-liberal ideas, critiques may have been limited and alternatives even weaker, at least in policy debates.<sup>92</sup>

This explanation lies in the realm of the production and development of ideas, as well as in their dissemination through discourse.<sup>93</sup> It thus takes ideas and discourse as the explanatory variable for their own resilience – they are not reduced to the effects of other factors.<sup>94</sup> It differs from the first explanation in that neo-liberal ideas here remain resilient by winning in the ‘battle of ideas’, in ‘discursive struggles’ against opposing alternatives, and even in the deliberative processes of argument and persuasion.

One mechanism by which neo-liberal ideas win over alternatives may arise from the content of the ideas themselves and the completeness of their seeming answers to current problems in both cognitive and

<sup>92</sup> Cf. Peck, Theodore, and Brenner 2009: 103.

<sup>93</sup> Cf. Blyth 2002, Hay 2001, and Schmidt 2008.

<sup>94</sup> Cf. Blyth 2002.



normative terms. Neo-liberal ideas may offer (or appear to offer) a more coherent account of the usefulness and necessity of their proposed initiatives than rivals such as Social or Christian Democracy, given new constraints, especially international constraints including global competition, large capital markets, and massive cross-border financial and other flows. Similarly, the neo-liberal discourse that promises to rein in spending, with appeals to the ‘virtue’ of sound finances using the metaphor of the household economy, may resonate better with ordinary citizens than the Keynesian counterintuitive proposition to spend more at a time of high deficits and debts.

A second mechanism is related to how neo-liberal ideational entrepreneurs use their ideas to ‘frame’ current problems,<sup>95</sup> offering a ‘*référentiel*’, or frame of analysis, through which to interpret events<sup>96</sup> and developing narratives and storylines to weave together policy prescriptions, policy programmes, and philosophical principles into a seemingly coherent account of what happened and why. They may additionally create metaphors, myths, and symbols to bolster their message. Here, self-reinforcement also occurs as subsequent events are interpreted through neo-liberal lenses. Thus, for example, even apparent failures of neo-liberal inspired policies (e.g., recession arising from austerity) become lessons in the importance of avoiding ‘excessive’ state spending.

Framing can be linked to a third and often powerful mechanism: political discourse that successfully communicates neo-liberal policy ideas while crowding out or disadvantaging alternatives. Neo-liberal ideational entrepreneurs widely disseminated their ideas. This happened first in the ‘coordinative discourse’ among policy actors, as neo-liberal ideas were generated by think tanks or thought collectives (e.g., the Institute of Economic Affairs in Britain and the Mont Pèlerin Society).<sup>97</sup> They were then circulated by elite ‘epistemic communities’, promoted by politically connected ‘advocacy coalitions’, and adopted by powerful ideational entrepreneurs – who translated and communicated them into language accessible to the public. Many neo-liberal ideas are highly suitable for this ‘communicative discourse’ through which ideas are conveyed to the public: they are easy to understand

<sup>95</sup> See Rein and Schön 1994. <sup>96</sup> See Jobert and Muller 1987 and Muller 1995.

<sup>97</sup> See, for example, Denham 1996 and Plewhe 2009; on welfare in Britain and Germany, see Pautz 2012.

and resonate with ‘common sense’ and with deep values and (interpreted) personal experience.<sup>98</sup> This makes them easier to communicate than many rivals and also highly attractive to political parties, commentators, and ‘second-hand dealers’ and ‘*bricoleurs*’ of ideas, who can combine them with other concepts or philosophies, from Social Democracy to statism.<sup>99</sup>

Neo-liberal ideas also may serve to reconceptualize the interests and priorities of agents. For example, with regard to labour markets, neo-liberal ideas challenged the postwar ideal of organization via corporatist relations between management and unions, with a new frame in which businesses should determine wages in decentralized labour markets, whereas labour unions were presented as damaging firms and the economy. Multinational businesses, in particular, largely reconceptualized their interests in this way, even in corporatist countries, as they increasingly pressured unions to agree to greater flexibility in wages and working conditions and governments to legislate ‘structural reform’.<sup>100</sup>

### *The power of interests as the winners from neo-liberalism*

Interest-based analyses view ideas as tools wielded by self-interested actors. In contrast to the third line of explanation, the values and priorities of such actors are not changed by ideas – instead, neo-liberalism is utilized by actors to achieve their aims. Hence, a fourth line of explanation is that debates about economic policy have been captured by powerful interests (a claim made by ‘critical political economists’ in particular).<sup>101</sup> Those interests have promoted and sustained neo-liberal ideas because they gain from them. They are able to prevent alternatives to neo-liberalism (which exist and may well be stronger in intellectual and policy terms – in contrast to the third explanation) from being accepted in policy debates because of their power, whether economic, institutional, or coercive. This suggests a process whereby self-interested actors promote neo-liberal ideas that, in turn, produce

<sup>98</sup> See Schmidt 2002, 2006, and 2010.

<sup>99</sup> See Carstensen 2011 or, for national examples, Schnyder and Jackson, Hay and Smith, Orenstein, and Gualmini and Schmidt, all in this volume.

<sup>100</sup> See Schnyder and Jackson, and Martin, both in this volume.

<sup>101</sup> See, for example, Harvey 2005 on the ‘construction of consent’. See also Overbeek and Apeldoorn 2012.

policies that enable them to pursue their interests, whether in terms of political power or material gain. The result is a self-reinforcing process between ideas and self-interested actors.

An interest-based analysis examines the resources, strategies, and coalitions of actors in developing and promoting neo-liberal ideas. Unlike the third line of explanation, 'interests' usually refer to coalitions of actors. Economic actors – firms, their senior managers, and their associations, as well as institutional investors – comprise the most obvious starting point because they are at the heart of neo-liberalism.<sup>102</sup> However, political parties and elected politicians may also have important roles. Unelected officials are also significant – not only civil servants but also members of non-majoritarian institutions that have spread and gained powers in Europe since the 1980s, including independent regulatory authorities, the European Commission, courts, and independent central banks.<sup>103</sup> Finally, powerful individuals can also contribute, for example, by forming coalitions that press for fiscal 'rigour', competition, free trade, and other neo-liberal ideas.

This line of explanation suggests that these actors promote neo-liberal ideas for self-interest. Such actors may benefit materially, notably through lower taxes (especially on large firms and rich individuals) or through the new opportunities opened up by 'deregulation' and privatization, either through the reduction in constraints on business activity or to provide services no longer guaranteed by the state. In the United States, Hacker and Pierson argue that business interests in particular have gained in organizational power since the 1980s, whereas labour and voters have lost, and that they have used this power to promote the enactment of inequality-enhancing policies as well as to engineer institutional 'drift' through resistance to the updating of policy, thereby benefitting themselves and the very rich.<sup>104</sup> Politicians also can gain by using neo-liberal ideas to win elections and achieve or retain political power. Neo-liberal discourse can supply political parties with valuable weapons in elections and in political debate. They can provide justifications for policies that benefit their supporters and disadvantage their opponents. Equally, they can provide justification for additional powers to be transferred to non-majoritarian institutions in the name of 'efficiency' and 'competition'.

<sup>102</sup> Cf. Crouch 2011 and Harvey 2005.

<sup>103</sup> Cf. Coen and Thatcher 2005.

<sup>104</sup> See Hacker and Pierson 2010.

There are several mechanisms that link self-interested actors and support for neo-liberal policy ideas. One mechanism is through such actors' production of ideas for both policy agendas and political programmes. In contrast with our third line of analysis, which focused on the content, framing, and discursive presentation of ideas, this fourth line of analysis considers the strategic construction and use of neo-liberal ideas by self-interested actors, whether or not they believe in them.

Interests can also create coalitions in support of neo-liberal ideas, offering a second mechanism for their influence. Here, the causality suggested in the third explanation is reversed: coalitions promote ideas rather than ideas acting as 'glue' for coalitions. This mechanism can be observed through evidence such as funding for think tanks or associations that develop and disseminate neo-liberal ideas.

Finally, communicating and persuading people about (or, in the cruder language of advertising, 'selling') neo-liberal ideas represent a third mechanism. This highlights the important role not only of politicians in popularizing neo-liberal ideas but also that of the media in propagating them. The media may have links to pro-neo-liberal interests, from political parties to firms and individuals, through ownership or mutually beneficial exchange relationships – as in the cases of Rupert Murdoch and Silvio Berlusconi.

Feedback mechanisms are also important in this fourth line of analysis. One feedback process can take the form of policies inspired by neo-liberalism that increase the power of self-interested actors to further promote their self-interest. This has certainly been the case of deregulatory policy ideas promoted by financial-market actors, who only became larger and more systemically powerful as those ideas were implemented (and, in turn, could invest more in lobbying and promoting neo-liberal ideas).<sup>105</sup> A second mechanism builds on the first because as actors gain in power, they are likely to broaden their initial coalition. This may be true because others are won over to neo-liberal ideas, as in the case of European competition policy, or because 'if they can't beat them, they join them', as in the case of the centre-left accepting neo-liberal ideas in the UK and elsewhere beginning in the 1990s. A third feedback loop is one in which the content of the ideas

<sup>105</sup> See Lindblom 1977 and Block 1977.

(as in the third line of analysis) serves to reinforce the power and interests of the actors using those ideas for their own strategic purposes. This may be especially relevant in cases of what Pepper Culpepper calls ‘quiet politics’, in which business interests enjoy more room for influence because of the high level of technicality of the policy ideas under discussion, as in the case of corporate governance.<sup>106</sup>

However, whatever the mechanisms of support or of feedback, self-interested actors – along with the ideas they convey – all take place in given contexts. These contexts – meaning the institutional framework within which they are played out – are also significant.

### *The force of institutions as constraints and opportunities*

An institutionalist analysis emphasizes how institutions shape the endurance, dominance, and survival in the face of challenges of neo-liberal ideas rather than how neo-liberal ideas have influenced institutional formation. Multiple definitions of ‘institutions’ exist; however, here, we mainly use the term to refer to formal organizations and formal and informal rules and regularities.<sup>107</sup> Hence, the explanation can point to organizations and formal structures that shape the incentives for actors or that determine the venues for political discourse and debates, legal rules that influence the choices available, and social norms that affect which rules are regarded as practicable or legitimate.

One basis for this line of analysis comes from a well-developed literature that claims that ‘institutions’ are crucial for the spread and implantation of ideas. Thus, for instance, Peter Hall<sup>108</sup> and Margaret Weir and Theda Skocpol<sup>109</sup> argue that the adoption of ideas, whether major new paradigms such as Keynesianism and monetarism or specific policy ideas, depends on whether they are ‘congruent’ with existing institutions – which means the extent to which they are practicable within existing national institutions and, hence, compatible with the institutionally shaped interests of key policy actors.<sup>110</sup> This offers a

<sup>106</sup> See Culpepper 2011.

<sup>107</sup> Here, to avoid confusion, we start by restricting our definition to formalized institutions and rules, as opposed to a more constructivist definition of institutions, in terms of the meanings they hold for the agents who constructed them and are structured by them.

<sup>108</sup> See Hall 1984, 1986, and 1989. <sup>109</sup> See Weir and Skocpol 1985.

<sup>110</sup> However, see the critique by Blyth (2002: 20–27), who argues that this then cannot explain the spread of transformative ideas.

powerful explanation for the differential spread and re-interpretation of ideas across countries, helping to explain why neo-liberalism apparently was adopted more quickly and deeply in the United States and the United Kingdom than in, for example, France and Sweden.

A separate school of thought, initiated in international relations, argues that the dissemination of ideas also strongly depends on whether they are 'institutionalized' through organizational design, aiding in their persistence.<sup>111</sup> For neo-liberalism, this explanation would underline the creation and strengthening of organizations that promote neo-liberal ideas.<sup>112</sup> These may be 'non-majoritarian institutions' such as the European Commission, courts, or independent central banks and regulatory agencies that spread from the 1980s onwards<sup>113</sup> but also new or strengthened private bodies such as credit-rating agencies or standard-setting bodies that have acquired an important role in economic markets.<sup>114</sup> Certainly, the institutionalization of neo-liberal ideas in the EU's highly independent non-majoritarian institutions – such as the ECB, with the focus of its charter on price inflation, or the European Commission's Directorate-General for Competition, charged to focus on competition – attest to the importance of institutional design.<sup>115</sup>

Historical institutionalism, moreover, suggests that once ideas are institutionalized, they represent powerful forces for continuity. This may occur through the 'path dependence' of existing ideas, the constraints on innovation, and on alternatives.<sup>116</sup> It may also occur through incremental change that involves keeping existing institutions, notably via layering of new institutions onto old ones; permitting drift of present institutions; or conversion of old institutions.<sup>117</sup> The successive pacts for stability in the Eurozone – beginning with the Stability and Growth Pact that consecrated the 1990s Maastricht criteria

<sup>111</sup> See Goldstein 1993 and Goldstein and Keohane 1993; see also Blyth 2002.

<sup>112</sup> This explanation may come close to the fourth one – namely, interests. However, there are two differences: a historical institutionalist approach examines changes in organizations as the explanation, whereas an interest-based approach based in rational-choice institutionalism takes them as fixed; sociological or historical institutionalist analyses of organizations treat them as following inherited or given behaviour rather than acting as rational self-interested actors.

<sup>113</sup> See, for example, Thatcher and Stone Sweet 2002.

<sup>114</sup> See Kerwer 2005 and Sinclair 2005, 2010. Cf. Büthe and Mattli 2011.

<sup>115</sup> See Thatcher and Jones, both in this volume. <sup>116</sup> See Pierson 2004.

<sup>117</sup> See Streeck and Thelen 2005 and Mahoney and Thelen 2009.

for monetary union and culminating with various pacts during the Eurozone crisis – ensure that neo-liberal ideas about fiscal consolidation, regardless of their failure to solve the crisis, have created path dependence for the rules of EU monetary policy that will be difficult to reverse.<sup>118</sup> Moreover, the heavy investment in ideas about competition and efficient markets, along with their institutionalization through legislation, constrains the espousal of ideational alternatives that could be organizationally risky, as indicated by the contortions of the ECB to justify ‘exceptional measures’ to respond to the crisis.<sup>119</sup>

Sociological institutionalists go even further, viewing institutions as also serving to constrain and empower actors.<sup>120</sup> Mechanisms of ideational influence and reproduction result from institutional isomorphism, whether through mimetism, normative processes, or coercion.<sup>121</sup> Neo-liberal ideas as such may be seen as a form of ‘fashion’ to be copied or taken as a ‘recipe’ to be applied, adopted, or adapted by other countries in a wide range of domains. Institutional actors such as the IMF, the EU Commission, and the ECB, as well as governments in most European countries, have promoted such mimetism at one time or another. However, they also – often at the same time – have cast neo-liberal ideas as norms for policies as the only ‘right’ or legitimate thing to do, whether to reform welfare by linking it to work or by viewing all debt as unsustainable. They have equally used coercion in imposing neo-liberal ideas as the only ones available – as in the case of EU and IMF conditionality for Central and Eastern European countries.<sup>122</sup> However, coercion also can come indirectly from the perceived threats of non-conformity with neo-liberal ideas, whether from the ‘shadow of the law’ hanging over policy debates in domains as varied as fiscal policy, regulation, and welfare or from the ‘markets’.

Thus, a fifth explanation for neo-liberal resilience is that, since the 1980s, institutions have come to provide support and opportunities for neo-liberal ideas while conversely constraining and disadvantaging alternatives. However, the many different ways in which such institutional resilience operates is more dependent on the theoretical analysis used than in the other four lines of analysis. Whereas rational-choice institutionalists will point to how organizations or formal rules

<sup>118</sup> See Jones in this volume.

<sup>119</sup> See Jones in this volume. <sup>120</sup> See Campbell 2004.

<sup>121</sup> See DiMaggio and Powell 1991. <sup>122</sup> See Orenstein in this volume.

establish the incentives that affect actors' calculations, thereby constraining change and structuring opportunities, historical institutionalists may focus on either the path-dependent constraints of self-reinforcing processes or the incremental processes that add opportunities, even as they constrain the direction of change. In contrast, sociological institutionalists will look for processes such as mimetism, normative legitimation, and coercion to emphasize that the resilience of neo-liberal ideas comes not from superiority in a 'competition for ideas' but instead because of wider legitimation and existing power structures. Finally, discursive institutionalists will return to the role of discourse in the embedding of neo-liberal ideas in public debates and discussions within differing institutional contexts. They may either underline how discourse relates to the three other institutionalisms or take a more constructivist approach by emphasizing how institutions are constructions of meaning, as they structure thought and action.<sup>123</sup>

## Conclusion

The term 'neo-liberalism' often evokes powerful reactions from policy makers and the public in many European countries. Frequently, it is associated with unpopular policies, such as accepting greater inequality, imposing market competition, fiscal austerity, and reducing the welfare state. A (usually smaller) body of opinion disagrees strongly, viewing neo-liberalism as liberating individuals and firms from the deadening hand of the state or monopolists.

Academics also react strongly to neo-liberalism. Many see it as a negative or dangerous set of ideas or even an ideology, representing a return to the past and a rejection of scientific progress. They focus on its internal contradictions, its adoption of theories riddled with weaknesses, and its oversimplification of complex problems. Equally, they underline the repercussions of policies inspired or legitimated by neo-liberalism. Others point to the difficulties of applying a term that is often polemical, lacks boundaries, and whose policy prescriptions conflict with one another and are in flux.

Our approach here differs from both the normative reactions and the academic critiques of the term. We treat the resilience of neo-liberal ideas as a political phenomenon to be investigated. We look at the nature of such ideas, who holds them, how they are used, and – of

<sup>123</sup> See Schmidt 2000, 2002, and 2008.



course – why they remain resilient. Regardless of our personal views about their content, we see their place and continued dominance in policy debates and political discourse as a matter to be analysed using the tools of political explanation. We do so by investigating the possible reasons for its resilience, including the flexibility of its ideational content, the promises that remain unfulfilled or broken, its predominance in debates, the strategic support from interests, and its embeddedness in institutions. All of these reasons help to explain why neo-liberal ideas continue not only to survive but also to dominate by defining how the key questions in political economy today are conceived, which solutions are proposed, which debates about policy choices are available, and which policy proposals are viewed as legitimate.

The resilience of neo-liberal ideas is one of the major themes of our epoch – the importance of the market, the size and role of the state, the nature of the welfare system, the extent of competition, the purposes and basis of regulation, the shaping of labour markets, and the rules that govern corporations. Such ideas are at the core of politics across many different domains and polities. The strength of reaction to the concept of neo-liberalism alone indicates its importance. Indeed, in the light of Keynes's powerful insight about the ideational sources of economic decision making, we believe that investigating neo-liberal ideas is central to understanding Europe's political economy.

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